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Â Â UNITED STATES SECURITIES AND EXCHANGE COMMISSIONWASHINGTON, D.C. 20549 Form 10-Q Â â˜' QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended September 30, 2024 Â OR Â â˜ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 Â Commission File Number Â 001-34126 HCI Group, Inc. (Exact name of registrant as specified in its charter) Â Florida 20-5961396 (State of Incorporation) (IRS EmployerIdentification No.) 3802 Coconut Palm DriveTampa, FL 33619(Address, including zip code, of principal executive offices) Â (813) 849-9500(Registrantâ€™s telephone number, including area code) Securities registered pursuant to Section 12(b) of the Act: Â Title of Each Class Â Trading Symbol Â Name of Each Exchange on Which Registered Common Shares, no par value Â HCI Â New York Stock Exchange Â 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 â˜' No â˜ 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 (Â§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 â˜' No â˜ 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 â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting company,â€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act. Â Large accelerated filer â˜ Accelerated filerÂ â˜' Non-accelerated filer â˜ Smaller reporting company â˜

Â Â Â Emerging growth company â˜ If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. â˜ Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes â˜ No â˜' The aggregate number of shares of the registrantâ€™s common stock, no par value, outstanding on November 1, 2024 was 10,537,256. Â Â HCI GROUP, INC. AND SUBSIDIARIES Â TABLE OF CONTENTS Â Â Â Â Â Page Â Â Â Â Â PART I â€" FINANCIAL INFORMATION Â Â Â Â Â Item 1 Â Financial Statements Â Â Â Â Consolidated Balance Sheets: Â Â Â Â September 30, 2024 (unaudited) and December 31, 2023 Â 1-2 Â Â Consolidated Statements of Income: Â Â Â Â Three and nine months ended September 30, 2024 and 2023 (unaudited) Â 3 Â Â Consolidated Statements of Comprehensive Income: Â Â Â Â Three and nine months ended September 30, 2024 and 2023 (unaudited) Â 4 Â Â Consolidated Statements of Equity: Â Â Â Â Three and nine months ended September 30, 2024 and 2023 (unaudited) Â 5-8 Â Â Consolidated Statements of Cash Flows: Â Â Â Â Nine months ended September 30, 2024 and 2023 (unaudited) Â 9-11 Â Â Notes to Consolidated Financial Statements (unaudited) Â 12-51 Â Â Â Â Â Item 2 Â Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations Â 52-66 Â Â Â Â Â Item 3 Â Quantitative and Qualitative Disclosures About Market Risk Â 67-68 Â Â Â Â Â Item 4 Â Controls and Procedures Â 69 Â Â Â Â Â Â Â Â Â Â PART II â€" OTHER INFORMATION Â Â Â Â Â Item 1 Â Legal Proceedings Â 70 Â Â Â Â Â Item 1A Â Risk Factors Â 70 Â Â Â Â Â Item 2 Â Unregistered Sales of Equity Securities and Use of Proceeds Â 70-71 Â Â Â Â Â Item 3 Â Defaults Upon Senior Securities Â 71 Â Â Â Â Â Item 4 Â Mine Safety Disclosures Â 71 Â Â Â Â Â Item 5 Â Other Information Â 71 Â Â Â Â Â Item 6 Â Exhibits Â 72-78 Â Â Â Â Â Signatures Â 79 Â Â Â Certifications Â Â Â Â Â PART I â€" FINANCIAL INFORMATION Item 1 â€" Financial Statements HCI GROUP, INC. AND SUBSIDIARIES Consolidated Balance Sheets (Dollar amounts in thousands) Â Â Â September 30, Â Â December 31, Â Â Â 2024 Â Â 2023 Â Â (Unaudited) Â Â Â Assets Â Â Â Â Â Â Fixed-maturity securities, available for sale, at fair value (amortized cost: $665,669Â Â Â Â and $387,687, respectively and allowance for credit losses: $0Â and $0, respectively) Â $ 668,231 Â Â $ 383,238 Â Equity securities, at fair value (cost: $50,982Â and $44,011Â respectively) Â Â 56,333 Â Â Â 45,537 Â Limited partnership investments Â Â 21,497 Â Â Â 23,583 Â Real estate investments Â Â 77,511 Â Â Â 67,893 Â Total investments Â Â 823,572 Â Â Â 520,251 Â Cash and cash equivalents (a) Â Â 518,786 Â Â Â 536,478 Â Restricted cash (a) Â Â 3,310 Â Â Â 3,287 Â Receivable from maturities of fixed-maturity securities Â Â â€" Â Â Â 91,085 Â Accrued interest and dividends receivable Â Â 6,382 Â Â Â 3,507 Â Income taxes receivable (a) Â Â 4,919 Â Â Â â€" Â Deferred income taxes, net Â Â â€" Â Â Â 512 Â Premiums receivable, net (allowance: $4,218Â and $3,152, respectively) (a) Â Â 59,183 Â Â Â 38,037 Â Assumed premiums receivable Â Â â€" Â Â Â 19,954 Â Prepaid reinsurance premiums (a) Â Â 105,092 Â Â Â 86,232 Â Reinsurance recoverable, net of allowance for credit losses: Â Â Â Â Â Â Paid losses and loss adjustment expenses (allowance: $0Â and $0, respectively) Â Â 27,518 Â Â Â 19,690 Â Unpaid losses and loss adjustment expenses (allowance: $46Â and $118, respectively) Â Â 273,053 Â Â Â 330,604 Â Deferred policy acquisition costs (a) Â Â 56,401 Â Â Â 42,910 Â Property and equipment, net Â Â 29,452 Â Â Â 29,251 Â Right-of-use assets â€" operating leases Â Â 1,240 Â Â Â 1,407 Â Intangible assets, net Â Â 5,820 Â Â Â 7,659 Â Funds withheld for assumed business Â Â 14,527 Â Â Â 30,087 Â Other assets (a) Â Â 58,119 Â Â Â 50,365 Â Total assets Â $ 1,987,374 Â Â $ 1,811,316 Â (a)See Note 13 for details of balances associated with consolidated variable interest entity. Â (continued) 1 Â HCI GROUP, INC. AND SUBSIDIARIES Consolidated Balance Sheets â€" (Continued) (Dollar amounts in thousands) Â Â Â September 30, Â Â December 31, Â Â Â 2024 Â Â 2023 Â Â (Unaudited) Â Â Â Liabilities and Equity Â Â Â Â Â Â Losses and loss adjustment expenses (a) Â $ 612,354 Â Â $ 585,073 Â Unearned premiums (a) Â Â 547,700 Â Â Â 501,157 Â Advance premiums (a) Â Â 37,767 Â Â Â 15,895 Â Reinsurance payable on paid losses and loss adjustment expenses Â Â â€" Â Â Â 3,145 Â Ceded reinsurance premiums payable (a) Â Â 7,168 Â Â Â 8,921 Â Assumed premiums payable (a) Â Â 315 Â Â Â 850 Â Accrued expenses (a) Â Â 37,121 Â Â Â 19,722 Â Income tax payable Â Â â€" Â Â Â 7,702 Â Deferred income taxes, net (a) Â Â 5,419 Â Â Â â€" Â Revolving credit facility Â Â 46,000 Â Â Â â€" Â Long-term debt Â Â 185,081 Â Â Â 208,495 Â Lease liabilities â€" operating leases Â Â 1,250 Â Â Â 1,408 Â Other liabilities (a) Â Â 39,039 Â Â Â 35,623 Â Total liabilities Â Â 1,519,214 Â Â Â 1,387,991 Â Commitments and contingencies (Note 21) Â Â Â Â Â Â Redeemable noncontrolling interests (Note 18) Â Â 1,491 Â Â Â 96,160 Â Equity: Â Â Â Â Â Â Common stock (noÂ par value, 40,000,000Â shares authorized, 10,479,076Â and 9,738,183Â Â shares issued and outstanding at September 30, 2024 and December 31, 2023, Â Â respectively) Â Â â€" Â Â Â â€" Â Additional paid-in capital Â Â 119,971 Â Â Â 89,568 Â Retained income Â Â 333,453 Â Â Â 238,438 Â Accumulated other comprehensive income (loss), net of taxes Â Â 1,920 Â Â Â (3,163) Total stockholdersâ€™ equity Â Â 455,344 Â Â Â 324,843 Â Noncontrolling interests Â Â 11,325 Â Â Â 2,322 Â Total equity Â Â 466,669 Â Â Â 327,165 Â Total liabilities, redeemable noncontrolling interests and equity Â $ 1,987,374 Â Â $ 1,811,316 Â Â (a)See Note 13 for details of balances associated with consolidated variable interest entity. Â See accompanying Notes to Consolidated Financial Statements (unaudited). 2 Â HCI GROUP, INC. AND SUBSIDIARIES Consolidated Statements of Income (Unaudited) (Dollar amounts in thousands, except per share amounts) Â Â Â Three Months Ended Â Â Nine Months Ended Â Â Â September 30, Â Â September 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Revenue Â Â Â Â Â Â Â Â Â Â Â Â Gross premiums earned Â $ 265,518 Â Â $ 188,308 Â Â $ 785,723 Â Â $ 550,322 Â Premiums ceded Â Â (109,694) Â Â (66,152) Â Â (254,513) Â Â (203,051) Net premiums earned Â Â 155,824 Â Â Â 122,156 Â Â Â 531,210 Â Â Â 347,271 Â Net investment income Â Â 13,714 Â Â Â 9,384 Â Â Â 44,662 Â Â Â 35,893 Â Net realized investment gains (losses) Â Â 2,846 Â Â Â (207) Â Â 3,058 Â Â Â (1,586) Net unrealized investment gains (losses) Â Â 657 Â Â Â (1,041) Â Â 3,825 Â Â Â 385 Â Policy fee income Â Â 1,229 Â Â Â 1,092 Â Â Â 3,337 Â Â Â 3,651 Â Other Â Â 1,047 Â Â Â 260 Â Â Â 2,084 Â Â Â 2,386 Â Total revenue Â Â 175,317 Â Â Â 131,644 Â Â Â 588,176 Â Â Â 388,000 Â Expenses Â Â Â Â Â Â Â Â Â Â Â Â Losses and loss adjustment expenses Â Â 105,736 Â Â Â 66,726 Â Â Â 263,982 Â Â Â 189,181 Â Policy acquisition and other underwriting expenses Â Â 26,104 Â Â Â 22,768 Â Â Â 71,695 Â Â Â 68,106 Â General and administrative personnel expenses Â Â 19,175 Â Â Â 13,864 Â Â Â 52,920 Â Â Â 41,638 Â Interest expense Â Â 3,421 Â Â Â 2,827 Â Â Â 10,022 Â Â Â 8,295 Â Other operating expenses Â Â 6,801 Â Â Â 5,371 Â Â Â 22,021 Â Â Â 17,290 Â Total expenses Â Â 161,237 Â Â Â 111,556 Â Â Â 420,640 Â Â Â 324,510 Â Income before income taxes Â Â 14,080 Â Â Â 20,088 Â Â Â 167,536 Â Â Â 63,490 Â Income tax expense Â Â 4,688 Â Â Â 4,419 Â Â Â 44,089 Â Â Â 15,146 Â Net income Â Â 9,392 Â Â Â 15,669 Â Â Â 123,447 Â Â Â 48,344 Â Net income attributable to redeemable noncontrollingÂ Â Â interests (Note 18) Â Â â€" Â Â Â (2,349) Â Â (10,149) Â Â (7,010) Net income attributable to noncontrolling interests Â Â (3,710) Â Â (163) Â Â (5,929) Â Â (396) Net income after noncontrolling interests Â $ 5,682 Â Â $ 13,157 Â Â $ 107,369 Â Â $ 40,938 Â Basic earnings per share Â $ 0.54 Â Â $ 1.53 Â Â $ 10.42 Â Â $ 4.76 Â Diluted earnings per share Â $ 0.52 Â Â $ 1.34 Â Â $ 8.59 Â Â $ 4.16 Â Â See accompanying Notes to Consolidated Financial Statements (unaudited). 3 Â HCI GROUP, INC. AND SUBSIDIARIES Consolidated Statements of Comprehensive Income (Unaudited) (Dollar amounts in thousands) Â Â Â Three Months Ended Â Â Nine Months Ended Â Â Â September 30, Â Â September 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Net income Â $ 9,392 Â Â $ 15,669 Â Â $ 123,447 Â Â $ 48,344 Â Other comprehensive income: Â Â Â Â Â Â Â Â Â Â Â Â Change in unrealized gain on investments: Â Â Â Â Â Â Â Â Â Â Â Â Net unrealized gains arising during the period Â Â 8,042 Â Â Â 850 Â Â Â 8,799 Â Â Â 1,002 Â Reclassification adjustment for net realized (gains) losses Â Â (1,830) Â Â 157 Â Â Â (1,788) Â Â 907 Â Net change in unrealized gains Â Â 6,212 Â Â Â 1,007 Â Â Â 7,011 Â Â Â 1,909 Â Deferred income taxes on above change Â Â (1,556) Â Â (255) Â Â (1,756) Â Â 2,126 Â Total other comprehensive income, net of income taxes Â Â 4,656 Â Â Â 752 Â Â Â 5,255 Â Â Â 4,035 Â Comprehensive income Â Â 14,048 Â Â Â 16,421 Â Â Â 128,702 Â Â Â 52,379 Â Comprehensive income attributable to noncontrollingÂ Â Â interests Â Â (3,867) Â Â (194) Â Â (6,101) Â Â (542) Comprehensive income after noncontrolling interests Â $ 10,181 Â Â $ 16,227 Â Â $ 122,601 Â Â $ 51,837 Â Â See accompanying Notes to Consolidated Financial Statements (unaudited). 4 Â HCI GROUP, INC. AND SUBSIDIARIES Consolidated Statements of Equity For the Three Months Ended September 30, 2024 (Unaudited) (Dollar amounts in thousands, except per share amount) Â Â Â Common Stock Â Â AdditionalPaid-In Â Â Retained Â Â AccumulatedOtherComprehensive(Loss) Income, Â Â TotalStockholdersâ€™ Â Â Noncontrolling Â Â Total Â Â Â Shares Â Â Amount Â Â Capital Â Â Income Â Â Net of Tax Â Â Equity Â Â Interests Â Â Equity Â Balance at June 30, 2024 Â Â 10,472,741 Â Â $ â€" Â Â $ 117,968 Â Â $ 331,960 Â Â $ (2,579) Â $ 447,349 Â Â $ 5,894 Â Â $ 453,243 Â Net income Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 5,682 Â Â Â â€" Â Â Â 5,682 Â Â Â 3,710 Â Â Â 9,392 Â Total other comprehensive Â Â income, net of income taxes Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 4,499 Â Â Â 4,499 Â Â Â 157 Â Â Â 4,656 Â Issuance of restricted stock Â Â 6,400 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Forfeiture of restricted stock Â Â (65) Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Dilution from subsidiary Â Â stock-based compensation Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 1,083 Â Â Â 1,083 Â Common stock dividends Â Â ($0.40Â per share) Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â (4,189) Â Â â€" Â Â Â (4,189) Â Â â€" Â Â Â (4,189) Stock-based compensation Â Â â€" Â Â Â â€" Â Â Â 2,003 Â Â Â â€" Â Â Â â€" Â Â Â 2,003 Â Â Â â€" Â Â Â 2,003 Â Subscriber surplus contribution Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 481 Â Â Â 481 Â Balance at September 30, 2024 Â Â 10,479,076 Â Â $ â€" Â Â $ 119,971 Â Â $ 333,453 Â Â $ 1,920 Â Â $ 455,344 Â Â $ 11,325 Â Â $ 466,669 Â Â See accompanying Notes to Consolidated Financial Statements (unaudited). Â 5 Â HCI GROUP, INC. AND SUBSIDIARIES Consolidated Statements of Equity â€" (Continued) For the Three Months Ended September 30, 2023 (Unaudited) (Dollar amounts in thousands, except per share amount) Â Â Â Common Stock Â Â AdditionalPaid-In Â Â Retained Â Â AccumulatedOtherComprehensiveLoss, Â Â TotalStockholdersâ€™ Â Â Noncontrolling Â Â Total Â Â Â Shares Â Â Amount Â Â Capital Â Â Income Â Â Net of Tax Â Â Equity Â Â Interests Â Â Equity Â Balance at June 30, 2023 Â Â 8,594,764 Â Â $ â€" Â Â $ 1,062 Â Â $ 194,034 Â Â $ (6,718) Â $ 188,378 Â Â $ 256 Â Â $ 188,634 Â Net income Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 15,345 Â Â Â â€" Â Â Â 15,345 Â Â Â 324 Â Â Â 15,669 Â Net income attributable to Â Â redeemable noncontrolling Â Â interest Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â (2,188) Â Â â€" Â Â Â (2,188) Â Â (161) Â Â (2,349) Total other comprehensive Â Â income, net of income taxes Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 721 Â Â Â 721 Â Â Â 31 Â Â Â 752 Â Forfeiture of restricted stock Â Â (3,940) Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Dilution from subsidiary Â Â stock-based compensation Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 667 Â Â Â 667 Â Common stock dividends Â Â ($0.40Â per share) Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â (3,426) Â Â â€" Â Â Â (3,426) Â Â â€" Â Â Â (3,426) Stock-based compensation Â Â â€" Â Â Â â€" Â Â Â 1,110 Â Â Â â€" Â Â Â â€" Â Â Â 1,110 Â Â Â â€" Â Â Â 1,110 Â Additional paid-in capital Â Â shortfall adjustment Â Â allocated to retained income Â Â â€" Â Â Â â€" Â Â Â (1) Â Â 1 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Balance at September 30, 2023 Â Â 8,590,824 Â Â $ â€" Â Â $ 2,171 Â Â $ 203,766 Â Â $ (5,997) Â $ 199,940 Â Â $ 1,117 Â Â $ 201,057 Â Â See accompanying Notes to Consolidated Financial Statements (unaudited). Â 6 Â HCI GROUP, INC. AND SUBSIDIARIES Consolidated Statements of Equity â€" (Continued) For the Nine Months Ended September 30, 2024 (Unaudited) (Dollar amounts in thousands, except per share amount) Â Â Â Common Stock Â Â AdditionalPaid-In Â Â Retained Â Â AccumulatedOtherComprehensiveLoss (Income), Â Â TotalStockholdersâ€™ Â Â Noncontrolling Â Â Total Â Â Â Shares Â Â Amount Â Â Capital Â Â Income Â Â Net of Tax Â Â Equity Â Â Interests Â Â Equity Â Balance at December 31, 2023 Â Â 9,738,183 Â Â $ â€" Â Â $ 89,568 Â Â $ 238,438 Â Â $ (3,163) Â $ 324,843 Â Â $ 2,322 Â Â $ 327,165 Â Net income Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 116,843 Â Â Â â€" Â Â Â 116,843 Â Â Â 6,604 Â Â Â 123,447 Â Net income attributable to Â Â redeemable noncontrolling Â Â interests Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â (9,474) Â Â â€" Â Â Â (9,474) Â Â (675) Â Â (10,149) Total other comprehensive Â Â income, net of income taxes Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 5,083 Â Â Â 5,083 Â Â Â 172 Â Â Â 5,255 Â Cashless exercise of Â Â common stock warrants Â Â 155,049 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Issuance of restricted stock Â Â 210,900 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Forfeiture of restricted stock Â Â (3,765) Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Repurchase and retirement of Â Â common stock Â Â (10,378) Â Â â€" Â Â Â (1,036) Â Â â€" Â Â Â â€" Â Â Â (1,036) Â Â â€" Â Â Â (1,036) Conversion of senior notes Â Â to common stock Â Â 389,087 Â Â Â â€" Â Â Â 23,449 Â Â Â â€" Â Â Â â€" Â Â Â 23,449 Â Â Â â€" Â Â Â 23,449 Â Dilution from subsidiary Â Â stock-based compensation Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 2,348 Â Â Â 2,348 Â Common stock dividends Â Â ($1.20Â per share) Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â (12,354) Â Â â€" Â Â Â (12,354) Â Â â€" Â Â Â (12,354) Stock-based compensation Â Â â€" Â Â Â â€" Â Â Â 4,604 Â Â Â â€" Â Â Â â€" Â Â Â 4,604 Â Â Â â€" Â Â Â 4,604 Â Deemed dividend on warrant Â Â modification Â Â â€" Â Â Â â€" Â Â Â 3,386 Â Â Â â€" Â Â Â â€" Â Â Â 3,386 Â Â Â â€" Â Â Â 3,386 Â Subscriber surplus contribution Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 554 Â Â Â 554 Â Balance at September 30, 2024 Â Â 10,479,076 Â Â $ â€" Â Â $ 119,971 Â Â $ 333,453 Â Â $ 1,920 Â Â $ 455,344 Â Â $ 11,325 Â Â $ 466,669 Â Â See accompanying Notes to Consolidated Financial Statements (unaudited). Â 7 Â HCI GROUP, INC. AND SUBSIDIARIES Consolidated Statements of Equity â€" (Continued) For the Nine Months Ended September 30, 2023 (Unaudited) (Dollar amounts in thousands, except per share amount) Â Â Â Common Stock Â Â AdditionalPaid-In Â Â Retained Â Â AccumulatedOtherComprehensive Loss, Â Â TotalStockholdersâ€™ Â Â Noncontrolling Â Â Total Â Â Â Shares Â Â Amount Â Â Capital Â Â Income Â Â Net of Tax Â Â Equity Â Â Interests Â Â Equity Â Balance at December 31, 2022 Â Â 8,598,682 Â Â $ â€" Â Â $ â€" Â Â $ 172,482 Â Â $ (9,886) Â $ 162,596 Â Â $ (1,342) Â $ 161,254 Â Net income Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 47,446 Â Â Â â€" Â Â Â 47,446 Â Â Â 898 Â Â Â 48,344 Â Net income attributable to Â Â redeemable noncontrolling Â Â interest Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â (6,508) Â Â â€" Â Â Â (6,508) Â Â (502) Â Â (7,010) Total other comprehensive Â Â income, net of income taxes Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 3,889 Â Â Â 3,889 Â Â Â 146 Â Â Â 4,035 Â Issuance of restricted stock Â Â 13,000 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Forfeiture of restricted stock Â Â (6,360) Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Repurchase and retirement of Â Â common stock Â Â (14,498) Â Â â€" Â Â Â (784) Â Â â€" Â Â Â â€" Â Â Â (784) Â Â â€" Â Â Â (784) Dilution from subsidiary Â Â stock-based compensation Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 1,917 Â Â Â 1,917 Â Common stock dividends Â Â ($1.20Â per share) Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â (10,295) Â Â â€" Â Â Â (10,295) Â Â â€" Â Â Â (10,295) Stock-based compensation Â Â â€" Â Â Â â€" Â Â Â 3,596 Â Â Â â€" Â Â Â â€" Â Â Â 3,596 Â Â Â â€" Â Â Â 3,596 Â Additional paid-in capital Â Â shortfall adjustment Â Â allocated to retained income Â Â â€" Â Â Â â€" Â Â Â (641) Â Â 641 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Balance at September 30, 2023 Â Â 8,590,824 Â Â $ â€" Â Â $ 2,171 Â Â $ 203,766 Â Â $ (5,997) Â $ 199,940 Â Â $ 1,117 Â Â $ 201,057 Â Â See accompanying Notes to Consolidated Financial Statements (unaudited). Â 8 Â HCI GROUP, INC. AND SUBSIDIARIES Consolidated Statements of Cash Flows (Unaudited) (Dollar amounts in thousands) Â Â Â Nine Months Ended Â Â Â September 30, Â Â Â 2024 Â Â 2023 Â Cash flows from operating activities: Â Â Â Â Â Â Net income after noncontrolling interests Â $ 107,369 Â Â $ 40,938 Â Net income attributable to noncontrolling interests Â Â 16,078 Â Â Â 7,406 Â Net income Â Â 123,447 Â Â Â 48,344 Â Adjustments to reconcile net income to net cash provided byÂ Â Â operating activities: Â Â Â Â Â Â Stock-based compensation expense Â Â 7,432 Â Â Â 5,813 Â Net accretion of discount on investments in fixed-maturityÂ Â Â securities Â Â (1,736) Â Â (3,332) Depreciation and amortization Â Â 2,114 Â Â Â 6,201 Â Deferred income tax expense Â Â 4,175 Â Â Â 5,367 Â Net realized investment (gains) losses Â Â (3,055) Â Â 1,586 Â Net unrealized investment gains Â Â (3,825) Â Â (385) Credit loss expense - reinsurance recoverable Â Â (72) Â Â (135) Net income from limited partnership interests Â Â (164) Â Â (648) Distributions received from limited partnership interests Â Â 694 Â Â Â 844 Â Loss on extinguishment of debt Â Â â€" Â Â Â 177 Â Gain on sales of real estate investments Â Â â€" Â Â Â (8,936) Foreign currency remeasurement loss Â Â 67 Â Â Â 49 Â Other non-cash items Â Â 294 Â Â Â 72 Â Changes in operating assets and liabilities: Â Â Â Â Â Â Accrued interest and dividends receivable Â Â (2,875) Â Â (1,939) Income taxes Â Â (12,621) Â Â (1,568) Premiums receivable, net Â Â (21,146) Â Â (7,123) Assumed premiums receivable Â Â 19,954 Â Â Â â€" Â Prepaid reinsurance premiums Â Â (18,860) Â Â (30,598) Reinsurance recoverable Â Â 49,795 Â Â Â 196,530 Â Deferred policy acquisition costs Â Â (13,491) Â Â 490 Â Funds withheld for assumed business Â Â 15,560 Â Â Â 4,011 Â Other assets Â Â (7,837) Â Â (18,153) Losses and loss adjustment expenses Â Â 27,281 Â Â Â (154,676) Unearned premiums Â Â 46,543 Â Â Â 27,780 Â Advance premiums Â Â 21,872 Â Â Â 13,663 Â Assumed reinsurance balances payable Â Â (535) Â Â â€" Â Reinsurance payable on paid losses and loss adjustment expenses Â Â (3,145) Â Â (1,563) Reinsurance recovered in advance on unpaid losses Â Â â€" Â Â Â (19,863) Ceded reinsurance premiums payable Â Â (1,753) Â Â (17,643) Accrued expenses and other liabilities Â Â 29,016 Â Â Â 32,956 Â Net cash provided by operating activities Â Â 257,129 Â Â Â 77,321 Â Â (continued) 9 Â HCI GROUP, INC. AND SUBSIDIARIES Consolidated Statements of Cash Flows â€" (Continued) (Unaudited) (Dollar amounts in thousands) Â Â Â Nine Months Ended Â Â Â September 30, Â Â Â 2024 Â Â 2023 Â Cash flows from investing activities: Â Â Â Â Â Â Investments in limited partnership interests Â Â (1,204) Â Â (756) Distributions received from limited partnership interests Â Â 2,760 Â Â Â 3,088 Â Distribution received from unconsolidated joint venture Â Â â€" Â Â Â 18 Â Purchase of property and equipment Â Â (2,991) Â Â (5,184) Purchase of real estate investments Â Â (14,181) Â Â (2,320) Purchase of intangible assets Â Â â€” Â Â Â (1,786) Purchase of fixed-maturity securities Â Â (702,922) Â Â (264,504) Purchase of equity securities Â Â (25,853) Â Â (15,989) Purchase of short-term and other investments Â Â â€” Â Â Â (81) Proceeds from sales of property and equipment Â Â 10 Â Â Â â€” Â Proceeds from sales of real estate investments Â Â â€” Â Â Â 21,746 Â Proceeds from sales of fixed-maturity securities Â Â 109,342 Â Â Â 17,409 Â Proceeds from calls, repayments and maturities of fixed-maturity securities Â Â 410,207 Â Â Â 263,654 Â Proceeds from sales of equity securities Â Â 19,770 Â Â Â 10,385 Â Proceeds from sales, redemptions and maturities of short-term and other investments Â Â â€” Â Â Â 34 Â Net cash (used in) provided by investing activities Â Â (205,062) Â Â 25,714 Â Cash flows from financing activities: Â Â Â Â Â Â Cash dividends paid Â Â (12,354) Â Â (10,295) Cash dividends paid to redeemable noncontrolling interests Â Â (2,923) Â Â (6,762) Net borrowing under revolving credit facility Â Â 46,000 Â Â Â â€” Â Proceeds from issuance of long-term debt Â Â â€” Â Â Â 12,000 Â Net surplus contribution from subscribers Â Â 2,045 Â Â Â â€” Â Repayment of long-term debt Â Â (387) Â Â (437) Redemption of long-term debt Â Â (466) Â Â (6,895) Repurchases of common stock Â Â (1,037) Â Â (784) Redemption of redeemable noncontrolling interests Â Â (100,000) Â Â â€” Â Purchase of noncontrolling interests Â Â (480) Â Â (300) Debt issuance costs Â Â (99) Â Â (279) Net cash used in financing activities Â Â (69,701) Â Â (13,752) Effect of exchange rate changes on cash Â Â (35) Â Â (40) Net (decrease) increase in cash, cash equivalents, and restricted cash Â Â (17,669) Â Â 89,243 Â Cash, cash equivalents, and restricted cash at beginning of period Â Â 539,765 Â Â Â 237,763 Â Cash, cash equivalents, and restricted cash at end of period Â $ 522,096 Â Â $ 327,006 Â Â (continued) 10 Â HCI GROUP, INC. AND SUBSIDIARIES Consolidated Statements of Cash Flows â€" (Continued) (Unaudited) (Dollar amounts in thousands) Â Â Â Nine Months Ended Â Â Â September 30, Â Â Â 2024 Â Â 2023 Â Supplemental disclosure of cash flow information: Â Â Â Â Â Â Cash paid for income taxes Â $ 54,064 Â Â $ 11,405 Â Cash paid for interest Â $ 6,770 Â Â $ 4,933 Â Non-cash investing and financing activities: Â Â Â Â Â Â Unrealized gain on investments in available-for-sale securities, net of tax Â $ 5,255 Â Â $ 4,035 Â Conversion of 4.25% Convertible Senior Notes Â $ 23,450 Â Â $ â€" Â Sale of real estate investments: Â Â Â Â Â Â Contingent consideration receivable Â $ â€" Â Â $ 125 Â Long-term debt obligations assumed by the buyer Â $ â€" Â Â $ 8,995 Â Receivable from maturities of fixed-maturity securities Â $ â€" Â Â $ 53,000 Â Purchase of real estate investments and intangible assets: Â Â Â Â Â Â Assumed liability Â $ â€" Â Â $ 4 Â Â See accompanying Notes to Consolidated Financial Statements (unaudited). Â 11 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Note 1 -- Nature of OperationsHCI Group, Inc., together with its subsidiaries (â€œHCIâ€ or the â€œCompanyâ€), is primarily engaged in the property and casualty insurance business through two Florida domiciled insurance companies, Homeowners Choice Property & Casualty Insurance Company, Inc. (â€œHCPCIâ€) and TypTap Insurance Company (â€œTypTapâ€). Both HCPCI and TypTap are authorized to underwrite various homeownersâ€™ property and casualty insurance products and allied lines business in the state of Florida and in other states. The operations of insurance subsidiaries are supported by HCI Group, Inc. and certain entities within the consolidated group. The Company emphasizes the use of internally developed technologies to collect and analyze claims and other supplemental data to assist in the underwriting process and generate savings as well as efficiency for the operations of the insurance subsidiaries and other insurance-related businesses. The Company also provides an attorney-in-fact (8â€œAIFâ€) service. The Company's subsidiary, Core Risk Managers, LLC (â€œCRMâ€), serves as the AIF for Condo Owners Reciprocal Exchange (â€œCOREâ€), a reciprocal insurance exchange owned by its policyholders. Although the Company does not have any equity interest in CORE, the Company is required to consolidate CORE as its primary beneficiary. See Note 13 -- â€œVariable Interest Entityâ€ for additional information. In addition, Greenleaf Capital, LLC, the Companyâ€™s real estate subsidiary, is primarily engaged in the business of owning and leasing real estate and operating marina facilities.Change in Segment InformationOn July 1, 2024, HCI entered into a Stock Purchase Agreement (â€œPurchase Agreementâ€) with TypTap Insurance Group, Inc. (â€œTTIGâ€), its majority-owned subsidiary. Pursuant to the Purchase Agreement, TTIG transferred to HCI 2,500,000 shares of TypTap's $1.00 par value common stock which represented all of the issued and outstanding capital stock of TypTap. In exchange, HCI agreed to consider three promissory notes issued by TTIG, totaling $117,994 in principal, as fully repaid with the exception of a 2.00% promissory note due June 1, 2025. This promissory note will remain in effect with its principal balance reduced from $40,000 to $2,994. As this was a transaction between entities under common control with no ultimate change in control of TypTap, the purchase was accounted for as a common control transaction. The net assets of TypTap were derecognized by TTIG and recognized by HCI at their carrying amounts on the date of the purchase. The difference between the consideration transferred and the carrying amounts of the net assets was recognized in equity. As there was no change in HCIâ€™s ownership percentage in TTIG, the change in noncontrolling interests in TTIG was charged to noncontrolling interest expense. This organizational change was implemented to align all insurance operations under a single operating segment under the Companyâ€™s direct control, allowing TTIG to primarily focus on its industry-leading technology and insurance management activities as an insurance solutions provider. As a result of this transaction, the former HCPCI Insurance Operations segment is changed to the Insurance Operations segment. TypTapâ€™s financial information is now included in this segment, allowing for the presentation of all insurance operations under a single segment. See Note 14 -- â€œSegment Informationâ€ for additional information.Â Â Â 12 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Impact of Hurricane HeleneOn September 26, 2024, Hurricane Helene made landfall in the Big Bend area of Florida as a powerful Category 4 storm. The storm continued inland impacting Georgia, South Carolina, and North Carolina, among other states. The Company estimated its consolidated gross losses, including loss adjustment expenses, at $61,000. After anticipated reinsurance recoveries, net losses are estimated to be $40,000. For details of the impact on the Company's multi-year reinsurance contract with retrospective provisions, see Note 11 -- â€œReinsurance.â€Assumed Business Citizens Assumption The Company participated in a take-out program through which the Company assumed insurance policies held by Citizens Property Insurance Corporation (â€œCitizensâ€), a Florida state-supported insurer. There were no policies assumed during the third quarter of 2024. During the nine months ended September 30, 2024, approximately 10,100 policies were assumed by TypTap and CORE. These policies represent approximately $120,100 in annualized premiums written. Â Note 2 -- Summary of Significant Accounting PoliciesBasis of PresentationThe accompanying unaudited consolidated financial statements of HCI Group, Inc. and its majority-owned and controlled subsidiaries (collectively, the â€œCompanyâ€) have been prepared in accordance with accounting principles generally accepted in the United States of America (â€œU.S. GAAPâ€) for interim financial information, and the Securities and Exchange Commission (â€œSECâ€) rules for interim financial reporting. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to such rules and regulations. However, in the opinion of management, the accompanying consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the Companyâ€™s financial position as of September 30, 2024 and the results of operations and cash flows for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of the results of operations to be expected for any subsequent interim period or for the fiscal year ending December 31, 2024. The accompanying unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2023 included in the Companyâ€™s Form 10-K, which was filed with the SEC on March 8, 2024. In preparing the interim unaudited consolidated financial statements, management was required to make certain judgments, assumptions, and estimates that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the financial reporting date and throughout the periods being reported upon. Certain of the estimates result from judgments that can be subjective and complex, and consequently actual results may differ from these estimates. 13 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Material estimates that are particularly susceptible to significant change in the near term are related to the Companyâ€™s losses and loss adjustment expenses, which include amounts estimated for claims incurred but not yet reported. The Company uses various assumptions and actuarial data it believes to be reasonable under the circumstances to make these estimates. In addition, accounting policies specific to reinsurance with retrospective provisions, reinsurance recoverable, deferred income taxes, limited partnership investments, allowance for credit losses, and stock-based compensation expense involve significant judgments and estimates material to the Companyâ€™s consolidated financial statements.In the case of assumed business, the Company relies entirely on the ceding insurance company to provide information about premiums, losses, and loss adjustment expenses. When the information is not available at the reporting date, the Company will make estimates based on all recent available data. Accordingly, the actual results could differ significantly from those estimates.All significant intercompany balances and transactions have been eliminated.Revenue from Claims Processing ServicesRevenue related to claims processing services is included in other revenue in the consolidated statements of income. For the three and nine months ended September 30, 2024, revenues from claims processing services were $0 in each period. For the three and nine months ended September 30, 2023, revenues from claims processing services were $4 and $708, respectively.Redeemable Noncontrolling Interests Redeemable noncontrolling interests represent economic interests in TTIG and CORE not held by HCI. They are presented in the temporary equity (mezzanine) section of the consolidated balance sheets. TTIG The interest in TTIG contains rights in dividends, voting, conversion, participation, liquidation preference and redemption. The redemption feature is not solely within the control of TTIG. The interest is initially recorded at fair value and is decreased by related issuance costs. The fair value is estimated using a residual fair value approach. The effect of increasing dividend rates is accreted to the redeemable noncontrolling interest with a corresponding reduction in retained income. The effective interest method is used for accretion over the period of the increasing dividend rates. The carrying value of the interest is also subsequently adjusted for accrued dividends and dividend payments. The Company has an option to pay the dividends in cash or make a payment-in-kind. The dividends are accrued monthly assuming they will be settled in cash. When the interest is probable of becoming redeemable, the Company elects to recognize changes in the redemption value immediately as it occurs and adjusts the carrying value of the interest to the maximum redemption value which is the higher of the redemption price or fair market value at the reporting date. Such changes in the redemption value are treated as dividends when calculating income available to common stockholders. CORE The interest in CORE represents a refundable portion of COREâ€™s subscriber surplus contributions. CORE, a reciprocal insurance exchange, collects surplus contributions in addition to policy premiums from its policyholders referred to as subscribers. The purpose of the surplus contribution is to support COREâ€™s financial strength and lower COREâ€™s cost of capital. The surplus contribution made during a policy term may be returned 14 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â on a pro-rata basis to a subscriber in the event of policy cancellation. As the term of an insurance policy progresses, a portion of the surplus contribution is reclassified from the redeemable noncontrolling interest to the noncontrolling interest. Noncontrolling InterestsThe Company has noncontrolling interests attributable to TTIG and CORE. A noncontrolling interest arises when the Company has less than 100% of the voting rights and economic interests in a subsidiary or a consolidated variable interest entity. The noncontrolling interest in TTIG is periodically adjusted for the expensing of TTIGâ€™s stock-based awards granted to its employees, the interestâ€™s share of TTIGâ€™s net income or loss attributable to common stockholders and the change in other comprehensive income or loss. The noncontrolling interest in CORE is periodically adjusted for the interestâ€™s share of COREâ€™s net income or loss attributable to common stockholders and the reclassification of surplus contributions from refundable to nonrefundable amount.ReclassificationAs a result of the transaction described in Change in Segment Information under Note 1 -- â€œNature of Operations,â€ the Companyâ€™s previously reported segment information has been recast to conform with the current presentation. See Note 14 -- â€œSegment Information.â€ Note 3 -- Cash, Cash Equivalents, and Restricted CashThe following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Companyâ€™s consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows.Â Â Â September 30, Â Â December 31, Â Â Â 2024 Â Â 2023 Â Cash and cash equivalents Â $ 518,786 Â Â $ 536,478 Â Restricted cash Â Â 3,310 Â Â Â 3,287 Â Total Â $ 522,096 Â Â $ 539,765 Â Â Restricted cash represents funds in the Companyâ€™s sole ownership primarily held by certain states to meet regulatory requirements in which the Companyâ€™s insurance subsidiaries conduct business and not available for immediate business use. Funds withheld in an account for which the Company is a co-owner but not the named beneficiary are not considered restricted cash and are included in funds withheld for assumed business on the consolidated balance sheets.Â In connection with the sale of the retail shopping center investment property in Melbourne, Florida to a non-affiliate, $87 of restricted cash was deposited in escrow in March 2023 and released in February 2024 as post-sale conditions were met. 15 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Note 4 -- Investmentsa) Available-for-Sale Fixed-Maturity SecuritiesThe Company holds investments in fixed-maturity securities that are classified as available-for-sale. At September 30, 2024 and December 31, 2023, the cost or amortized cost, allowance for credit loss, gross unrealized gains and losses, and estimated fair value of the Companyâ€™s available-for-sale securities by security type were as follows:Â Â Â Cost orAmortized Â Â Allowance for Credit Â Â GrossUnrealized Â Â GrossUnrealized Â Â EstimatedFair Â Â Â Cost Â Â Loss Â Â Gain Â Â Loss Â Â Value Â As of September 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â U.S. Treasury and U.S. government agencies Â $ 634,347 Â Â $ â€" Â Â $ 3,928 Â Â $ (1,166) Â $ 637,109 Â Corporate bonds Â Â 30,828 Â Â Â â€" Â Â Â 284 Â Â Â (494) Â Â 30,618 Â Exchange-traded debt Â Â 494 Â Â Â â€" Â Â Â 10 Â Â Â â€" Â Â Â 504 Â Total Â $ 665,669 Â Â $ â€" Â Â $ 4,222 Â Â $ (1,660) Â $ 668,231 Â As of December 31, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â U.S. Treasury and U.S. government agencies Â $ 359,630 Â Â $ â€" Â Â $ 224 Â Â $ (3,800) Â $ 356,054 Â Corporate bonds Â Â 27,563 Â Â Â â€" Â Â Â 116 Â Â Â (975) Â Â 26,704 Â Exchange-traded debt Â Â 494 Â Â Â â€" Â Â Â â€" Â Â Â (14) Â Â 480 Â Total Â $ 387,687 Â Â $ â€" Â Â $ 340 Â Â $ (4,789) Â $ 383,238 Â Â Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without penalties. The scheduled contractual maturities of fixed-maturity securities as of September 30, 2024 and December 31, 2023 are as follows:Â Â Â September 30, 2024 Â Â December 31, 2023 Â Â Â Cost or Â Â Estimated Â Â Cost or Â Â Estimated Â Â Â Amortized Cost Â Â Fair Value Â Â Amortized Cost Â Â Fair Value Â Available-for-sale Â Â Â Â Â Â Â Â Â Â Â Â Due in one year or less Â $ 438,478 Â Â $ 439,021 Â Â $ 234,992 Â Â $ 234,025 Â Due after one year through five years Â Â 224,770 Â Â Â 226,932 Â Â Â 148,935 Â Â Â 145,758 Â Due after five years through ten years Â Â 1,927 Â Â Â 1,774 Â Â Â 3,266 Â Â Â 2,974 Â Due after ten years Â Â 494 Â Â Â 504 Â Â Â 494 Â Â Â 481 Â Â $ 665,669 Â Â $ 668,231 Â Â $ 387,687 Â Â $ 383,238 Â Â 16 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Securities on DepositThe fair value of fixed-maturity securities on deposit with various regulatory authorities at September 30, 2024 and December 31, 2023 was $1,810 and $1,660, respectively.Â Sales of Available-for-Sale Fixed-Maturity Securities Proceeds received, and the gross realized gains and losses from sales of available-for-sale fixed-maturity securities, for the three and nine months ended September 30, 2024 and 2023 were as follows:Â Â Â Â Â Â GrossRealized Â Â GrossRealized Â Â Â Proceeds Â Â Gains Â Â Losses Â Three months ended September 30, 2024 Â $ 101,696 Â Â $ 1,830 Â Â $ â€" Â Three months ended September 30, 2023 Â $ 5,326 Â Â $ â€" Â Â $ (157) Nine months ended September 30, 2024 Â $ 109,342 Â Â $ 1,843 Â Â $ (55) Nine months ended September 30, 2023 Â $ 17,409 Â Â $ â€" Â Â $ (907) Â Gross Unrealized Losses for Available-for-Sale Fixed-Maturity SecuritiesSecurities with gross unrealized loss positions at September 30, 2024 and December 31, 2023, aggregated by investment category and length of time the individual securities have been in a continuous loss position, are as follows:Â Â Less Than Twelve Months Â Â Twelve Months or Longer Â Â Total Â Â Â Gross Â Â Estimated Â Â Gross Â Â Estimated Â Â Gross Â Â Estimated Â Â Unrealized Â Â Fair Â Â Unrealized Â Â Fair Â Â Unrealized Â Â Fair Â As of September 30, 2024 Â Loss Â Â Value Â Â Loss Â Â Value Â Â Loss Â Â Value Â U.S. Treasury and U.S. government Â Â Â agencies Â $ â€" Â Â $ â€" Â Â $ (1,166) Â $ 126,048 Â Â $ (1,166) Â $ 126,048 Â Corporate bonds Â Â (1) Â Â 2,290 Â Â Â (493) Â Â 15,277 Â Â Â (494) Â Â 17,567 Â Total available-for-sale securities Â $ (1) Â $ 2,290 Â Â $ (1,659) Â $ 141,325 Â Â $ (1,660) Â $ 143,615 Â Â Â Â Less Than Twelve Months Â Â Twelve Months or Longer Â Â Total Â Â Gross Â Â Estimated Â Â Gross Â Â Estimated Â Â Gross Â Â Estimated Â Â Â Unrealized Â Â Fair Â Â Unrealized Â Â Fair Â Â Unrealized Â Â Fair Â As of December 31, 2023 Â Loss Â Â Value Â Â Loss Â Â Value Â Â Loss Â Â Value Â U.S. Treasury and U.S. government Â Â Â agencies Â $ (22) Â $ 3,464 Â Â $ (3,778) Â $ 181,463 Â Â $ (3,800) Â $ 184,927 Â Corporate bonds Â Â (8) Â Â 1,941 Â Â Â (967) Â Â 19,418 Â Â Â (975) Â Â 21,359 Â Exchange-traded debt Â Â (14) Â Â 481 Â Â Â â€" Â Â Â â€" Â Â Â (14) Â Â 481 Â Total available-for-sale securities Â $ (44) Â $ 5,886 Â Â $ (4,745) Â $ 200,881 Â Â $ (4,789) Â $ 206,767 Â Â At September 30, 2024 and December 31, 2023, there were 34 and 65 securities, respectively, in an unrealized loss position. 17 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Allowance for Credit Losses of Available-for-Sale Fixed-Maturity SecuritiesThe Company regularly reviews its individual investment securities for credit impairment. The Company considers various factors in determining whether a credit loss exists for each individual security, including-â€¢the financial condition and near-term prospects of the issuer, including any specific events that may affect its operations or earnings;â€¢the extent to which the market value of the security has been below its cost or amortized cost;â€¢general market conditions and industry or sector specific factors and other qualitative factors;â€¢nonpayment by the issuer of its contractually obligated interest and principal payments; andâ€¢the Companyâ€™s intent and ability to hold the investment for a period of time sufficient to allow for the recovery of costs.There was no balance or activity in the allowance for credit losses of available-for-sale fixed-maturity securities during the three and nine months ended September 30, 2024 and 2023.b) Equity SecuritiesThe Company holds investments in equity securities measured at fair values which are readily determinable. At September 30, 2024 and December 31, 2023, the cost, gross unrealized gains and losses, and estimated fair value of the Companyâ€™s equity securities were as follows:Â Â Â Â Â Â GrossUnrealized Â Â GrossUnrealized Â Â EstimatedFair Â Â Â Cost Â Â Gain Â Â Loss Â Â Value Â September 30, 2024 Â $ 50,982 Â Â $ 6,789 Â Â $ (1,438) Â $ 56,333 Â December 31, 2023 Â $ 44,011 Â Â $ 3,945 Â Â $ (2,419) Â $ 45,537 Â Â The table below presents the portion of unrealized gains and losses in the Companyâ€™s consolidated statements of income related to equity securities still held.Â Â Â Three Months Ended Â Â Nine Months Ended Â Â Â September 30, Â Â September 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Net gains (losses) recognized Â $ 1,670 Â Â $ (1,091) Â $ 5,092 Â Â $ (247) Exclude: Net realized gains (losses)Â Â Â recognized for securities sold Â Â 1,013 Â Â Â (50) Â Â 1,267 Â Â Â (632) Net unrealized gains (losses) recognized Â $ 657 Â Â $ (1,041) Â $ 3,825 Â Â $ 385 Â Â 18 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Sales of Equity SecuritiesProceeds received, and the gross realized gains and losses from sales of equity securities, for the three and nine months ended September 30, 2024 and 2023 were as follows:Â Â Â Â Â Â GrossRealized Â Â GrossRealized Â Â Proceeds Â Â Gains Â Â Losses Â Three months ended September 30, 2024 Â $ 13,217 Â Â $ 1,217 Â Â $ (204) Three months ended September 30, 2023 Â $ 4,108 Â Â $ 215 Â Â $ (265) Nine months ended September 30, 2024 Â $ 19,770 Â Â $ 1,779 Â Â $ (512) Nine months ended September 30, 2023 Â $ 10,385 Â Â $ 317 Â Â $ (949) Â c) Limited Partnership InvestmentsThe Company has interests in limited partnerships that are not registered or readily tradeable on a securities exchange. These partnerships are private equity funds managed by general partners who make decisions with regard to financial policies and operations. As such, the Company is not the primary beneficiary and does not consolidate these partnerships. The following table provides information related to the Companyâ€™s investments in limited partnerships:Â Â Â September 30, 2024 Â Â December 31, 2023 Â Â Â Carrying Â Â Unfunded Â Â Â Â Â Carrying Â Â Unfunded Â Â Â Â Investment Strategy Â Value Â Â Balance Â Â (%) (a) Â Â Value Â Â Balance Â Â (%) (a) Â Primarily in senior secured loans and, to aÂ Â Â limited extent, in other debt and equityÂ Â Â securities of private U.S. lower-middle-marketÂ Â Â companies. (b)(c)(e) Â $ 2,865 Â Â $ â€" Â Â Â 15.37 Â Â $ 3,295 Â Â $ â€" Â Â Â 15.37 Â Value creation through active distressed debtÂ Â Â investing primarily in bank loans, public andÂ Â Â private corporate bonds, asset-backedÂ Â Â securities, and equity securities received inÂ Â Â connection with debt restructuring. (b)(d)(e) Â Â 1,481 Â Â Â â€" Â Â Â 1.19 Â Â Â 2,271 Â Â Â â€" Â Â Â 1.25 Â High returns and long-term capital appreciationÂ Â Â through investments in the power, utility andÂ Â Â energy industries, and in the infrastructureÂ Â Â sector. (b)(f)(g) Â Â 3,193 Â Â Â â€" Â Â Â 0.18 Â Â Â 3,400 Â Â Â â€" Â Â Â 0.18 Â Value-oriented investments in less liquid andÂ Â Â mispriced senior and junior debts of privateÂ Â Â equity-backed companies. (b)(h)(i) Â Â 2,321 Â Â Â â€" Â Â Â 0.53 Â Â Â 3,306 Â Â Â â€" Â Â Â 0.55 Â Value-oriented investments in mature realÂ Â Â estate private equity funds and portfoliosÂ Â Â globally. (b)(j) Â Â 6,723 Â Â Â 2,445 Â Â Â 1.31 Â Â Â 7,590 Â Â Â 2,543 Â Â Â 1.32 Â Risk-adjusted returns on credit and equityÂ Â Â investments, primarily in private equity-ownedÂ Â Â companies. (b)(k) Â Â 4,914 Â Â Â 810 Â Â Â 0.55 Â Â Â 3,721 Â Â Â 1,662 Â Â Â 0.55 Â Total Â $ 21,497 Â Â $ 3,255 Â Â Â Â Â $ 23,583 Â Â $ 4,205 Â Â Â Â Â 19 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Â Â Â Â (a)Represents the Companyâ€™s percentage investment in the fund at each balance sheet date.(b)Except under certain circumstances, withdrawals from the funds or any assignments are not permitted. Distributions, except income from late admission of a new limited partner, will be received when underlying investments of the funds are liquidated.(c)The term is expected to be two years following the maturity of the fundâ€™s outstanding leverage. Although the capital commitment period has expired, follow-on investments and pending commitments may require additional fundings.(d)Effective July 1, 2023, this investment is in the process of winding down. Although the capital commitment period has ended, the general partner could still request an additional funding under certain circumstances.(e)At the fund managerâ€™s discretion, the term of the fund may be extended for up to two additional one-year periods.(f)Expected to have a ten-year term. The capital commitment period has expired but the general partner may request additional funding for follow-on investment.(g)With the consent of a supermajority of partners, the term of the fund may be extended for up to three additional one-year periods.(h)Expected to have an eight-year term from the commencement date, which can be extended for up to two additional one-year periods with the consent of either the advisory committee or a majority of limited partners.(i)The capital commitment period has ended but an additional funding may be requested.(j)The term is expected to end November 27, 2027. The term may be extended for up to four additional one-year periods at the general partnerâ€™s discretion, and up to two additional one-year periods with the consent of the advisory committee.(k)Expected to have an eight-year term after the final admission date. The term may be extended for an additional one-year period at the general partnerâ€™s discretion, and up to two additional one-year periods with the consent of either the advisory committee or a majority of limited partners.The following is the summary of aggregated unaudited financial information of limited partnerships included in the investment strategy table above, which in certain cases is presented on a three-month lag due to the unavailability of information at the Companyâ€™s respective balance sheet dates. The financial statements of these limited partnerships are audited annually.Â Â Â Three Months Ended Â Â Nine Months Ended Â Â Â September 30, Â Â September 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Operating results: Â Â Â Â Â Â Â Â Â Â Â Â Total income Â $ 117,157 Â Â $ 4,028 Â Â $ 136,396 Â Â $ 42,195 Â Total expenses Â Â (16,679) Â Â (24,066) Â Â (59,955) Â Â (51,163) Net income (loss) Â $ 100,478 Â Â $ (20,038) Â $ 76,441 Â Â $ (8,968) Â Â Â September 30, Â Â December 31, Â Â Â 2024 Â Â 2023 Â Balance sheet: Â Â Â Â Â Â Total assets Â $ 4,016,243 Â Â $ 4,072,501 Â Total liabilities Â $ 157,996 Â Â $ 220,525 Â Â 20 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â For the three and nine months ended September 30, 2024, the Company recognized net investment income from limited partnerships of $79 and $164, respectively. During the three and nine months ended September 30, 2024, the Company received total cash distributions of $536 and $3,454, respectively, including returns on investment of $68 and $694, respectively.Â For the three and nine months ended September 30, 2023, the Company recognized net investment income of $106 and $648, respectively. During the three and nine months ended September 30, 2023, the Company received total cash distributions of $915 and $3,932, respectively, including returns on investment of $423 and $844, respectively.At September 30, 2024 and December 31, 2023, the Companyâ€™s net cumulative contributed capital to the partnerships at each respective balance sheet date totaled $21,790 and $23,346, respectively, and the Companyâ€™s maximum exposure to loss aggregated $21,497 and $23,583, respectively.Â d) Real Estate InvestmentsReal estate investments consist of the following as of September 30, 2024 and December 31, 2023:Â Â Â September 30, Â Â December 31, Â Â Â 2024 Â Â 2023 Â Land Â $ 42,272 Â Â $ 42,272 Â Land improvements Â Â 4,842 Â Â Â 4,387 Â Buildings and building improvements Â Â 18,612 Â Â Â 18,594 Â Tenant and leasehold improvements Â Â 2,264 Â Â Â 1,869 Â Construction in progress - Haines City Â Â 15,661 Â Â Â 5,535 Â Other Â Â 1,085 Â Â Â 1,633 Â Total, at cost Â Â 84,736 Â Â Â 74,290 Â Less: accumulated depreciation and amortization Â Â (7,225) Â Â (6,397) Real estate investments Â $ 77,511 Â Â $ 67,893 Â Â Depreciation and amortization expense related to real estate investments was $280 and $233 for the three months ended September 30, 2024 and 2023, respectively, and $828 and $914 for the nine months ended September 30, 2024 and 2023, respectively.e) Net Investment IncomeNet investment income (loss), by source, is summarized as follows:Â Â Â Three Months Ended Â Â Nine Months Ended Â Â Â September 30, Â Â September 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Available-for-sale fixed-maturity securities Â $ 7,804 Â Â $ 4,076 Â Â $ 18,652 Â Â $ 13,231 Â Equity securities Â Â 600 Â Â Â 397 Â Â Â 1,552 Â Â Â 1,071 Â Investment expense Â Â (146) Â Â (126) Â Â (366) Â Â (380) Limited partnership investments Â Â 79 Â Â Â 106 Â Â Â 164 Â Â Â 648 Â Real estate investments Â Â 17 Â Â Â 248 Â Â Â 5,293 Â Â Â 9,811 Â Cash and cash equivalents Â Â 5,360 Â Â Â 4,683 Â Â Â 19,367 Â Â Â 11,512 Â Net investment income Â $ 13,714 Â Â $ 9,384 Â Â $ 44,662 Â Â $ 35,893 Â Â 21 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â In connection with the purchase of commercial real estate in Tampa, Florida in December 2023, the Company leased the property back to the seller for a lease term expiring on December 31, 2024. The lease was considered to be at a below market rate. The value of the below market lease was recognized as deferred rent and amortized to rental income over the lease term. In June 2024, the tenant occupying the property under a sublease agreement with the seller vacated the property. As a result, the Company derecognized the remaining deferred rent to rental income. For the nine months ended September 30, 2024, income from real estate investments included rental income of $2,497 resulting from such derecognition of deferred rent.Â For the nine months ended September 30, 2023, income from real estate investments included a net gain of $6,476 resulting from the sale of the retail shopping center investment property in Melbourne, Florida in March 2023 for a price of $18,500, and included a net gain of $2,460 resulting from the sale of the retail shopping center investment property in Sorrento, Florida in March 2023 for a price of $13,418. In September 2023, Grove Haines City, LLC, a real estate subsidiary of Greenleaf Capital, LLC, acquired vacant land and its associated leases for $3,393, of which $1,582 was recognized as real estate investments.f) Other InvestmentsFrom time to time, the Company may invest in financial assets other than stocks, mutual funds, and bonds. For the three and nine months ended September 30, 2024, net realized gains related to other investments were $3 in each period. For the three and nine months ended September 30, 2023, net realized gains were $0 and $47, respectively. Note 5 -- Comprehensive Income (Loss)Comprehensive income (loss) includes net income and other comprehensive income or loss, which for the Company includes changes in unrealized gains or losses of available-for-sale fixed-maturity securities carried at fair value and changes to any credit losses related to these investments. Reclassification adjustments for realized (gains) losses are reflected in net realized investment gains (losses) on the consolidated statements of income. The components of other comprehensive income or loss and the related tax effects allocated to each component were as follows:Â Â Â Three Months Ended Â Â Three Months Ended Â Â Â September 30, 2024 Â Â September 30, 2023 Â Â Â Before Â Â Income Â Â Net of Â Â Before Â Â Income Â Â Net of Â Â Tax Â Â Tax Effect Â Â Tax Â Â Tax Â Â Tax Effect Â Â Tax Â Net unrealized gains Â $ 8,042 Â Â $ 2,014 Â Â $ 6,028 Â Â $ 850 Â Â $ 215 Â Â $ 635 Â Reclassification adjustment for netÂ Â Â realized (gains) losses Â Â (1,830) Â Â (458) Â Â (1,372) Â Â 157 Â Â Â 40 Â Â Â 117 Â Total other comprehensive income Â $ 6,212 Â Â $ 1,556 Â Â $ 4,656 Â Â $ 1,007 Â Â $ 255 Â Â $ 752 Â Â Â Â Nine Months Ended Â Â Nine Months Ended Â Â Â September 30, 2024 Â Â September 30, 2023 Â Â Â Before Â Â Income Â Â Net of Â Â Before Â Â Income Â Â Net of Â Â Tax Â Â Tax Effect Â Â Tax Â Â Tax Â Â Tax Effect Â Â Tax Â Net unrealized gains Â $ 8,799 Â Â $ 2,204 Â Â $ 6,595 Â Â $ 1,002 Â Â $ (2,356) Â $ 3,358 Â Reclassification adjustment for netÂ Â Â realized (gains) losses Â Â (1,788) Â Â (448) Â Â (1,340) Â Â 907 Â Â Â 230 Â Â Â 677 Â Total other comprehensive income Â $ 7,011 Â Â $ 1,756 Â Â $ 5,255 Â Â $ 1,909 Â Â $ (2,126) Â $ 4,035 Â Â 22 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Note 6 -- Fair Value MeasurementsThe Company records and discloses certain financial assets at their estimated fair values. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:Â Level 1 â€" Unadjusted quoted prices in active markets for identical assets. Level 2 â€" Other inputs that are observable for the asset, either directly or indirectly such as quoted prices for identical assets that are not observable throughout the full term of the asset. Level 3 â€" Inputs that are unobservable. Â Valuation MethodologyCash and Cash EquivalentsCash and cash equivalents primarily consist of money-market funds and certificates of deposit maturing within 90 days. Their carrying value approximates fair value due to the short maturity and high liquidity of these funds.Restricted CashRestricted cash represents cash held by state authorities and the carrying value approximates fair value.Fixed-Maturity and Equity SecuritiesEstimated fair values of the Companyâ€™s fixed-maturity and equity securities are determined in accordance with U.S. GAAP, using valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair values are generally measured using quoted prices in active markets for identical securities or other inputs that are observable either directly or indirectly, such as quoted prices for similar securities. In those instances where observable inputs are not available, fair values are measured using unobservable inputs. Unobservable inputs reflect the Companyâ€™s own assumptions about the assumptions that market participants would use in pricing the security and are developed based on the best information available in the circumstances. Fair value estimates derived from unobservable inputs are significantly affected by the assumptions used, including the discount rates and the estimated amounts and timing of future cash flows. The derived fair value estimates cannot be substantiated by comparison to independent markets and are not necessarily indicative of the amounts that would be realized in a current market exchange.The estimated fair values for securities that do not trade on a daily basis are determined by management, utilizing prices obtained from an independent pricing service and information provided by brokers, which are level 2 inputs. Management reviews the assumptions and methods utilized by the pricing service and then compares the relevant data and pricing to broker-provided data. The Company gains assurance of the overall reasonableness and consistent application of the assumptions and methodologies, and compliance with accounting standards for fair value determination through ongoing monitoring of the reported fair values. 23 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Revolving Credit FacilityFrom time to time, the Company has an amount outstanding under a revolving credit facility. The interest rate is variable and is periodically adjusted based on the Secured Overnight Financing Rate (â€œSOFRâ€) plus a ten basis points adjustment plus a margin based on the debt-to-capital ratio. As a result, carrying value, when outstanding, approximates fair value.Long-Term DebtThe following table summarizes components of the Companyâ€™s long-term debt and methods used in estimating their fair values:Â Â MaturityDate Â Valuation Methodology 4.75% Convertible Senior Notes 2042 Â Quoted price 4.25% Convertible Senior Notes * Â Quoted price 4.55% Promissory Note 2036 Â Discounted cash flow method/Level 3 inputs 5.50% Promissory Note 2033 Â Discounted cash flow method/Level 3 inputs Â * Debt derecognized in March 2024. See Note 10 -- â€œLong-Term Debtâ€ for additional information. Â Assets Measured at Estimated Fair Value on a Recurring BasisThe following tables present information about the Companyâ€™s financial assets measured at estimated fair value on a recurring basis. The tables indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value as of September 30, 2024 and December 31, 2023:Â Â Â Fair Value Measurements Using Â Â Â Â Â Â (Level 1) Â Â (Level 2) Â Â (Level 3) Â Â Total Â As of September 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Financial Assets: Â Â Â Â Â Â Â Â Â Â Â Â Cash and cash equivalents Â $ 518,786 Â Â $ â€" Â Â $ â€" Â Â $ 518,786 Â Restricted cash Â $ 3,310 Â Â $ â€" Â Â $ â€" Â Â $ 3,310 Â Fixed-maturity securities: Â Â Â Â Â Â Â Â Â Â Â Â U.S. Treasury and U.S. government agencies Â $ 636,126 Â Â $ 983 Â Â $ â€" Â Â $ 637,109 Â Corporate bonds Â Â 24,041 Â Â Â 6,577 Â Â Â â€" Â Â Â 30,618 Â Exchange-traded debt Â Â 504 Â Â Â â€" Â Â Â â€" Â Â Â 504 Â Total available-for-sale securities Â $ 660,671 Â Â $ 7,560 Â Â $ â€" Â Â $ 668,231 Â Equity securities Â $ 56,333 Â Â $ â€" Â Â $ â€" Â Â $ 56,333 Â Â 24 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Â Â Â Fair Value Measurements Using Â Â Â Â Â Â (Level 1) Â Â (Level 2) Â Â (Level 3) Â Â Total Â As of December 31, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Financial Assets: Â Â Â Â Â Â Â Â Â Â Â Â Cash and cash equivalents Â $ 536,478 Â Â $ â€" Â Â $ â€" Â Â $ 536,478 Â Restricted cash Â $ 3,287 Â Â $ â€" Â Â $ â€" Â Â $ 3,287 Â Fixed-maturity securities: Â Â Â Â Â Â Â Â Â Â Â Â U.S. Treasury and U.S. government agencies Â $ 348,145 Â Â $ 7,909 Â Â $ â€" Â Â $ 356,054 Â Corporate bonds Â Â 20,267 Â Â Â 6,437 Â Â Â â€" Â Â Â 26,704 Â Exchange-traded debt Â Â 480 Â Â Â â€" Â Â Â â€" Â Â Â 480 Â Total available-for-sale securities Â $ 368,892 Â Â $ 14,346 Â Â $ â€" Â Â $ 383,238 Â Equity securities Â $ 45,537 Â Â $ â€" Â Â $ â€" Â Â $ 45,537 Â Â Liabilities Carried at Other Than Fair ValueThe following tables present fair value information for liabilities that are carried on the consolidated balance sheets at amounts other than fair value as of September 30, 2024 and December 31, 2023:Â Â Â Carrying Â Â Fair Value Measurements Using Â Â Estimated Â Â Â Value Â Â (Level 1) Â Â (Level 2) Â Â (Level 3) Â Â Fair Value Â As of September 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Financial Liabilities: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Revolving credit facility Â $ 46,000 Â Â $ â€" Â Â $ 46,000 Â Â $ â€" Â Â $ 46,000 Â Long-term debt: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 4.75% Convertible Senior Notes Â $ 169,099 Â Â $ â€" Â Â $ 251,916 Â Â $ â€" Â Â $ 251,916 Â 5.50% Promissory Note Â Â 11,546 Â Â Â â€" Â Â Â â€" Â Â Â 11,677 Â Â Â 11,677 Â 4.55% Promissory Note Â Â 4,436 Â Â Â â€" Â Â Â â€" Â Â Â 4,265 Â Â Â 4,265 Â Total long-term debt Â $ 185,081 Â Â $ â€" Â Â $ 251,916 Â Â $ 15,942 Â Â $ 267,858 Â Â Â Â Carrying Â Â Fair Value Measurements Using Â Â Estimated Â Â Â Value Â Â (Level 1) Â Â (Level 2) Â Â (Level 3) Â Â Fair Value Â As of December 31, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Financial Liabilities: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Long-term debt: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 4.75% Convertible Senior Notes Â $ 168,230 Â Â $ â€" Â Â $ 215,114 Â Â $ â€" Â Â $ 215,114 Â

4.25% Convertible Senior Notes Â Â 23,916 Â Â Â â€” Â Â Â 34,545 Â Â Â â€” Â Â Â 34,545 Â 5.50% Callable Promissory Note Â Â 11,707 Â Â Â â€” Â Â Â â€” Â Â Â 11,512 Â Â Â 11,512 Â 4.55% Promissory Note Â Â 4,640 Â Â Â â€” Â Â Â â€” Â Â Â 4,349 Â Â Â 4,349 Â Total long-term debt Â $ 208,493 Â Â $ â€” Â Â $ 249,659 Â Â $ 15,861 Â Â $ 265,520 Â Â 25 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Note 7 -- Intangible Assets, NetThe Companyâ€™s intangible assets, net consist of the following: Â Â September 30, Â Â December 31, Â Â Â 2024 Â Â 2023 Â In-place leases (a) Â $ 2,221 Â Â Â 2,221 Â Policy renewal rights - United Â Â 10,100 Â Â Â 10,100 Â Non-compete agreements - United (b) Â Â 314 Â Â Â 314 Â Total, at cost Â Â 12,635 Â Â Â 12,635 Â Less: accumulated amortization Â Â (6,815) Â Â (4,976) Intangible assets, net Â $ 5,820 Â Â $ 7,659 Â Â (a)Amortization related to the Haines City property is expected to start in November 2024.(b)Fully amortized.The remaining weighted-average amortization periods for the intangible assets as of September 30, 2024 are summarized in the table below:Â In-place leases Â 18.0Â years Policy renewal rights - United Â 1.6Â years Â At September 30, 2024 and December 31, 2023, contingent liabilities related to renewal rights intangible assets were $371 and are included in other liabilities on the consolidated balance sheets. Note 8 -- Other AssetsThe following table summarizes the Companyâ€™s other assets:Â Â Â September 30, Â Â December 31, Â Â Â 2024 Â Â 2023 Â Benefits receivable related to retrospective reinsurance contracts Â $ 50,568 Â Â $ 44,289 Â Reimbursement and fees receivable under TPA service Â Â â€” Â Â Â 629 Â Prepaid expenses Â Â 4,716 Â Â Â 2,882 Â Deposits Â Â 418 Â Â Â 409 Â Lease acquisition costs, net Â Â 842 Â Â Â 833 Â Other Â Â 1,575 Â Â Â 1,323 Â Total other assets Â $ 58,119 Â Â $ 50,365 Â Â During the three and nine months ended September 30, 2024, the Company recognized credit loss expense of $0 and $351, respectively, related to the reimbursement and fees receivable under TPA services. See Note 11 -- â€œReinsuranceâ€ for an adjustment to the benefits receivable related to retrospective reinsurance contracts. 26 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Â Note 9 -- Revolving Credit FacilityAt September 30, 2024, the Company had $46,000 outstanding under the credit facility, which was used to partially fund the redemption of the TTIG Series A Preferred Stock held by Centerbridge Partners, L.P. (â€œCenterbridgeâ€) on January 22, 2024. See Note 18 -- â€œRedeemable Noncontrolling Interestâ€ for additional information. For the three months ended September 30, 2024 and 2023, interest expense was $859 and $21, respectively, including $15 and $21 of amortization of issuance costs, respectively. For the nine months ended September 30, 2024 and 2023, interest expense was $2,489 and $69, respectively, including $44 and $68 of amortization of issuance costs, respectively. At September 30, 2024, the Company was in compliance with all required covenants and had available borrowing capacity of $29,000. Note 10 -- Long-Term DebtThe following table summarizes the Companyâ€™s long-term debt:Â Â Â September 30, Â Â December 31, Â Â Â 2024 Â Â 2023 Â 4.75% Convertible Senior Notes, due June 1, 2042 Â $ 172,500 Â Â $ 172,500 Â 4.25% Convertible Senior Notes (a) Â Â â€” Â Â Â 23,916 Â 4.55% Promissory Note, due through August 1, 2036 Â Â 4,491 Â Â Â 4,700 Â 5.50% Promissory Note, due through July 1, 2033 Â Â 11,730 Â Â Â 11,906 Â Finance lease liabilities, due through October 15, 2024 Â Â â€” Â Â Â 2 Â Total principal amount Â Â 188,721 Â Â Â 213,024 Â Less: unamortized issuance costs Â Â (3,640) Â Â (4,529) Total long-term debt Â $ 185,081 Â Â $ 208,495 Â Â (a)Notes converted or redeemed during the first quarter of 2024.Â The following table summarizes future maturities of long-term debt as of September 30, 2024, which takes into consideration the assumption that the 4.75% Convertible Senior Notes are repurchased at their next earliest call date:Â Due in 12 months following September 30, Â Â 2024 Â $ 536 Â 2025 Â Â 563 Â 2026 Â Â 173,092 Â 2027 Â Â 622 Â 2028 Â Â 654 Â Thereafter Â Â 13,254 Â Total Â $ 188,721 Â Â 27 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Information with respect to interest expense related to long-term debt is as follows:Â Â Â Three Months Ended Â Â Nine Months Ended Â Â Â September 30, Â Â September 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Interest Expense: Â Â Â Â Â Â Â Â Â Â Â Â Contractual interest Â $ 2,261 Â Â $ 2,522 Â Â $ 6,644 Â Â $ 7,386 Â Non-cash expense (b) Â Â 301 Â Â Â 284 Â Â Â 889 Â Â Â 840 Â Total Â $ 2,562 Â Â $ 2,806 Â Â $ 7,533 Â Â $ 8,226 Â Â (b)Includes amortization of debt issuance costs.4.25% Convertible Senior NotesDuring the first quarter of 2024, the Company notified the holders of its outstanding 4.25% Convertible Senior Notes due 2037 that the Company had elected to redeem the remaining $23,916 principal balance of the 4.25% Convertible Senior Notes. As a result of this notice, the 4.25% Convertible Senior Notes became immediately convertible into the Companyâ€™s common shares, with a redemption date of March 15, 2024. The conversion rate of the Companyâ€™s 4.25% Convertible Senior Notes was 16.5892 shares of common stock for each $1 in principal amount, which was the equivalent of approximately $60.25 per share. The Company converted $23,450 in aggregate principal of 4.25% Convertible Senior Notes for aggregate consideration of 389,087 shares of HCIâ€™s common stock plus $1 cash consideration in lieu of fractional shares. The remaining 4.25% Convertible Senior Notes were redeemed for $466 on March 15, 2024.4.75% Convertible Senior NotesThe conversion rate of the 4.75% Convertible Senior Notes is currently 12.4166 shares of common stock for each $1 in principal amount, which is the equivalent of approximately $80.54 per share.The effective interest rate for the 4.75% Convertible Senior Notes, taking into account both cash and non-cash components, approximates 5.6%. Had a 20-year term been used for the amortization of the issuance costs of the 4.75% Convertible Senior Notes, the annual effective interest rate charged to earnings would have decreased to approximately 5.0%. As of September 30, 2024, the remaining amortization period of the debt issuance costs was expected to be 2.67 years for the 4.75% Convertible Senior Notes. Note 11 -- ReinsuranceReinsurance obtained from other insurance companiesThe Company cedes a portion of its homeownersâ€™ insurance exposure to other entities under catastrophe excess of loss reinsurance contracts and a portion of its flood insurance exposure under one quota share reinsurance agreement. Ceded premiums under most catastrophe excess of loss reinsurance contracts are subject to revision resulting from subsequent adjustments in total insured value. Under the terms of the quota share reinsurance agreement, the Company is entitled to a 30% ceding commission on ceded premiums written and a profit commission equal to 10% of net profit. 28 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â The Company remains liable for claims payments in the event that any reinsurer is unable to meet its obligations under the reinsurance agreements. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. The Company contracts with a number of reinsurers to secure its annual reinsurance coverage, which generally becomes effective June 1st of each year. The Company purchases reinsurance each year taking into consideration probable maximum losses and reinsurance market conditions.The impact of the reinsurance contracts on premiums written and earned is as follows:Â Â Â Three Months Ended Â Â Nine Months Ended Â Â Â September 30, Â Â September 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Premiums Written: Â Â Â Â Â Â Â Â Â Â Â Â Direct Â $ 270,979 Â Â $ 198,265 Â Â $ 767,163 Â Â $ 585,671 Â Assumed Â Â (600) Â Â â€” Â Â Â 65,104 Â Â Â (7,569) Gross written Â Â 270,379 Â Â Â 198,265 Â Â Â 832,267 Â Â Â 578,102 Â Ceded Â Â (109,694) Â Â (66,152) Â Â (254,513) Â Â (203,051) Net premiums written Â $ 160,685 Â Â $ 132,113 Â Â $ 577,754 Â Â $ 375,051 Â Premiums Earned: Â Â Â Â Â Â Â Â Â Â Â Â Direct Â $ 229,876 Â Â $ 188,308 Â Â $ 621,342 Â Â $ 543,159 Â Assumed Â Â 35,642 Â Â Â â€” Â Â Â 164,381 Â Â Â 7,163 Â Gross earned Â Â 265,518 Â Â Â 188,308 Â Â Â 785,723 Â Â Â 550,322 Â Ceded Â Â (109,694) Â Â (66,152) Â Â (254,513) Â Â (203,051) Net premiums earned Â $ 155,824 Â Â $ 122,156 Â Â $ 531,210 Â Â $ 347,271 Â Â During the three and nine months ended September 30, 2024, the Company recognized ceded losses of $21,981 and $24,653, respectively, as reductions in losses and loss adjustment expenses. During the three and nine months ended September 30, 2023, the Company recognized ceded losses of $2,911 and $6,771, respectively, as reductions in losses and loss adjustment expenses. At September 30, 2024 and December 31, 2023, there were 44 and 33 reinsurers, respectively, participating in the Companyâ€™s reinsurance program. Total net amounts recoverable and receivable from reinsurers at September 30, 2024 and December 31, 2023 were $300,571 and $350,294, respectively. Approximately 68.2% of the paid reinsurance recoverable balance at September 30, 2024 was receivable from five reinsurers. Based on all available information considered in the rating-based method, the Company recognized decreases in credit loss expense of $20 and $72 for the three and nine months ended September 30, 2024, respectively. For the three and nine months ended September 30, 2023, the Company recognized decreases in credit loss expense of $33 and $135, respectively. Allowances for credit losses related to the reinsurance recoverable balance were $46 and $118 at September 30, 2024 and December 31, 2023, respectively. 29 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â One of the existing reinsurance contracts includes retrospective provisions that adjust premiums in the event losses are minimal or zero. As a result of Hurricane Helene, the balance of previously accrued benefits under the multi-year reinsurance contract with retrospective provisions was decreased by $12,369 during the third quarter of 2024. For the three months ended September 30, 2024, the Company derecognized reductions in premiums ceded of $7,707 related to these adjustments in the consolidated statement of income. For the nine months ended September 30, 2024, the Company recognized reductions in premiums ceded of $6,279. For the three and nine months ended September 30, 2023, the Company recognized reductions in premiums ceded of $6,993 and $20,979, respectively.Amounts receivable pursuant to retrospective provisions are reflected in other assets. At September 30, 2024 and December 31, 2023, other assets included $50,568 and $44,289, respectively, of amounts receivable pursuant to retrospective provisions. Management believes the credit risk associated with the collectability of these accrued benefits is minimal as the amount receivable is concentrated with one reinsurer with a good credit rating and the Company monitors the creditworthiness of this reinsurer based on available information about the reinsurerâ€™s financial condition. See Note 23 -- â€œSubsequent Eventsâ€ for additional information.Reinsurance provided to other insurance companiesUnitedFrom 2021 to 2022, the Company, through HCPCI and TypTap, provided quota share reinsurance on all in-force, new and renewal policies issued by United Property & Casualty Insurance Company, an insurance subsidiary of United Insurance Holdings Corporation (â€œUnitedâ€), in the states of Connecticut, New Jersey, Massachusetts, and Rhode Island (collectively â€œNortheast Regionâ€). From 2022 to 2023, the Companyâ€™s insurance subsidiaries also provided quota share reinsurance on all of Unitedâ€™s personal lines insurance business in the states of Georgia, North Carolina, and South Carolina (collectively â€œSoutheast Regionâ€). In conjunction with these reinsurance agreements, the Company entered into renewal rights agreements with United which provided the Company with the right to renew and/or replace Unitedâ€™s insurance policies at the end of their respective policy periods. In February 2023, Unitedâ€™s Florida-domiciled residential insurance subsidiary was placed into receivership by the State of Florida due to its financial insolvency and, as a result, the Company ceased providing quota share reinsurance on United policies. The majority of the policies under these reinsurance agreements have been renewed and/or replaced by the Company.At September 30, 2024 and December 31, 2023, the Company had a net balance of $582 due to United related to the Northeast Region, representing ceding commission payable.For the three and nine months ended September 30, 2023, $0 and $7,569, respectively, of assumed premiums written related to the Southeast Regionâ€™s insurance policies were derecognized, primarily resulting from the return of the unearned portion of assumed written premiums subsequent to the Company's renewal and/or replacement of insurance policies in the Southeast Region. At September 30, 2024, the Company had a net balance of $1,438 due to United related to the Southeast Region, consisting of premiums payable of $1,712, offset by ceding commission receivable of $274. At December 31, 2023, the Company had a net balance of $4,203 due to United related to the Southeast Region, consisting of premiums payable of $1,712 and payable on paid losses and loss adjustment expenses of $2,765, offset by ceding commission receivable of $274. 30 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â At September 30, 2024, the Company had a net amount due to United of $2,020 and funds withheld for assumed business in trust accounts totaling $14,527 for the benefit of policies assumed from United. The Company ceased providing TPA services to United in March 2023. The Company cannot predict the actions a receiver might take, which may include restrictions on, or use of, funds held in trust. Any such actions could have a material adverse effect on the Companyâ€™s financial position and results of operations.At September 30, 2024 and December 31, 2023, the balance of funds withheld for assumed business related to the Companyâ€™s quota share reinsurance agreements with United was $14,527 and $30,087, respectively. Note 12 -- Losses and Loss Adjustment ExpensesThe liability for losses and loss adjustment expenses (â€œLAEâ€) is determined on an individual case basis for all claims reported. The liability also includes amounts for unallocated expenses, anticipated future claims development and losses incurred but not reported.The Company primarily writes insurance in states which could be exposed to hurricanes or other natural catastrophes. The occurrence of a major catastrophe could have a significant effect on the Companyâ€™s quarterly results and cause a temporary disruption of the normal operations of the Company. However, the Company is unable to predict the frequency or severity of any such events that may occur in the near term or thereafter.Activity in the liability for losses and LAE is summarized as follows:Â Â Â Three Months Ended Â Â Nine Months Ended Â Â Â September 30, Â Â September 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Net balance, beginning of period* Â $ 291,785 Â Â $ 243,586 Â Â $ 254,351 Â Â $ 246,546 Â Incurred, net of reinsurance, related to: Â Â Â Â Â Â Â Â Â Â Â Â Current period Â Â 110,510 Â Â Â 58,621 Â Â Â 263,938 Â Â Â 176,287 Â Prior periods Â Â (4,774) Â Â 8,105 Â Â Â 44 Â Â Â 12,894 Â Total incurred, net of reinsurance Â Â 105,736 Â Â Â 66,726 Â Â Â 263,982 Â Â Â 189,181 Â Paid, net of reinsurance, related to: Â Â Â Â Â Â Â Â Â Â Â Â Current period Â Â (36,942) Â Â (36,299) Â Â (86,502) Â Â (74,514) Prior periods Â Â (21,324) Â Â (27,782) Â Â (92,576) Â Â (114,982) Total paid, net of reinsurance Â Â (58,266) Â Â (64,081) Â Â (179,078) Â Â (189,496) Net balance, end of period Â Â 339,255 Â Â Â 246,231 Â Â Â 339,255 Â Â Â 246,231 Â Add: reinsurance recoverable before allowance forÂ Â Â Â Â Â Â Â Â Â credit losses Â Â 273,099 Â Â Â 462,858 Â Â Â 273,099 Â Â Â 462,858 Â Gross balance, end of period Â $ 612,354 Â Â $ 709,089 Â Â $ 612,354 Â Â $ 709,089 Â Â * Net balance represents beginning-of-period liability for unpaid losses and LAE less beginning-of-period reinsurance recoverable for unpaid losses and LAE. 31 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â The establishment of loss and LAE reserves is an inherently uncertain process and changes in loss and LAE reserve estimates are expected as these estimates are subject to the outcome of future events. Changes in estimates, or differences between estimates and amounts ultimately paid, are reflected in the operating results of the period during which such estimates are adjusted. During the three months ended September 30, 2024, the Company lowered its reserves related to prior periods by $4,774 due to positive development trends. Due to Hurricane Helene, the Company incurred net estimated losses of approximately $40,000 during the third quarter of 2024. Excluding Hurricane Helene-related losses, losses and LAE for the three and nine months ended September 30, 2024 included net estimated losses of approximately $1,250 and $37,250, respectively, related to Citizens policies assumed. 32 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Note 13 -- Variable Interest EntityCORE, a Florida-domiciled reciprocal insurance exchange, is owned by its policyholders, referred to as subscribers, and was organized to offer commercial residential multiple peril and wind insurance products. Each subscriber owns part of CORE by buying an insurance policy and making a surplus contribution. CORE is managed by CRM, an AIF company which is a wholly-owned subsidiary of HCI. At the formation date of CORE, management determined that CORE is a variable interest entity (â€œVIEâ€). HCI is required to assess whether it has a controlling financial interest in CORE. A controlling financial interest exists if an entity has both: 1) the power to direct the activities of the VIE that most significantly impact the VIEâ€™s economic performance, and 2) the obligation to absorb losses from or the right to receive benefits of the VIE that could potentially be significant to the VIE. Under U.S. GAAP, an entity meeting these requirements is considered to be the primary beneficiary of a VIE and is required to consolidate the VIE. Since in the judgment of management, HCI meets these requirements via the management and service agreements and the subordinated surplus note, HCI is required to consolidate CORE. Further, as HCI has no equity at risk, COREâ€™s equity and results of operations are included in noncontrolling interests. In the event of dissolution, subscribers will participate in the distribution of any remaining equity without being liable for any shortfall in CORE's equity.COREâ€™s assets are legally restricted for the purpose of fulfilling obligations specific to CORE. The creditors of CORE have no legal right to pursue additional sources of payment from the Company. The following table summarizes the assets and liabilities related to CORE, a consolidated VIE, which are included in the accompanying consolidated balance sheets:Â Â Â September 30, Â Â December 31, Â Â Â 2024 Â Â 2023 Â Assets: Â Â Â Â Â Â Cash and cash equivalents Â $ 54,431 Â Â $ 24,635 Â Restricted cash Â Â 308 Â Â Â 300 Â Income taxes receivable Â Â 977 Â Â Â â€” Â Premiums receivable Â Â 3,804 Â Â Â â€” Â Prepaid reinsurance premium Â Â 6,047 Â Â Â â€” Â Deferred policy acquisition costs Â Â 2,253 Â Â Â â€” Â Other assets Â Â 583 Â Â Â 65 Â Â Â Â Total assets Â $ 68,403 Â Â $ 25,000 Â Liabilities: Â Â Â Â Â Â Losses and loss adjustment expenses Â $ 4,497 Â Â $ â€” Â Unearned premiums Â Â 33,117 Â Â Â â€” Â Advance premiums Â Â 105 Â Â Â â€” Â Ceded reinsurance premiums payable Â Â 1,582 Â Â Â â€” Â Assumed premiums payable Â Â 99 Â Â Â â€” Â Accrued expenses Â Â 974 Â Â Â â€” Â Deferred income taxes, net Â Â 450 Â Â Â â€” Â Other liabilities Â Â 312 Â Â Â â€” Â Â Â Â Total liabilities Â $ 41,136 Â Â $ â€” Â Â 33 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Note 14 -- Segment InformationThe Company identifies its operating divisions based on managerial emphasis, organizational structure and revenue source. With the transaction described in Change in Segment Information under Note 1 -- â€œNature of Operations,â€ the Company now operates under five reportable segments: insurance operations, TypTap Group, reciprocal exchange operations, real estate operations, and corporate and other. Due to their economic characteristics, the Companyâ€™s property and casualty insurance division and reinsurance operations, excluding the insurance operations under reciprocal exchange operations, are grouped together into one reportable segment under insurance operations. The TypTap Group segment includes information technology operations, insurance management service operations, and its management companyâ€™s activities. The reciprocal exchange segment represents the insurance operations of CORE, a consolidated VIE. The real estate operations segment includes companies engaged in operating commercial properties the Company owns for investment purposes or for use in its own operations. The corporate and other segment represents the activities of the holding companies and any other companies, such as CRM, that do not meet the quantitative and qualitative thresholds for a reportable segment. The determination of segments may change over time due to changes in operational emphasis, revenues, and results of operations. The Companyâ€™s chief executive officer, who serves as the Companyâ€™s chief operating decision maker, evaluates each divisionâ€™s financial and operating performance based on revenue and operating income.For the three months ended September 30, 2024 and 2023, revenues from the insurance operations segment before intracompany elimination represented 82.7% and 87.6%, respectively, and revenues from the TypTap Group segment represented 11.0% and 11.0%, respectively, of total revenues of all operating segments. For the nine months ended September 30, 2024 and 2023, revenues from the insurance operations segment before intracompany elimination represented 84.5% and 86.9%, respectively, and revenues from the TypTap Group segment represented 10.8% and 11.6%, respectively, of total revenues of all operating segments. At September 30, 2024 and December 31, 2023, insurance operationsâ€™ total assets represented 84.2% and 87.0%, respectively, and TypTap Groupâ€™s total assets represented 2.9% and 1.9%, respectively, of the combined assets of all operating segments. 34 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â The following tables present segment information reconciled to the Companyâ€™s consolidated statements of income. Intersegment transactions are not eliminated from segment results. However, intracompany transactions are eliminated in segment results below.Â For Three Months EndedSeptember 30, 2024 Â InsuranceOperations Â Â TypTapGroup Â Â ReciprocalExchangeOperations Â Â RealEstate (a) Â Â Corporate/Other (b) Â Â Reclassification/ Elimination Â Â Consolidated Â Revenue: Â Gross premiums earned (c) Â $ 249,314 Â Â $ â€” Â Â $ 17,430 Â Â $ â€” Â Â $ â€” Â Â $ (1,226) Â $ 265,518 Â Premiums ceded Â Â (104,264) Â Â â€” Â Â Â (6,656) Â Â â€” Â Â Â â€” Â Â Â 1,226 Â Â Â (109,694) Net premiums earned Â Â 145,050 Â Â Â â€” Â Â Â 10,774 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 155,824 Â Net income from investment portfolio Â Â 13,438 Â Â Â 197 Â Â Â 319 Â Â Â â€” Â Â Â 3,826 Â Â Â (563) Â Â 17,217 Â Policy fee income Â Â 682 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 547 Â Â Â 1,229 Â Other Â Â 3,637 Â Â Â 27,543 Â Â Â â€” Â Â Â 2,680 Â Â Â 2,715 Â Â Â (35,528) Â Â 1,047 Â Total revenue Â Â 162,807 Â Â Â 27,740 Â Â Â 11,093 Â Â Â 2,680 Â Â Â 6,541 Â Â Â (35,544) Â Â 175,317 Â Expenses: Â Losses and loss adjustment expenses Â Â 104,683 Â Â Â â€” Â Â Â 4,200 Â Â â€” Â Â Â â€” Â Â Â (3,147) Â Â 105,736 Â Amortization of deferred policy Â Â acquisition costs Â Â 22,528 Â Â â€” Â Â Â 1,570 Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 24,098 Â Other policy acquisition expenses Â Â 14,047 Â Â Â 8,756 Â Â Â 1,347 Â Â â€” Â Â Â â€” Â Â Â (22,144) Â Â 2,006 Â Stock-based compensation expense Â Â 266 Â Â Â 1,471 Â Â â€” Â Â Â â€” Â Â Â 1,737 Â Â â€” Â Â Â 3,474 Â Interest expense Â â€” Â Â Â 15 Â Â Â 566 Â Â Â 219 Â Â Â 3,202 Â Â Â (581) Â Â 3,421 Â Depreciation and amortization Â Â 612 Â Â Â 655 Â Â â€” Â Â Â 419 Â Â Â 160 Â Â Â (287) Â Â 1,559 Â Personnel and other operating expenses Â Â 12,905 Â Â Â 11,733 Â Â Â 69 Â Â Â 1,945 Â Â Â 3,798 Â Â Â (9,507) Â Â 20,943 Â Total expenses Â Â 155,041 Â Â Â 22,630 Â Â Â 7,752 Â Â Â 2,583 Â Â Â 8,897 Â Â Â (35,666) Â Â 161,237 Â Income (loss) before income taxes (d) Â $ 7,766 Â Â $ 5,110 Â Â $ 3,341 Â Â $ 97 Â Â $ (2,356) Â $ 122 Â Â $ 14,080 Â Total revenue from non-affiliates (e) Â $ 158,489 Â Â $ (336) Â $ 12,319 Â Â $ 1,815 Â Â $ 3,579 Â Â Â Â Â Â Â Gross premiums written Â $ 258,925 Â Â $ â€” Â Â $ 11,454 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â (a)Other revenue under real estate primarily consisted of rental income from investment properties.(b)Other revenue under corporate and other primarily consisted of revenue from marina operations and management fees for attorney-in-fact services.(c)Gross premiums earned under Insurance Operations include $1,226 earned from the reciprocal exchange operations.(d)The income (loss) before income taxes in the reclassification/elimination column is attributable to intercompany transactions among operating segments. The insurance operations and the reciprocal exchange operations record service fee expenses based on earned premiums or other appropriate measures, while TypTap Group and the AIF operations recognize service fee revenues according to revenue recognition standards. Although both service fee expenses and revenues are fully eliminated on consolidation, they do not completely offset each other in this presentation due to the different methods of recognition.(e)Represents amounts before reclassification of certain revenue and expenses to conform with an insurance companyâ€™s presentation.Â 35 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â For Three Months Ended September 30, 2023 Â InsuranceOperations Â Â TypTapGroup Â Â RealEstate (a) Â Â Corporate/Other (b) Â Â Reclassification/ Elimination Â Â Consolidated Â Revenue: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Gross premiums earned Â $ 188,308 Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ 188,308 Â Premiums ceded Â Â (66,152) Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â (66,152) Net premiums earned Â Â 122,156 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 122,156 Â Net income from investment portfolio Â Â 6,569 Â Â Â 14 Â Â Â â€” Â Â Â 1,735 Â Â Â (182) Â Â 8,136 Â Policy fee income Â Â 533 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 559 Â Â Â 1,092 Â Other Â Â 4,003 Â Â Â 22,633 Â Â Â 2,355 Â Â Â 526 Â Â Â (29,257) Â Â 260 Â Total revenue Â Â 133,261 Â Â Â 22,647 Â Â Â 2,355 Â Â Â 2,261 Â Â Â (28,880) Â Â 131,644 Â Expenses: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Losses and loss adjustment expenses Â Â 69,851 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â (3,125) Â Â 66,726 Â Amortization of deferred policy Â Â acquisition costs Â Â 21,686 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 21,686 Â Other policy acquisition expenses Â Â 8,775 Â Â Â 7,653 Â Â Â â€” Â Â Â â€” Â Â Â (15,346) Â Â 1,082 Â Stock-based compensation expense Â Â 419 Â Â Â 730 Â Â Â â€” Â Â Â 691 Â Â Â â€” Â Â Â 1,840 Â Interest expense Â Â â€” Â Â Â 431 Â Â Â 226 Â Â Â 2,601 Â Â Â (431) Â Â 2,827 Â Depreciation and amortization Â Â 614 Â Â Â 563 Â Â Â 329 Â Â Â 160 Â Â Â (238) Â Â 1,428 Â Personnel and other operating expenses Â Â 11,149 Â Â Â 11,222 Â Â Â 1,486 Â Â Â 1,851 Â Â Â (9,741) Â Â 15,967 Â Total expenses Â Â 112,494 Â Â Â 20,599 Â Â Â 2,041 Â Â Â 5,303 Â Â Â (28,881) Â Â 111,556 Â Income (loss) before income taxes (c) Â $ 20,767 Â Â $ 2,048 Â Â $ 314 Â Â $ (3,042) Â $ 1 Â Â $ 20,088 Â Total revenue from non-affiliates (d) Â $ 129,500 Â Â $ 573 Â Â $ 1,519 Â Â $ 1,692 Â Â Â Â Â Â Â Gross premiums written Â $ 198,265 Â Â $ â€” Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â (a)Other revenue under real estate primarily consisted of rental income from investment properties.(b)Other revenue under corporate and other primarily consisted of revenue from marina operations.(c)The income (loss) before income taxes in the reclassification/elimination column results from the recast of segment information.(d)Represents amounts before reclassification of certain revenue and expenses to conform with an insurance companyâ€™s presentation.Â 36 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â For Nine Months Ended September 30, 2024 Â InsuranceOperations Â Â TypTapGroup Â Â ReciprocalExchangeOperations Â Â RealEstate (a) Â Â Corporate/Other (b) Â Â Reclassification/ Elimination Â Â Consolidated Â Revenue: Â Gross premiums earned (c) Â $ 754,755 Â Â $ â€” Â Â $ 33,859 Â Â $ â€” Â Â $ â€” Â Â $ (2,891) Â $ 785,723 Â Premiums ceded Â Â (242,261) Â Â â€” Â Â Â (15,143) Â Â â€” Â Â Â â€” Â Â Â 2,891 Â Â Â (254,513) Net premiums earned Â Â 512,494 Â Â Â â€” Â Â Â 18,716 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 531,210 Â Net income from investment portfolio Â Â 38,162 Â Â Â 339 Â Â Â 514 Â Â Â â€” Â Â Â 12,495 Â Â Â 35 Â Â Â 51,545 Â Policy fee income Â Â 1,757 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 1,580 Â Â Â 3,337 Â Other Â Â 10,997 Â Â Â 88,365 Â Â Â 9 Â Â Â 11,961 Â Â Â 7,356 Â Â Â (116,604) Â Â 2,084 Â Total revenue Â Â 563,410 Â Â Â 88,704 Â Â Â 19,239 Â Â Â 11,961 Â Â Â 19,851 Â Â Â (114,989) Â Â 588,176 Â Expenses: Â Losses and loss adjustment expenses Â Â 268,771 Â Â â€” Â Â Â 7,073 Â Â â€” Â Â Â â€” Â Â Â (11,862) Â Â 263,982 Â Amortization of deferred policy Â Â acquisition costs Â Â 65,322 Â Â â€” Â Â Â 1,658 Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 66,980 Â Other policy acquisition expenses Â Â 39,952 Â Â Â 27,466 Â Â Â 3,698 Â Â â€” Â Â Â â€” Â Â Â (66,401) Â Â 4,715 Â Stock-based compensation expense Â Â 954 Â Â Â 2,828 Â Â â€” Â Â Â â€” Â Â Â 3,650 Â Â â€” Â Â Â 7,432 Â Interest expense Â â€” Â Â Â 3,321 Â Â Â 1,937 Â Â Â 663 Â Â Â 9,359 Â Â Â (5,258) Â Â 10,022 Â Depreciation and amortization Â Â 1,836 Â Â Â 1,926 Â Â â€” Â Â Â 1,217 Â Â Â 482 Â Â Â (848) Â Â 4,613 Â Personnel and other operating expenses Â Â 41,202 Â Â Â 34,423 Â Â Â 175 Â Â Â 5,008 Â Â Â 11,671 Â Â Â (29,583) Â Â 62,896 Â Total expenses Â Â 418,037 Â Â Â 69,964 Â Â Â 14,541 Â Â Â 6,888 Â Â Â 25,162 Â Â Â (113,952) Â Â 420,640 Â Income (loss) before income taxes (d) Â $ 145,373 Â Â $ 18,740 Â Â $ 4,698 Â Â $ 5,073 Â Â $ (5,311) Â $ (1,037) Â $ 167,536 Â Total revenue from non-affiliates (e) Â $ 551,090 Â Â $ 839 Â Â $ 22,130 Â Â $ 9,413 Â Â $ 8,558 Â Â Â Â Â Â Â Gross premiums written Â $ 765,291 Â Â $ â€” Â Â $ 66,976 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â (a)Other revenue under real estate primarily consisted of rental income from investment properties.(b)Other revenue under corporate and other primarily consisted of revenue from marina operations and management fees for attorney-in-fact services.(c)Gross premiums earned under Insurance Operations include $2,891 earned from the reciprocal exchange operations.(d)The income (loss) before income taxes in the reclassification/elimination column is attributable to intercompany transactions among operating segments. The insurance operations and the reciprocal exchange operations record service fee expenses based on earned premiums or other appropriate measures, while TypTap Group and the AIF operations recognize service fee revenues according to revenue recognition standards. Although both service fee expenses and revenues are fully eliminated on consolidation, they do not completely offset each other in this presentation due to the different methods of recognition.(e)Represents amounts before reclassification of certain revenue and expenses to conform with an insurance companyâ€™s presentation. 37 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â For Nine Months Ended September 30, 2023 Â InsuranceOperations Â Â TypTapGroup Â Â RealEstate (a) Â Â Corporate/Other (b) Â Â Reclassification/ Elimination Â Â Consolidated Â Gross premiums earned Â $ 550,322 Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ 550,322 Â Premiums ceded Â Â (203,051) Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â (203,051) Net premiums earned Â Â 347,271 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 347,271 Â Net income from investment portfolio Â Â 20,872 Â Â Â 39 Â Â Â â€” Â Â Â 5,262 Â Â Â 8,519 Â Â Â 34,692 Â Gain on sale Â Â â€” Â Â Â â€” Â Â Â 8,936 Â Â Â â€” Â Â Â (8,936) Â Â â€” Â Policy fee income Â Â 1,647 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 2,004 Â Â Â 3,651 Â Other Â Â 12,514 Â Â Â 67,286 Â Â Â 7,410 Â Â Â 1,798 Â Â Â (86,622) Â Â 2,386 Â Total revenue Â Â 382,304 Â Â Â 67,325 Â Â Â 16,346 Â Â Â 7,060 Â Â Â (85,035) Â Â 388,000 Â Expenses: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Losses and loss adjustment expenses Â Â 200,476 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â (11,295) Â Â 189,181 Â Amortization of deferred policy Â Â acquisition costs Â Â 64,592 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 64,592 Â Other policy acquisition expenses Â Â 22,498 Â Â Â 25,444 Â Â Â â€” Â Â Â â€” Â Â Â (44,428) Â Â 3,514 Â Stock-based compensation expense Â Â 1,413 Â Â Â 2,217 Â Â Â â€” Â Â Â 2,183 Â Â Â â€” Â Â Â 5,813 Â Interest expense Â Â â€” Â Â Â 1,292 Â Â Â 496 Â Â Â 7,799 Â Â Â (1,292) Â Â 8,295 Â Depreciation and amortization Â Â 1,841 Â Â Â 1,602 Â Â Â 1,282 Â Â Â 566 Â Â Â (1,011) Â Â 4,280 Â Loss on extinguishment of debt Â Â â€” Â Â Â â€” Â Â Â 177 Â Â Â â€” Â Â Â (177) Â Â â€” Â Personnel and other operating expenses Â Â 32,483 Â Â Â 33,820 Â Â Â 4,541 Â Â Â 5,295 Â Â Â (27,304) Â Â 48,835 Â Total expenses Â Â 323,303 Â Â Â 64,375 Â Â Â 6,496 Â Â Â 15,843 Â Â Â (85,507) Â Â 324,510 Â Income (loss) before income taxes (c) Â $ 59,001 Â Â $ 2,950 Â Â $ 9,850 Â Â $ (8,783) Â $ 472 Â Â $ 63,490 Â Total revenue from non-affiliates (d) Â $ 372,198 Â Â $ 2,043 Â Â $ 13,895 Â Â $ 5,353 Â Â Â Â Â Â Â Gross premiums written Â $ 578,102 Â Â $ â€” Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â (a)Other revenue under real estate primarily consisted of rental income from investment properties.(b)Other revenue under corporate and other primarily consisted of revenue from marina operations.(c)The income (loss) before income taxes in the reclassification/elimination column results from the recast of segment information.(d)Represents amounts before reclassification of certain revenue and expenses to conform with an insurance companyâ€™s presentation.Â 38 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â The following table presents segment assets reconciled to the Companyâ€™s total assets on the consolidated balance sheets:Â Â Â September 30, Â Â December 31, Â Â Â 2024 Â Â 2023 Â Segments: Â Â Â Â Â Â Insurance Operations Â $ 1,631,555 Â Â $ 1,501,973 Â TypTap Group Â Â 59,329 Â Â Â 35,197 Â Reciprocal Exchange Operations Â Â 72,874 Â Â Â 25,000 Â Real Estate Operations Â Â 94,418 Â Â Â 132,257 Â Corporate and Other Â Â 257,924 Â Â Â 233,952 Â Consolidation and Elimination Â Â (128,726) Â Â (117,063) Total assets Â $ 1,987,374 Â Â $ 1,811,316 Â Â 39 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Note 15 -- LeasesThe table below summarizes the Companyâ€™s right-of-use (â€œROUâ€) assets and corresponding liabilities for operating and finance leases:Â Â Â September 30, Â Â December 31, Â Â Â 2024 Â Â 2023 Â Operating leases: Â Â Â Â Â Â ROU assets Â $ 1,240 Â Â $ 1,407 Â Liabilities Â $ 1,250 Â Â $ 1,408 Â Finance leases: Â Â Â Â Â Â ROU assets Â $ â€” Â Â $ 1 Â Liabilities Â $ â€” Â Â $ 2 Â Â The following table summarizes the Companyâ€™s operating and finance leases in which the Company is a lessee:Â Â Â Â Â Renewal Â Other Terms and Class of Assets Â Initial Term Â Option Â Conditions Operating lease: Â Â Â Â Â Â Office equipment Â 36Â to 63Â months Â Yes Â (a) Office space Â 5Â to 9Â years Â Yes Â (a), (b) Finance lease: Â Â Â Â Â Â Office equipment Â 3.25Â years Â Not applicable Â (c) (a)There are no variable lease payments.(b)Rent escalation provisions exist.(c)There is a bargain purchase option.As of September 30, 2024, maturities of lease liabilities were as follows:Â Â Â Leases Â Â Â Operating Â Â Finance* Â Due in 12 months following September 30, Â Â Â Â Â Â 2024 Â $ 292 Â Â $ â€” Â 2025 Â Â 300 Â Â Â â€” Â 2026 Â Â 310 Â Â Â â€” Â 2027 Â Â 260 Â Â Â â€” Â 2028 Â Â 115 Â Â Â â€” Â Thereafter Â Â 160 Â Â Â â€” Â Total lease payments Â Â 1,437 Â Â Â â€” Â Less: interest Â Â 187 Â Â Â â€” Â Total lease obligations Â $ 1,250 Â Â $ â€” Â Â * Total finance lease payment is less than $1. 40 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â The following table provides quantitative information with regard to the Companyâ€™s operating and finance leases:Â Â Â Three Months Ended Â Â Nine Months Ended Â Â Â September 30, Â Â September 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Lease costs: Â Â Â Â Â Â Â Â Â Â Â Â Finance lease costs: Â Â Â Â Â Â Â Â Â Â Â Â Amortization â€“ ROU assets* Â $ â€” Â Â $ 6 Â Â $ â€” Â Â $ 14 Â Operating lease costs* Â Â 76 Â Â Â 74 Â Â Â 222 Â Â Â 203 Â Short-term lease costs* Â Â 64 Â Â Â 94 Â Â Â 238 Â Â Â 261 Â Total lease costs Â $ 140 Â Â $ 174 Â Â $ 460 Â Â $ 478 Â Cash paid for amounts included in theÂ Â Â measurement of lease liabilities: Â Â Â Â Â Â Â Â Â Â Â Â Operating cash flows â€“ operating leases Â Â Â Â Â Â Â $ 213 Â Â $ 144 Â Financing cash flows â€“ finance leases Â Â Â Â Â Â Â $ 2 Â Â $ 11 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â September 30, Â Â Â Â Â Â Â Â Â Â Â Â 2024 Â Â Â Â Â Â Â Â Â Weighted-average remaining lease term: Â Â Â Â Â Â Â Â Â Â Â Â Finance leases (in months) Â Â 0.5 Â Â Â Â Â Â Â Â Â Â Operating leases (in years) Â Â 4.9 Â Â Â Â Â Â Â Â Â Weighted-average discount rate: Â Â Â Â Â Â Â Â Â Â Â Â Finance leases (%) Â Â 2.4 % Â Â Â Â Â Â Â Â Â Operating leases (%) Â Â 6.0 % Â Â Â Â Â Â Â Â Â Â * Included in other operating expenses on the consolidated statements of income.The following table summarizes the Companyâ€™s operating leases in which the Company is a lessor:Â Â Â Â Renewal Â Other Terms Class of Assets Â Initial Term Â Option Â and Conditions Operating lease: Â Â Â Â Â Â Office space Â 1Â to 3Â years Â Yes Â (d) Retail space Â 3Â to 20Â years Â Yes Â (d) Boat docks/wet slips Â 1Â to 12Â months Â Yes Â (d) Â (d)There are no purchase options. Â Note 16 -- Income TaxesA valuation allowance must be established for deferred tax assets when it is more likely than not that the deferred tax assets will not be realized based on available evidence both positive and negative, including recent operating results, available tax planning strategies, and projected future taxable income. The Company evaluates the realizability of its deferred tax assets each quarter, and as of September 30, 2024, based on all of the available evidence, management concluded that it is more likely than not that the deferred tax assets will be realized other than a valuation allowance on the sale of TTIC by TTIG to HCI in the amount of $133 related to the deferred intercompany taxable loss that arose during the third quarter of 2024. 41 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â During the three months ended September 30, 2024 and 2023, the Company recorded approximately $4,688 and $4,419 of income tax expense, respectively, resulting in effective tax rates of 33.3% and 22.0%, respectively. The increase in the effective tax rate as compared with the corresponding period in the prior year was primarily attributable to a lower prior year effective tax rate resulting from the release of the valuation allowance during 2023 and a higher effective tax rate resulting from certain non-deductible compensation expense for the third quarter of 2024.During the nine months ended September 30, 2024 and 2023, the

Company recorded approximately $44,089 and $15,146 of income tax expense, respectively, resulting in effective tax rates of 26.3% and 23.9%, respectively. The increase in the effective tax rate as compared with the corresponding period in the prior year was primarily attributable to a lower prior year effective tax rate resulting from the release of the valuation allowance during 2023 and a higher effective tax rate resulting from certain non-deductible compensation expense for the third quarter of 2024. The Companyâ€™s estimated annual effective tax rate differs from the statutory federal tax rate due to state and foreign income taxes as well as certain non-deductible and tax-exempt items. Note 17 -- Earnings Per ShareU.S. GAAP requires the Company to use the two-class method in computing basic earnings (loss) per share since holders of the Companyâ€™s restricted stock have the right to share in dividends, if declared, equally with common stockholders. These participating securities affect the computation of both basic and diluted earnings (loss) per share during periods of net income or loss. For a majority-owned subsidiary, its basic and diluted earnings (loss) per share are first computed separately. Then, the Companyâ€™s proportionate share in that majority-owned subsidiaryâ€™s earnings is added to the computation of both basic and diluted earnings (loss) per share at a consolidated level. 42 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â A summary of the numerator and denominator of the basic and diluted earnings per common share is presented below:Â Â Â Three Months Ended Â Â Three Months Ended Â Â September 30, 2024 Â Â September 30, 2023 Â Â Income Â Â Shares (a) Â Â Per Share Â Â Income Â Â Shares (a) Â Â Per Share Â Â Â (Numerator) Â Â (Denominator) Â Â Amount Â Â (Numerator) Â Â (Denominator) Â Â Amount Â Net income Â $ 9,392 Â Â Â Â Â Â Â Â Â $ 15,669 Â Â Â Â Â Â Â Â Less: Net income attributable to Â Â redeemable noncontrolling Â Â interests Â Â â€" Â Â Â Â Â Â Â Â Â Â (2,349) Â Â Â Â Â Â Â Less: Net income attributableÂ Â to noncontrolling interests Â Â (3,710) Â Â Â Â Â Â Â Â (163) Â Â Â Â Â Â Â Net income attributable to HCI Â Â 5,682 Â Â Â Â Â Â Â Â 13,157 Â Â Â Â Â Â Â Â Less: Income attributable toÂ Â Â participating securities Â Â (230) Â Â Â Â Â Â Â Â (411) Â Â Â Â Â Â Basic Earnings Per Share: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Income allocated to commonÂ Â Â stockholders Â Â 5,452 Â Â Â 10,050 Â Â $ 0.54 Â Â Â 12,746 Â Â Â 8,317 Â Â $ 1.53 Â Effect of Dilutive Securities: * Â Stock options Â Â â€" Â Â Â 269 Â Â Â Â Â Â â€" Â Â Â 88 Â Â Â Â Convertible senior notes Â Â â€" Â Â Â â€" Â Â Â Â Â Â 1,927 Â Â Â 2,538 Â Â Â Â Warrants Â Â â€" Â Â Â 192 Â Â Â Â Â Â â€" Â Â Â 32 Â Â Â Â Diluted Earnings Per Share: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Income available to commonÂ Â Â stockholders and assumedÂ Â Â conversions Â $ 5,452 Â Â Â 10,511 Â Â $ 0.52 Â Â $ 14,673 Â Â Â 10,975 Â Â $ 1.34 Â Â (a)Shares in thousands.* For the three months ended September 30, 2024, convertible senior notes were excluded due to anti-dilutive effect.Â 43 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Â Â Nine Months Ended Â Â Nine Months Ended Â Â September 30, 2024 Â Â September 30, 2023 Â Â Income Â Â Shares (a) Â Â Per Share Â Â Income Â Â Shares (a) Â Â Per Share Â Â Â (Numerator) Â Â (Denominator) Â Â Amount Â Â (Numerator) Â Â (Denominator) Â Â Amount Â Net income Â $ 123,447 Â Â Â Â Â Â Â Â Â $ 48,344 Â Â Â Â Â Â Â Â Less: Net income attributable toÂ Â redeemable noncontrollingÂ Â interests Â Â (10,149) Â Â Â Â Â Â Â Â (7,010) Â Â Â Â Â Â Â Less: Net income attributableÂ Â to noncontrolling interests Â Â (5,929) Â Â Â Â Â Â Â Â (396) Â Â Â Â Â Â Â Net income attributable to HCI Â Â 107,369 Â Â Â Â Â Â Â Â 40,938 Â Â Â Â Â Â Â Â Less: Income attributable toÂ Â Â participating securities Â Â (3,744) Â Â Â Â Â Â Â Â (1,395) Â Â Â Â Â Â Basic Earnings Per Share: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Income allocated to common Â Â Â stockholders Â Â 103,625 Â Â Â 9,948 Â Â $ 10.42 Â Â Â 39,543 Â Â Â 8,299 Â Â $ 4.76 Â Effect of Dilutive Securities:* Â Stock options Â Â â€" Â Â Â 283 Â Â Â Â Â Â â€" Â Â Â 68 Â Â Â Â Convertible senior notes Â Â 5,149 Â Â Â 2,188 Â Â Â Â Â Â 5,771 Â Â Â 2,538 Â Â Â Â Warrants Â Â â€" Â Â Â 238 Â Â Â Â Â Â â€" Â Â Â â€" Â Â Â Â Diluted Earnings Per Share: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Income available to commonÂ Â Â stockholders and assumedÂ Â Â conversions Â $ 108,774 Â Â Â 12,657 Â Â $ 8.59 Â Â $ 45,314 Â Â Â 10,905 Â Â $ 4.16 Â Â (a)Shares in thousands.* For the nine months ended September 30, 2023, warrants were excluded due to anti-dilutive effect. Note 18 -- Redeemable Noncontrolling InterestThe following table summarizes the redeemable noncontrolling interest balances at September 30, 2024 and December 31, 2023:Â Â Â September 30, Â Â December 31, Â Â Â 2024 Â Â 2023 Â TTIG - Series A Preferred Stock Â $ â€" Â Â $ 96,160 Â Subscriber surplus contribution Â Â 1,491 Â Â Â â€" Â Total redeemable noncontrolling interests Â $ 1,491 Â Â $ 96,160 Â TTIG - Series A Preferred StockOn January 22, 2024, TTIG entered into a Stock Redemption Agreement with Centerbridge which allowed TTIG to redeem all of the TTIG Series A Preferred Stock held by Centerbridge. The redemption totaled $100,000 plus accrued and unpaid dividends of approximately $2,923. At redemption, the difference between the consideration transferred of $102,923 and the redemption date carrying value of $96,695 is recorded as a deemed dividend and is included in net income attributable to redeemable noncontrolling interest which is subtracted from net income when calculating income available to common stockholders.Â 44 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â The following table summarizes the activity of TTIG Series A Preferred Stock during the nine months ended September 30, 2024 and 2023: Â Â 2024 Â Â 2023 Â Balance at January 1 Â $ 96,160 Â Â $ 93,553 Â Increase (decrease): Â Â Â Â Â Â Accrued cash dividends Â Â 424 Â Â Â 1,637 Â Accretion - increasing dividend rates Â Â 111 Â Â Â 687 Â Adjustment to maximum redemption value Â Â 6,228 Â Â Â â€" Â Dividends paid Â Â (2,923) Â Â (3,012) Redemption Â Â (100,000) Â Â â€" Â Balance at March 31 Â $ â€" Â Â $ 92,865 Â Increase (decrease): Â Â Â Â Â Â Accrued cash dividends Â Â â€" Â Â Â 1,875 Â Accretion - increasing dividend rates Â Â â€" Â Â Â 462 Â Balance at June 30 Â $ â€" Â Â $ 95,202 Â Increase (decrease): Â Â Â Â Â Â Accrued cash dividends Â Â â€" Â Â Â 1,876 Â Accretion - increasing dividend rates Â Â â€" Â Â Â 473 Â Dividends paid Â Â â€" Â Â Â (3,750) Balance at September 30 Â $ â€" Â Â $ 93,801 Â For the three months ended September 30, 2024, net income attributable to redeemable noncontrolling interest was $0, compared with $2,349 for the three months ended September 30, 2023, consisting of accrued cash dividends of $1,876 and accretion related to increasing dividend rates of $473. For the nine months ended September 30, 2024, net income attributable to redeemable noncontrolling interest was $10,149, consisting of accrued cash dividends of $424, accretion related to increasing dividend rates of $111, an adjustment to maximum redemption value of $6,228, and a deemed dividend resulting from warrant modifications of $3,386. For the nine months ended September 30, 2023, net income attributable to redeemable noncontrolling interest was $7,010, consisting of accrued cash dividends of $5,388 and accretion related to increasing dividend rates of $1,622.CORE - Subscriber Surplus ContributionSubscriber surplus contributions in redeemable noncontrolling interests represent a refundable portion of the surplus contributions received from CORE policyholders.Â Â Â Â Â Â 45 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â The following table summarizes the activity of the subscriber surplus contribution during the nine months ended September 30, 2024 and 2023:Â Â Â 2024 Â Â 2023 Â Balance at January 1 Â $ â€" Â Â $ â€" Â Cash contribution Â Â â€" Â Â Â â€" Â Return of contribution Â Â â€" Â Â Â â€" Â Noncash reclassification Â Â â€" Â Â Â â€" Â Balance at March 31 Â Â â€" Â Â Â â€" Â Cash contribution Â Â 864 Â Â Â â€" Â Return of contribution Â Â â€" Â Â Â â€" Â Noncash reclassification Â Â (73) Â Â â€" Â Balance at June 30 Â Â 791 Â Â Â â€" Â Cash contribution Â Â 1,181 Â Â Â â€" Â Return of contribution Â Â â€" Â Â Â â€" Â Noncash reclassification Â Â (481) Â Â â€" Â Balance at September 30 Â $ 1,491 Â Â $ â€" Â Â Note 19 -- EquityStockholdersâ€™ EquityCommon StockOn January 22, 2024, a new shelf registration statement on Form S-3 (the â€œShelf Registrationâ€) was filed, replacing the Companyâ€™s old universal shelf registration statement filed in September 2023. The new Shelf Registration permits the Company to offer and sell its common stock, preferred stock, debt securities, warrants, and stock purchase contracts and units, from time to time, subject to market conditions and its capital needs. The Shelf Registration will also enable Centerbridge to sell all or a portion of the amended and restated warrant or the shares issuable pursuant to the warrant. As a part of the Shelf Registration, the Company also announced the implementation of an â€œat-the-marketâ€ facility (the â€œATM facilityâ€) under which the Company would have the ability to raise up to $75,000 through the issuance of new shares of common stock into the market if it were to so choose.On July 3, 2024, the Companyâ€™s Board of Directors declared a quarterly dividend of $0.40 per common share. The dividends were paid on September 20, 2024 to stockholders of record on August 16, 2024.WarrantsIn connection with the redemption of the TTIG Series A Preferred Stock held by Centerbridge in January 2024, HCI, for the benefit of TTIG, extended the expiration dates of 450,000 of the underlying warrant shares, which will now expire in 150,000 share increments on December 31, 2026, December 31, 2027, and December 31, 2028. The remaining 300,000 share warrants retained their original expiration date of February 26, 2025 and were exercised on March 11, 2024 through a cashless transaction. The warrant modifications resulted in a $3,386 increase in the fair value of the warrants, which is recorded as a deemed dividend by decreasing retained income and increasing additional paid-in capital. The amount of deemed dividend is included in net income attributable to redeemable noncontrolling interest which is subtracted from net income when calculating net income available to common stockholders. 46 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â At September 30, 2024, there were warrants outstanding and exercisable, held by Centerbridge, to purchase 450,000 shares of HCI common stock at an exercise price of $54.40. The warrants expire in 150,000 share increments on December 31, 2026, December 31, 2027, and December 31, 2028.Noncontrolling InterestsTTIGDuring the three and nine months ended September 30, 2024, TTIG repurchased and retired a total of 276,198 and 322,056 shares, respectively, of its common stock surrendered by its employees to satisfy payroll tax liabilities associated with the vesting of restricted shares. The total cost of purchasing noncontrolling interests during the three and nine months ended September 30, 2024 was $388 and $470, respectively. During the three and nine months ended September 30, 2023, TTIG repurchased and retired a total of 2,343 and 65,151 shares, respectively, of its common stock. The total cost of purchasing noncontrolling interests during the three and nine months ended September 30, 2023 was $3 and $240, respectively.In addition, TTIG repurchased and retired a total of 447 and 7,277 shares, respectively, of its common stock from former TTIG employees for a total cost of $1 and $13, respectively, during the three and nine months ended September 30, 2024. The total cost for the nine months ended September 30, 2024 included the fair value of TTIG common stock and the $2 inducement cost aiming to curtail the spread of share ownership.At September 30, 2024, there were 80,016,189 shares of TTIGâ€™s common stock outstanding, of which 5,016,189 shares were not owned by HCI.COREAs described in Note 13 -- â€œVariable Interest Entity,â€ the Company has no equity interest at risk in CORE and CORE receives surplus contributions from its subscribers in addition to policy premiums. The surplus contribution is payable to CORE on or prior to the initial effective date of coverage and on or prior to the effective date of all endorsements generating an additional premium. Note 20 -- Stock-Based Compensation2012 Omnibus Incentive PlanThe Company currently has outstanding stock-based awards granted under the Plan which is currently active and available for future grants. At September 30, 2024, there were 755,071 shares available for grant.Stock OptionsStock options granted and outstanding under the incentive plan vest over a period of four years and are exercisable over the contractual term of ten years. 47 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â A summary of the stock option activity for the three and nine months ended September 30, 2024 and 2023 is as follows (option amounts not in thousands):Â Â Â Â Â Â Â Â Â Weighted Â Â Â Â Â Â Â Â Weighted Â Â Average Â Â Â Â Â Â Â Average Â Â Remaining Â Aggregate Â Â Â Number of Â Â Exercise Â Â Contractual Â Intrinsic Â Â Â Options Â Â Price Â Â Term Â Value Â Outstanding at January 1, 2024 Â Â 590,000 Â Â $ 51.54 Â Â 5.9Â years Â $ 21,156 Â Outstanding at March 31, 2024 Â Â 590,000 Â Â $ 51.54 Â Â 5.6Â years Â $ 38,077 Â Outstanding at June 30, 2024 Â Â 590,000 Â Â $ 51.54 Â Â 5.4Â years Â $ 23,970 Â Outstanding at September 30, 2024 Â Â 590,000 Â Â $ 51.54 Â Â 5.1Â years Â $ 33,109 Â Exercisable at September 30, 2024 Â Â 590,000 Â Â $ 51.54 Â Â 5.1Â years Â $ 33,109 Â Â Â Â Â Â Â Â Â Â Â Â Â Outstanding at January 1, 2023 Â Â 440,000 Â Â $ 45.25 Â Â 5.6Â years Â $ â€" Â Outstanding at March 31, 2023 Â Â 440,000 Â Â $ 45.25 Â Â 5.3Â years Â $ 3,146 Â Outstanding at June 30, 2023 Â Â 440,000 Â Â $ 45.25 Â Â 5.1Â years Â $ 7,863 Â Grant Â Â 150,000 Â Â $ 70.00 Â Â Â Â Â Â Outstanding at September 30, 2023 Â Â 590,000 Â Â $ 51.54 Â Â 6.1 years Â $ 3,978 Â Exercisable at September 30, 2023 Â Â 412,500 Â Â $ 45.07 Â Â 4.7Â years Â $ 3,805 Â Â There were no options exercised during the three and nine months ended September 30, 2024 and 2023. For the three months ended September 30, 2024 and 2023, the Company recognized $0 and $133, respectively, of compensation expense related to stock options which is included in general and administrative personnel expenses. For the nine months ended September 30, 2024 and 2023, the Company recognized $14 and $299, respectively, of compensation expense. There were no deferred tax benefits related to stock options recognized for the three and nine months ended September 30, 2024 and 2023. At September 30, 2024 and December 31, 2023, there was $0 and $14, respectively, of unrecognized compensation expense related to nonvested stock options.Â Restricted Stock AwardsFrom time to time, the Company has granted and may grant restricted stock awards to certain executive officers, other employees, and non-employee directors in connection with their service to the Company. The terms of the Companyâ€™s outstanding restricted stock grants may include service, performance, and market-based conditions. The determination of fair value with respect to the awards containing only service-based conditions is based on the market value of the Companyâ€™s common stock on the grant date. For awards with market-based conditions, the fair value is determined using a Monte Carlo simulation method, which calculates many potential outcomes for an award and then establishes fair value based on the most likely outcome. 48 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â On April 17, 2024, the Company awarded Paresh Patel, its Chief Executive Officer, 200,000 restricted shares of common stock. The shares will vest equally over a period of four years, with vesting dates of March 15, 2025, 2026, 2027, and 2028, under the condition that the price per share reaches $200 for a period of 30 consecutive trading days and that Mr. Patel remains employed by the Company.Information with respect to the activity of unvested restricted stock awards during the three and nine months ended September 30, 2024 and 2023 is as follows:Â Â Â Number of Â Â Weighted Â Â Â Restricted Â Â Average Â Â Â Stock Â Â Grant Date Â Â Â Awards Â Â Fair Value Â Nonvested at January 1, 2024 Â Â 271,417 Â Â $ 37.12 Â Vested Â Â (29,690) Â $ 56.05 Â Forfeited Â Â (200) Â $ 51.87 Â Nonvested at March 31, 2024 Â Â 241,527 Â Â $ 34.78 Â Granted Â Â 204,500 Â Â $ 79.33 Â Vested Â Â (19,637) Â $ 48.17 Â Forfeited Â Â (3,500) Â $ 34.58 Â Nonvested at June 30, 2024 Â Â 422,890 Â Â $ 55.70 Â Granted Â Â 6,400 Â Â $ 94.16 Â Forfeited Â Â (65) Â $ 58.20 Â Nonvested at September 30, 2024 Â Â 429,225 Â Â $ 56.28 Â Â Â Â Â Â Â Nonvested at January 1, 2023 Â Â 342,459 Â Â $ 39.86 Â Granted Â Â 6,000 Â Â $ 51.76 Â Vested Â Â (40,352) Â $ 54.83 Â Forfeited Â Â (2,125) Â $ 40.33 Â Nonvested at March 31, 2023 Â Â 305,982 Â Â $ 38.11 Â Granted Â Â 7,000 Â Â $ 58.52 Â Vested Â Â (34,689) Â $ 45.56 Â Forfeited Â Â (295) Â $ 55.41 Â Nonvested at June 30, 2023 Â Â 277,998 Â Â $ 37.68 Â Forfeited Â Â (3,940) Â $ 66.73 Â Nonvested at September 30, 2023 Â Â 274,058 Â Â $ 37.26 Â Â The Company recognized compensation expense related to restricted stock, which is included in general and administrative personnel expenses, of $2,003 and $977 for the three months ended September 30, 2024 and 2023, respectively, and $4,590 and $3,297 for the nine months ended September 30, 2024 and 2023, respectively. At September 30, 2024 and December 31, 2023, there was approximately $16,142 and $4,043, respectively, of total unrecognized compensation expense related to nonvested restricted stock arrangements. The Company expects to recognize the remaining compensation expense over a weighted-average period of 2.6 years. The following table summarizes information about deferred tax benefits recognized and tax benefits realized related to restricted stock awards and paid dividends, and the fair value of vested restricted stock for the three and nine months ended September 30, 2024 and 2023. 49 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited)(Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Â Â Three Months Ended Â Â Nine Months Ended Â Â Â September 30, Â Â September 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Deferred tax benefits recognized Â $ 74 Â Â $ 214 Â Â $ 234 Â Â $ 731 Â Tax benefits realized for restricted stock andÂ Â Â paid dividends Â $ 42 Â Â $ 28 Â Â $ 1,096 Â Â $ 848 Â Fair value of vested restricted stock Â $ â€" Â Â $ â€" Â Â $ 2,610 Â Â $ 3,793 Â Â Subsidiary Equity PlanFor the three months ended September 30, 2024 and 2023, TypTap Group recognized compensation expense related to its stock-based awards of $1,471 and $730, respectively. For the nine months ended September 30, 2024 and 2023, TypTap Group recognized compensation expense related to its stock-based awards of $2,828 and $2,217, respectively. At September 30, 2024 and December 31, 2023, there was $1,551 and $4,438, respectively, of unrecognized compensation expense related to nonvested subsidiary restricted stock and stock options.The sale of TTIC, as described in Note 1 -- Nature of Operations, triggered a change in control clause within TTIGâ€™s equity incentive plan, causing all unvested stock-based awards to vest immediately except for TTIG restricted stock and stock options issued to Paresh Patel who is also the Chief Executive Officer of HCI. The expense from immediate vesting approximated $1,087. Note 21 -- Commitments and ContingenciesCapital CommitmentsAs described in Note 4 -- â€œInvestmentsâ€ under Limited Partnership Investments, the Company is contractually committed to capital contributions for limited partnership interests. At September 30, 2024, there was an aggregate unfunded balance of $3,255.FIGA AssessmentsThe Companyâ€™s insurance subsidiaries, as member insurers, are required to collect and remit the pass-through assessments to FIGA on a quarterly basis. As of September 30, 2024, the FIGA assessments payable by the Company were $2,322. Note 22 -- Related Party TransactionHCPCI and TypTap have reinstatement premium protection reinsurance contracts (â€œRPPâ€) with various reinsurers. For one of the RPP contracts, Oxbridge Reinsurance Limited (â€œOxbridgeâ€) participates as a subscribing reinsurer. One of the Companyâ€™s non-employee directors, Jay Madhu, serves as Oxbridgeâ€™s chairman of its board of directors and chief executive officer and is an investor in that company. Under the contracts, Oxbridge agrees to indemnify HCPCI and TypTap for a portion of reinstatement premium which HCPCI or TypTap pays or becomes liable to pay to reinstate reinsurance protection. The $1,099 premium is paid over four installments, each of which is to be deposited into a trust account in order to fully collateralize Oxbridgeâ€™s obligations. Trust assets may be withdrawn by HCPCI and TypTap or the trust beneficiaries in the event amounts are due under the 2024-2025 RPP contracts. 50 HCI GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements (unaudited) (Amounts in thousands, except share and per share amounts, unless otherwise stated)Â Note 23 -- Subsequent EventsOn October 10, 2024, Hurricane Milton made landfall in Florida near Siesta Key in Sarasota County as a Category 3 storm and continued across central Florida. The net loss estimate on a consolidated pre-tax basis, including loss adjustment expenses and expected reinsurance recoveries, is approximately $78,000. In addition, the entire balance of accrued benefits under the multi-year reinsurance contract with retrospective provisions, amounting to $50,568 at September 30, 2024, will be reversed with no further benefits to be accrued under the contract. The reversal will increase ceded premiums in the fourth quarter of 2024 by $50,568. The total impact to operating results of the fourth quarter of 2024 will be approximately $128,568.On October 22, 2024, the Companyâ€™s insurance subsidiaries assumed approximately 42,000 policies from Citizens, representing approximately $200,000 in annualized premiums written.On October 23, 2024, the Company granted 58,300 restricted shares of common stock to its employees. The shares will vest equally over a service period of four years from the grant date. The grant date fair value per share was $113.40.On October 23, 2024, the Companyâ€™s Board of Directors declared a quarterly dividend of $0.40 per common share. The dividends are payable on December 20, 2024 to stockholders of record on November 15, 2024.On November 8, 2024, Tailrow Funding, LLC, a wholly owned subsidiary of HCI, acquired a $25,000 surplus note issued by Tailrow Insurance Exchange, a Florida-domiciled reciprocal insurance exchange awaiting approval to offer residential insurance coverage. 51 Â ITEM 2 â€“ MANAGEMENTâ€™S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS You should read the following discussion under this Item 2 in conjunction with our consolidated financial statements and related notes and information included elsewhere in this quarterly report on Form 10-Q and in our Form 10-K filed with the Securities and Exchange Commission (â€œSECâ€) on March 8, 2024. Unless the context requires otherwise, as used in this Form 10-Q, the terms â€œHCI,â€ â€œwe,â€ â€œus,â€ â€œour,â€ â€œthe Company,â€ â€œour company,â€ and similar references refer to HCI Group, Inc., a Florida corporation incorporated in 2006, and its subsidiaries. All dollar amounts in this Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations are in whole dollars unless specified otherwise. Forward-Looking Statements In addition to historical information, this quarterly report contains forward-looking statements as defined under federal securities laws. Such statements involve risks and uncertainties, such as statements about our plans, objectives, expectations, assumptions or future events. These statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any future results, performances or achievements expressed or implied by the forward-looking statements. Typically, forward-looking statements can be identified by terminology such as â€œanticipate,â€ â€œestimate,â€ â€œplan,â€ â€œproject,â€ â€œcontinuing,â€ â€œongoing,â€ â€œexpect,â€ â€œbelieve,â€ â€œintend,â€ â€œmay,â€ â€œwill,â€ â€œshould,â€ â€œcould,â€ and similar expressions. The important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include but are not limited to the effects of governmental regulation; changes in insurance regulations; the frequency and extent of claims; uncertainties inherent in reserve estimates; catastrophic events; changes in the demand for, pricing of, availability of or collectability of reinsurance; restrictions on our ability to change premium rates; increased rate pressure on premiums; the severity and impact of a pandemic; and other risks and uncertainties detailed herein and from time to time in our SEC reports. OVERVIEW â€“ General HCI Group, Inc. is a Florida-based company with operations in property and casualty insurance, information technology services, insurance management, real estate and reinsurance. We utilize innovative technology to promote efficiency, refine risk assessment and enhance experiences for clients throughout the insurance process. As described in Change in Segment Information under Note 1 -- â€œNature of Operationsâ€ to our unaudited consolidated financial statements under Item 1 of this Quarterly Report on Form 10-Q, our recent organizational change has moved two insurance subsidiaries into one single operating segment to enhance operational efficiency and simplify financial reporting. Accordingly, we manage our operations in the following organizational segments, based on managerial emphasis and evaluation of financial and operating performances: a)Insurance Operations â–ªProperty and casualty insurance â–ªReinsurance and other auxiliary operations b)TypTap Group â–ªInsurance management services â–ªInformation technology â–ªReinsurance brokerage services c)Reciprocal Exchange Operations 52 Â d)Real Estate Operations e)Other Operations â–ªHolding company operations For the three months ended September 30, 2024 and 2023, revenues from insurance operations before intracompany elimination represented 82.7% and 87.6%, respectively, and revenues from TypTap Group represented 11.0% and 11.0%, respectively, of total revenues of all operating segments. For the nine months ended September 30, 2024 and 2023, revenues from insurance operations before intracompany elimination represented 84.5% and 86.9%, respectively, and revenues from TypTap Group represented 10.8% and 11.6%, respectively, of total revenues of all operating segments. At September 30, 2024 and December 31, 2023, insurance operationsâ€™ total assets represented 84.2% and 87.0%, respectively, and TypTap Groupâ€™s total assets represented 2.9% and 1.9%, respectively, of the combined assets of all operating segments. See Note 14 -- â€œSegment Informationâ€ to our unaudited consolidated financial statements under Item 1 of this Quarterly Report on Form 10-Q for additional information. Insurance Operations Property and Casualty Insurance We currently have two insurance subsidiaries: Homeowners Choice Property & Casualty Insurance Company, Inc. (â€œHCPCIâ€) and TypTap Insurance Company (â€œTypTapâ€). We provide various forms of residential insurance products such as homeowners insurance, fire insurance, and wind-only insurance. We are authorized to write residential property and casualty insurance in the states of Alaska, Arizona, Arkansas, California, Connecticut, Florida, Georgia, Kansas, Kentucky, Maryland, Massachusetts, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Utah, and Washington. Currently, our primary market is Florida. We utilize internally developed software technologies to drive efficiency in claim processing and claims settlements, identify profitable underwriting opportunities, generate savings and streamline operations across its insurance operations. Reinsurance and other auxiliary operations We have a Bermuda domiciled wholly-owned reinsurance subsidiary, Claddaugh Casualty Insurance Company Ltd (â€œCladdaughâ€). We selectively retain risk in Claddaugh, reducing the cost of third-party reinsurance. Claddaugh fully collateralizes its exposure to HCPCI, TypTap, and CORE by depositing funds into a trust account. Claddaugh may mitigate a portion of its risk through retrocession contracts, however Claddaugh did not enter into any retrocession contracts for the 2024-2025 treaty year. Currently, Claddaugh does not provide reinsurance to non-affiliates. Other auxiliary operations also include claim adjusting and processing services. TypTap Group TypTap Insurance Group, Inc. (â€œTTIGâ€), our majority-owned subsidiary, currently has four subsidiaries: TypTap Management Company (â€œTTMâ€), Exzeo USA, Inc., Dark Horse Re, LLC (â€œDark Horseâ€), and Cypress Tech Development Company which also owns Exzeo Software Private Limited, a subsidiary domiciled in India. TTM is responsible for managing activities such as claims processing, policyholder service/support, marketing, premium payment collection, underwriting and insurance application processing. TTM uses internally developed software technologies to drive efficiency in claim processing and claims settlements, identify profitable underwriting opportunities, generate savings and streamline operations. In addition, software is also used to analyze potential and current properties based on statistical models for catastrophic events, allowing us to pursue the optimal candidates for insurance coverage. 53 Â Insurance Management Services TTIGâ€™s insurance management services focus on optimizing the insurer client's operational efficiency, risk management, and regulatory compliance. These services include assisting with reinsurance arrangements, managing claims processes, and overseeing underwriting practices to ensure profitability and risk control. Additionally, they involve analyzing claims data and market trends to improve pricing models, advising on insurance policy design, and ensuring adherence to regulatory requirements. Information Technology Our information technology operations include a team of experienced software developers with extensive knowledge in designing and creating web-based applications. The operations, which are located in Tampa, Florida and Noida, India, are focused on developing cloud-based, innovative products and services that support in-house insurance operations as well as our third-party relationships with our insurer clients, agency partners and claim vendors. These products include SAMSTM, HarmonyTM, AtlasViewerÂ® and ClaimColonyTM. Reinsurance Brokerage Services Through our recently formed subsidiary Dark Horse, we provide expert reinsurance brokerage services to help insurance companies manage risk by acting as an intermediary between the insurer client and reinsurers. We design tailored reinsurance solutions by assessing our insurer clientâ€™s risk portfolio. Reciprocal Exchange Operations This segment encompasses the reciprocal exchange operations under our management. Condo Owners Reciprocal Exchange (â€œCOREâ€), organized in November 2023 to offer commercial residential multiple peril and wind insurance products, is owned by its policyholders, referred to as subscribers, who gain ownership by buying an insurance policy. The subscribers then assume one anotherâ€™s risks by exchanging insurance contracts, so they are both the insurers and the insureds. The daily operations of CORE are directly or indirectly conducted by Core Risk Managers, LLC (â€œCRMâ€), an AIF company. Such daily operations include general administration, marketing, underwriting, accounting, policy administration, claim adjusting, and information technology. CRM is permitted to outsource any of these services to other HCI subsidiaries. See Note 13 -- â€œVariable Interest Entityâ€ to our unaudited consolidated financial statements under Item 1 of this Quarterly Report on Form 10-Q for additional information. Real Estate Operations Our real estate operations consist of multiple properties we own and operate for investment purposes and also properties we own and use for our own operations. Properties used in operations consist of two Tampa office buildings and an insurance operations site in Ocala, Florida. Our investment properties include retail shopping centers, two marinas, undeveloped land in Tampa and land under development in Haines City, Florida. Other Operations Holding company operations Activities of our holding company, HCI Group, Inc., plus other companies that do not meet the quantitative and qualitative thresholds for a reportable segment comprise the operations of this segment. 54 Â Recent Events On September 26, 2024, Hurricane Helene made landfall in the Big Bend area of Florida as a powerful Category 4 storm. The storm continued inland impacting Georgia, South Carolina, and North Carolina, among other states. We estimated our consolidated gross losses, including loss adjustment expenses, at $61,000,000. After anticipated reinsurance recoveries, net losses are estimated to be $40,000,000. Due to Hurricane Helene, the balance of previously accrued benefits under the multi-year reinsurance contract with retrospective provisions was decreased by $12,369,000 during the third quarter of 2024. In addition, certain of our real estate properties held for operational and investment purposes sustained minor damage from the effects of Hurricane Helene. We maintain property insurance through third parties and expect losses from the storm to be limited to policy deductibles. On October 10, 2024, Hurricane Milton made landfall in Florida near Siesta Key in Sarasota County as a Category 3 storm and continued across central Florida. The net loss estimate on a consolidated pre-tax basis, including loss adjustment expenses and expected reinsurance recoveries, is approximately $78,000,000. In addition, the entire balance of accrued benefits under the multi-year reinsurance contract with retrospective provisions, amounting to $50,568,000 at September 30, 2024, will be reversed with no further benefits to be accrued under the contract. The reversal will increase ceded premiums in the fourth quarter of 2024 by $50,568,000. Total impact to operating results of the fourth quarter of 2024 will be approximately $128,568,000. On October 22, 2024, our insurance subsidiaries assumed approximately 42,000 policies from Citizens, representing approximately $200 million in annualized premiums written. On October 23, 2024, we granted 58,300 restricted shares of common stock to our employees. The shares will vest equally over a service period of four years from the grant date. The grant date fair value per share was $113.40. On October 24, 2024, our Board of Directors declared a quarterly dividend of $0.40 per common share. The dividends are payable on December 20, 2024 to stockholders of record on November 15, 2024. On November 8, 2024, Tailrow Funding, LLC, a wholly owned subsidiary of HCI, acquired a $25,000,000 surplus note issued by Tailrow Insurance Exchange, a Florida-domiciled reciprocal insurance exchange awaiting approval to offer residential insurance coverage. Â 55 Â RESULTS OF OPERATIONS The following table summarizes our results of operations for the three and nine months ended September 30, 2024 and 2023 (dollar amounts in thousands, except per share amounts): Â Â Â Three Months Ended Â Â Nine Months Ended Â Â Â September 30, Â Â September 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Revenue Â Â Â Â Â Â Â Â Â Â Â Â Gross premiums earned Â $ 265,518 Â Â $ 188,308 Â Â $ 785,723 Â Â $ 550,322 Â Premiums ceded Â Â (109,694) Â Â (66,152) Â Â (254,513) Â Â (203,051) Net premiums earned Â Â 155,824 Â Â Â 122,156 Â Â Â 531,210 Â Â Â 347,271 Â Net investment income Â Â 13,714 Â Â Â 9,384 Â Â Â 44,662 Â Â Â 35,893 Â Net realized investment gains (losses) Â Â 2,846 Â Â Â (207) Â Â 3,058 Â Â Â (1,586) Net unrealized investment gains (losses) Â Â 657 Â Â Â (1,041) Â Â 3,825 Â Â Â 385 Â Policy fee income Â Â 1,229 Â Â Â 1,092 Â Â Â 3,337 Â Â Â 3,651 Â Other income Â Â 1,047 Â Â Â 260 Â Â Â 2,084 Â Â Â 2,386 Â Total revenue Â Â 175,317 Â Â Â 131,644 Â Â Â 588,176 Â Â Â 388,000 Â Expenses Â Â Â Â Â Â Â Â Â Â Â Â Losses and loss adjustment expenses Â Â 105,736 Â Â Â 66,726 Â Â Â 263,982 Â Â Â 189,181 Â Policy acquisition and other underwriting expenses Â Â 26,104 Â Â Â 22,768 Â Â Â 71,695 Â Â Â 68,106 Â General and administrative personnel expenses Â Â 19,175 Â Â Â 13,864 Â Â Â 52,920 Â Â Â 41,638 Â Interest expense Â Â 3,421 Â Â Â 2,827 Â Â Â 10,022 Â Â Â 8,295 Â Other operating expenses Â Â 6,801 Â Â Â 5,371 Â Â Â 22,021 Â Â Â 17,290 Â Total expenses Â Â 161,237 Â Â Â 111,556 Â Â Â 420,640 Â Â Â 324,510 Â Income before income taxes Â Â 14,080 Â Â Â 20,088 Â Â Â 167,536 Â Â Â 63,490 Â Income tax expense Â Â 4,688 Â Â Â 4,419 Â Â Â 44,089 Â Â Â 15,146 Â Net income Â Â 9,392 Â Â Â 15,669 Â Â Â 123,447 Â Â Â 48,344 Â Net income attributable to noncontrolling interests Â Â (3,710) Â Â (2,512) Â Â (16,078) Â Â (7,406) Net income after noncontrolling interests Â $ 5,682 Â Â $ 13,157 Â Â $ 107,369 Â Â $ 40,938 Â Ratios to Net Premiums Earned: Â Â Â Â Â Â Â Â Â Â Â Â Loss Ratio Â Â 67.86 % Â Â 54.62 % Â Â 49.69 % Â Â 54.48 % Expense Ratio (excluding interest expense) Â Â 33.42 % Â Â 34.38 % Â Â 27.60 % Â Â 36.58 % Combined Ratio (excluding interest expense) Â Â 101.28 % Â Â 89.00 % Â Â 77.30 % Â Â 91.06 % Ratios to Gross Premiums Earned: Â Â Â Â Â Â Â Â Â Â Â Â Loss Ratio Â Â 39.82 % Â Â 35.43 % Â Â 33.60 % Â Â 34.38 % Expense Ratio (excluding interest expense) Â Â 19.61 % Â Â 22.31 % Â Â 18.66 % Â Â 23.08 % Combined Ratio (excluding interest expense) Â Â 59.43 % Â Â 57.74 % Â Â 52.26 % Â Â 57.46 % Earnings Per Share Data: Â Â Â Â Â Â Â Â Â Â Â Â Basic Â $ 0.54 Â Â $ 1.53 Â Â $ 10.42 Â Â $ 4.76 Â Diluted Â $ 0.52 Â Â $ 1.34 Â Â $ 8.59 Â Â $ 4.16 Â Â Comparison of the Three Months Ended September 30, 2024 to the Three Months Ended September 30, 2023 Our results of operations for the three months ended September 30, 2024 reflect net income of approximately $9,392,000 or $0.52 diluted earnings per share, compared with net income of approximately $15,669,000 or $1.34 diluted earnings per share, for the three months ended September 30, 2023. The quarter-over-quarter decrease was primarily due to a $39,010,000 increase in losses and loss adjustment expenses, a $5,311,000 increase in general and administrative personnel expenses, and a $4,766,000 increase in policy acquisition, underwriting, and other operating expenses, offset by a $33,668,000 increase in net premiums earned and a $9,081,000 net increase in income from our investment portfolio (consisting of net investment income and net realized and unrealized gains or losses). 56 Â Revenue Gross Premiums Earned on a consolidated basis for the three months ended September 30, 2024 and 2023 were approximately $265,518,000 and $188,308,000, respectively. The $77,210,000 increase was primarily attributable to the policies assumed from Citizens and premium rate increases. HCPCI gross premiums earned were $139,822,000 for the three months ended September 30, 2024 compared with $102,075,000 for the three months ended September 30, 2023. TypTap gross premiums earned were $108,266,000 for the three months ended September 30, 2024 compared with $86,233,000 for the same comparative period in 2023. Gross premiums earned from reciprocal exchange operations were $17,430,000 for the three months ended September 30, 2024 as opposed to $0 for the three months ended September 30, 2023. Premiums Ceded for the three months ended September 30, 2024 and 2023 were approximately $109,694,000 and $66,152,000, respectively, representing 41.3% and 35.1%, respectively, of gross premiums earned. The $43,542,000 increase was primarily attributable to increased reinsurance coverage due to growth in the number of policies in force and total insured value, together with the reversal of $12,369,000 of previously accrued benefits related to retrospective provisions due to the effects of Hurricane Helene. See Note 11 -- â€œReinsuranceâ€ to our unaudited consolidated financial statements under Item 1 of this Quarterly Report on Form 10-Q for additional information on the benefit adjustment. Our premiums ceded represent costs of reinsurance to cover losses from catastrophes that exceed the retention levels defined by our catastrophe excess of loss reinsurance contracts or to assume a proportional share of losses as defined in a quota share agreement. The rates we pay for reinsurance are based primarily on policy exposures reflected in gross premiums earned. Reinsurance costs can be decreased by a reduction in premiums ceded attributable to retrospective provisions under reinsurance contracts. For the three months ended September 30, 2024, premiums ceded included an increase of $7,707,000 related to retrospective provisions as opposed to a decrease of $6,993,000 for the three months ended September 30, 2023. See â€œEconomic Impact of Reinsurance Contracts with Retrospective Provisionsâ€ under â€œCritical Accounting Policies and Estimates.â€ Net Premiums Written for the three months ended September 30, 2024 and 2023 totaled approximately $160,685,000 and $132,113,000, respectively. Net premiums written represent the premiums charged on policies issued during a fiscal period less any applicable reinsurance costs. The increase in 2024 primarily resulted from an increase in premiums written resulting from increased policies in force, offset by increased premiums ceded to reinsurers as described above. We had approximately 235,000 policies in force at September 30, 2024 as compared with approximately 194,000 policies in force at September 30, 2023. Net Premiums Earned for the three months ended September 30, 2024 and 2023 were approximately $155,824,000 and $122,156,000, respectively, and reflect the gross premiums earned less reinsurance costs as described above. The following is a reconciliation of our total Net Premiums Written to Net Premiums Earned for the three months ended September 30, 2024 and 2023 (amounts in thousands): Â Â Â Three Months Ended Â Â Â September 30, Â Â Â 2024 Â Â 2023 Â Net Premiums Written Â $ 160,685 Â Â $ 132,113 Â Increase in Unearned Premiums Â Â (4,861) Â Â (9,957) Net Premiums Earned Â $ 155,824 Â Â $ 122,156 Â Â 57 Â Net Investment Income for the three months ended September 30, 2024 and 2023 was approximately $13,714,000 and $9,384,000, respectively. The $4,330,000 increase was primarily attributable to a $4,405,000 increase in interest income from cash, cash equivalents and available-for-sale fixed-maturity securities. See Net Investment Income under Note 4 -- â€œInvestmentsâ€ to our unaudited consolidated financial statements under Item 1 of this Quarterly Report on Form 10-Q. Net Realized Investment Gains for the three months ended September 30, 2024 were approximately $2,846,000 as opposed to net realized investment losses of approximately $207,000 for the three months ended September 30, 2023. The increase was primarily attributable to net realized gains of approximately $2,843,000 from sales of fixed-maturity and equity securities during the three months ended September 30, 2024 as opposed to net realized losses of approximately $207,000 from sales of these securities during the corresponding period in 2023. Net Unrealized Investment Income for the three months ended September 30, 2024 was approximately $657,000 as opposed to net unrealized investment losses of approximately $1,041,000 for the three months ended September 30, 2023. The increase was primarily attributable to an overall improvement in the equity market compared with the three months ended September 30, 2023. Expenses Our consolidated Losses and Loss Adjustment Expenses amounted to approximately $105,736,000 and $66,726,000 for the three months ended September 30, 2024 and 2023, respectively. The increase is due to net losses of $40,000,000 from Hurricane Helene, $6,500,000 from Hurricane Debby, and losses attributable to a greater number of policies in force. The increase was offset by favorable prior period development in 2024 of $4,774,000 as opposed to $8,105,000 in upward adjustments to prior period loss reserves in 2023. In addition, the third quarter of 2023 included $6,500,000 of losses from Hurricane Idalia. See â€œReserves for Losses and Loss Adjustment Expensesâ€ under â€œCritical Accounting Policies and Estimates.â€ Policy Acquisition and Other Underwriting Expenses for the three months ended September 30, 2024 and 2023 were approximately $26,104,000 and $22,768,000 on a consolidated basis, respectively, and primarily reflect the amortization of deferred acquisition costs such as commissions payable to agents for production and renewal of policies and premium taxes. The increase in amortized costs was primarily due to increased premiums in force from the insurance and reciprocal exchange operations. General and Administrative Personnel Expenses for the three months ended September 30, 2024 and 2023 were approximately $19,175,000 and $13,864,000, respectively. Our general and administrative personnel expenses include salaries, wages, payroll taxes, stock-based compensation expenses, and employee benefit costs. Factors such as merit increases, changes in headcount, and periodic restricted stock grants, among others, cause fluctuations in this expense. In addition, our personnel expenses are decreased by the capitalization of payroll costs related to projects to develop software for internal use and the payroll costs associated with the processing and settlement of certain catastrophe claims which are recoverable from reinsurers under reinsurance contracts. The quarter-over-quarter increase of $5,311,000 was primarily attributable to a decrease in recovered payroll costs, an increase in stock-based compensation expense, an increase in employee incentive bonuses, and an increase in employee health benefits, offset by an increase in capitalized payroll costs. Interest Expense for the three months ended September 30, 2024 and 2023 was approximately $3,421,000 and $2,827,000, respectively. The increase was primarily attributable to interest expense related to the revolving credit facility, partially offset by decreased interest expense resulting from the conversion and redemption of the 4.25% Convertible Senior Notes in March 2024. 58 Â Income Tax Expense for the three months ended September 30, 2024 and 2023 was approximately $4,688,000 and $4,419,000, respectively, for state, federal, and foreign income taxes, resulting in effective tax rates of 33.3% and 22.0%, respectively. The increase in the effective tax rate was primarily attributable to a lower prior year effective tax rate resulting from the release of valuation allowance during 2023 and a higher effective tax rate resulting from certain non-deductible compensation expense for the third quarter of 2024. Ratios: The loss ratio applicable to the three months ended September 30, 2024 (losses and loss adjustment expenses incurred related to net premiums earned) was 67.9% compared with 54.6% for the three months ended September 30, 2023. The increase was primarily attributable to the increase in losses and loss adjustment expenses due to Hurricane Helene and Hurricane Debby. The expense ratio applicable to the three months ended September 30, 2024 (defined as total expenses excluding losses and loss adjustment expenses and interest expense related to net premiums earned) was 33.4% compared with 34.4% for the three months ended September 30, 2023. The decrease in our expense ratio was primarily attributable to the increase in net premiums earned. The combined ratio (total of all expenses excluding interest expense in relation to net premiums earned) is the measure of overall underwriting profitability before other income. Our combined ratio for the three months ended September 30, 2024 was 101.3% compared with 89.0% for the three months ended September 30, 2023. The increase in 2024 was attributable to the factors described above. Comparison of the Nine Months Ended September 30, 2024 to the Nine Months Ended September 30, 2023 Our results of operations for the nine months ended September 30, 2024 reflect net income of approximately $123,447,000 or $8.59 diluted earnings per share, compared with net income of approximately $48,344,000 or $4.16 diluted earnings per share, for the nine months ended September 30, 2023. The period-over-period increase was primarily due to a $183,939,000 increase in net premiums earned and a $16,853,000 net increase in income from our investment portfolio (consisting of net investment income and net realized and unrealized gains or losses), offset by a $74,801,000 increase in losses and loss adjustment expenses, a $11,282,000 increase in general and administrative personnel expenses, and a $8,320,000 increase in policy acquisition, underwriting, and other operating expenses. Revenue Gross Premiums Earned on a consolidated basis for the nine months ended September 30, 2024 and 2023 were approximately $785,723,000 and $550,322,000, respectively. The $235,401,000 increase was primarily attributable to the policies assumed from Citizens and premium rate increases. Gross premiums earned from insurance policies assumed were $164,381,000 for the nine months ended September 30, 2024 compared with $7,163,000 for the nine months ended September 30, 2023. HCPCI gross premiums earned were $432,795,000 for the nine months ended September 30, 2024 compared with $291,406,000 for the nine months ended September 30, 2023. TypTapâ€™s gross premiums earned were $319,069,000 compared with $258,916,000 for the same comparative period in 2023. Gross premiums earned from reciprocal exchange operations were $33,859,000 for the nine months ended September 30, 2024 as opposed to $0 for the nine months ended September 30, 2023. 59 Â Premiums Ceded for the nine months ended September 30, 2024 and 2023 were approximately $254,513,000 and $203,051,000, respectively, representing 32.4% and 36.9%, respectively, of gross premiums earned. The $51,462,000 increase was primarily attributable to increased reinsurance coverage due to growth in the number of policies in force and total insured value and the reversal of previously accrued benefits as described earlier. For the nine months ended September 30, 2024, premiums ceded included a decrease of $6,279,000 related to retrospective provisions compared with a decrease of $20,979,000 for the nine months ended September 30, 2023. See â€œEconomic Impact of Reinsurance Contracts with Retrospective Provisionsâ€ under â€œCritical Accounting Policies and Estimates.â€ Net Premiums Written for the nine months ended September 30, 2024 and 2023 totaled approximately $577,754,000 and $375,051,000, respectively. The increase in 2024 primarily resulted from the factors described earlier. Net Premiums Earned for the nine months ended September 30, 2024 and 2023 were approximately $531,210,000 and $347,271,000, respectively, and reflect the gross premiums earned less reinsurance costs as described above. The following is a reconciliation of our total Net Premiums Written to Net Premiums Earned for the nine months ended September 30, 2024 and 2023 (amounts in thousands): Â Â Â Nine Months Ended Â Â Â September 30, Â Â Â 2024 Â Â 2023 Â Net Premiums Written Â $ 577,754 Â Â $ 375,051 Â Increase in Unearned Premiums Â Â (46,544) Â Â (27,780) Net Premiums Earned Â $ 531,210 Â Â $ 347,271 Â Â Net Investment Income for the nine months ended September 30, 2024 and 2023 was approximately $44,662,000 and $35,893,000, respectively. The $8,769,000 increase was attributable to a $13,276,000 increase in interest income from cash, cash equivalents, and available-for-sale fixed-maturity securities, offset by a $4,518,000 decrease in income from real estate investments. See Net Investment Income under Note 4 -- â€œInvestmentsâ€ to our unaudited consolidated financial statements under Item 1 of this Quarterly Report on Form 10-Q. Net Realized Investment Gains for the nine months ended September 30, 2024 were approximately $3,058,000 as opposed to net realized investment losses of approximately $1,586,000 for the nine months ended September 30, 2023. The increase was primarily attributable to net realized gains of approximately $3,055,000 from sales of fixed-maturity and equity securities during the nine months ended September 30, 2024 as opposed to net realized losses of approximately $1,539,000 from sales of these securities during the corresponding period in 2023. Net Unrealized Investment Gains for the nine months ended September 30, 2024 and 2023 were approximately $3,825,000 and $385,000, respectively. The increase was primarily attributable to an overall improvement in the equity market compared with the nine months ended September 30, 2023. 60 Â Expenses Our consolidated Losses and Loss Adjustment Expenses amounted to approximately $263,982,000 and $189,181,000 for the nine months ended September 30, 2024 and 2023, respectively. The increase is due to net losses of $40,000,000 from Hurricane Helene, $6,500,000 from Hurricane Debby, and losses attributable to a greater number of policies in force. The increase was offset by less prior period development in 2024 compared to 2023 by $12,850,000. In addition, the nine months ended September 30, 2023 included $6,500,000 of losses from Hurricane Idalia. See â€œReserves for Losses and Loss Adjustment Expensesâ€ under â€œCritical Accounting Policies and Estimates.â€ Policy Acquisition and Other Underwriting Expenses for the nine months ended September 30, 2024 and 2023 were approximately $71,695,000 and $68,106,000 on a consolidated basis, respectively. The increase in amortized costs was primarily due to increased premiums in force and higher amortized costs attributable to the accelerated transition of United policies during 2023, offset by lower policy acquisition costs in Florida resulting from lower commissions. General and Administrative Personnel Expenses for the nine months ended September 30, 2024 and 2023 were approximately $52,920,000 and $41,638,000, respectively. The period-over-period increase of $11,282,000 was primarily attributable to lower payroll costs recoverable from reinsurers, an increase in employee incentive bonuses, an increase in stock-based compensation expense, and an increase in employee health benefits. Interest Expense for the nine months ended September 30, 2024 and 2023 was approximately $10,022,000 and $8,295,000, respectively. The increase was primarily attributable to an increase in interest expense related to the revolving credit facility, partially offset by decreased interest expense resulting from the conversion and redemption of the 4.25% Convertible Senior Notes in March 2024. Income Tax Expense for the nine months ended September 30, 2024 and 2023 was approximately $44,089,000 and $15,146,000, respectively, for state, federal, and foreign income taxes, resulting in effective tax rates of 26.3% and 23.9%, respectively. The increase in the effective tax rate was primarily attributable to a lower prior year effective tax rate resulting from the release of valuation allowance during 2023 and a higher effective tax rate resulting from certain non-deductible compensation expense for the third quarter of 2024. Ratios: The loss ratio applicable to the nine months ended September 30, 2024 (losses and loss adjustment expenses incurred related to net premiums earned) was 49.7% compared with 54.5% for the nine months ended September 30, 2023. The decrease was primarily attributable to the increase in net premiums earned, offset in part by the increase in losses and loss adjustment expenses. The expense ratio applicable to the nine months ended September 30, 2024 (defined as total expenses excluding losses and loss adjustment expenses and interest expense related to net premiums earned) was 27.6% compared with 36.6% for the nine months ended September 30, 2023. The decrease in our expense ratio was primarily attributable to the increase in net premiums earned, offset by the increase in general and administrative personnel expenses and the increase in other operating expenses. The combined ratio (total of all expenses excluding interest expense in relation to net premiums earned) is the measure of overall underwriting profitability before other income. Our combined ratio for the nine months ended September 30, 2024 was 77.3% compared with 91.1% for the nine months ended September 30, 2023. The decrease in 2024 was attributable to the factors described above. 61 Â Seasonality of Our Business Our insurance business is seasonal as hurricanes and tropical storms affecting Florida, our primary market, and other southeastern states typically occur during the period from June 1st through November 30th of each year. Winter storms in the northeast usually occur during the period between December 1st and March 31st of each year. Also, with our reinsurance treaty year typically effective on June 1st of each year, any variation in the cost of our reinsurance, whether due to changes in reinsurance rates, coverage levels or changes in the total insured value of our policy base, will occur and be reflected in our financial results beginning on June 1st of each year. LIQUIDITY AND CAPITAL RESOURCES Throughout our history, our liquidity requirements have been met through issuances of our common and preferred stock, debt offerings and funds from operations. We expect our future liquidity requirements will be met by funds from operations, primarily the cash received by our insurance subsidiaries from premiums written and investment income. We may consider raising additional capital through debt and/or equity offerings to support our growth and future investment opportunities. Our insurance subsidiaries require liquidity and adequate capital to meet ongoing obligations to policyholders and claimants and to fund operating expenses. In addition, we attempt to maintain adequate levels of liquidity and surplus to manage any differences between the duration of our liabilities and invested assets. In the insurance industry, cash collected for premiums from policies written is invested, interest and dividends are earned thereon, and losses and loss adjustment expenses are paid out over a period of years. This period of time varies by the circumstances surrounding each claim. With the exception of litigated claims, substantially all of our losses and loss adjustment expenses are fully settled and paid within approximately 90 days of the claim receipt date. Additional cash outflow occurs through payments of underwriting costs such as commissions, taxes, payroll, and general overhead expenses. We believe that we maintain sufficient liquidity to pay claims and expenses, as well as to satisfy commitments in the event of unforeseen events such as reinsurer insolvencies, inadequate premium rates, or reserve deficiencies. We maintain a comprehensive reinsurance program at levels management considers adequate to diversify risk and safeguard our financial position. In the future, we anticipate our primary use of funds will be to pay claims, reinsurance premiums, interest, and dividends and to fund operating expenses and real estate acquisitions. Revolving Credit Facility, Convertible Senior Notes, Promissory Notes, and Finance Leases The following table summarizes the principal and interest payment obligations of our indebtedness at September 30, 2024: Â Â Maturity Date Â Payment Due Date 4.75% Convertible Senior Notes* June 2042 Â June 1 and December 1 4.55% Promissory Note Through August 2036 Â 1stÂ day of each month 5.50% Promissory Note Through July 2033 Â 1stÂ day of each month Finance leases Through October 2024 Â October 15 Revolving credit facility Through November 2028 Â January 1, April 1, July 1, October 1 Â * At the option of the noteholders, we may be required to repurchase for cash all or any portion of the notes on June 1, 2027, June 1, 2032 or June 1, 2037. Â See Note 10 -- â€œLong-Term Debtâ€ to our unaudited consolidated financial statements under Item 1 of this Quarterly Report on Form 10-Q. 62 Â Limited Partnership Investments Our limited partnership investments consist of six private equity funds managed by their general partners. Two of these funds have unexpired capital commitments which are callable at the discretion of the fundâ€™s general partner for funding new investments or expenses of the fund. Although capital commitments for the four remaining funds have expired, the general partners may request additional funds under certain circumstances. At September 30, 2024, there was an aggregate unfunded capital balance of $3,255,000. See Limited Partnership Investments under Note 4 -- â€œInvestmentsâ€ to our unaudited consolidated financial statements under Item 1 of this Quarterly Report on Form 10-Q. Real Estate Investment Real estate has long been a significant component of our overall investment portfolio. It diversifies our portfolio and helps offset the volatility of other higher-risk assets. Thus, we may consider expanding our real estate investment portfolio should an opportunity arise. Sources and Uses of Cash Cash Flows for the Nine Months Ended September 30, 2024 Net cash provided by operating activities for the nine months ended September 30, 2024 was approximately $257,129,000, which consisted primarily of cash received from net premiums written, and reinsurance recoveries of approximately $73,927,000 less cash disbursed for operating expenses, losses and loss adjustment expenses and interest payments. Net cash used in investing activities of $205,062,000 was primarily due to the purchases of fixed-maturity and equity securities of $728,775,000, the purchases of real estate investments of $14,181,000, the purchases of property and equipment of $2,991,000, and additional investments in limited partnership interests of $1,204,000, offset by the proceeds from calls, repayments and maturities of fixed-maturity securities of $410,207,000, the proceeds from sales of fixed-maturity and equity securities of $129,112,000, and distributions received from limited partnership investments of $2,760,000. Net cash used in financing activities totaled $69,701,000, which was primarily due to the redemption of redeemable noncontrolling interests of $100,000,000, $12,354,000 of cash dividend payments, cash dividends paid to redeemable noncontrolling interests of $2,923,000, $1,037,000 of share repurchases, purchases of noncontrolling interests of $480,000, redemption of promissory notes of $466,000, and repayments of long-term debt of $387,000, offset by net borrowing under the line of credit agreement of $46,000,000 and net contribution from noncontrolling interests of $2,045,000. 63 Â Cash Flows for the Nine Months Ended September 30, 2023 Net cash provided by operating activities for the nine months ended September 30, 2023 was approximately $77,321,000, which consisted primarily of cash received from net premiums written, and reinsurance recoveries of approximately $206,901,000 less cash disbursed for operating expenses, losses and loss adjustment expenses and interest payments. Net cash provided by investing activities of $25,714,000 was primarily due to the proceeds from calls, repayments and maturities of fixed-maturity securities of $263,654,000, the proceeds from sales of fixed-maturity and equity securities of $27,794,000, the proceeds from sales of real estate investments of $21,746,000, and distributions received from limited partnership investments of $3,088,000, offset by the purchases of fixed-maturity and equity securities of $280,493,000, the purchases of property and equipment of $5,184,000, the purchases of real estate investments of $2,296,000, and the purchase of intangible assets of $1,810,000. Net cash used in financing activities totaled $13,752,000, which was primarily due to $10,295,000 of cash dividend payments, the redemption of long-term debt of $6,895,000, cash dividends paid to redeemable noncontrolling interest of $6,762,000, $784,000 of share repurchases, and repayments of long-term debt of $437,000, offset by the proceeds from issuance of long-term debt of $12,000,000. Investments The main objective of our investment policy is to maximize our after-tax investment income with a reasonable level of risk given the current financial market. Our excess cash is invested primarily in money market accounts, certificates of deposit, and fixed-maturity and equity securities. At September 30, 2024, we had $724,564,000 of fixed-maturity and equity investments, which are carried at fair value. Changes in the general interest rate environment affect the returns available on new fixed-maturity investments. While a rising interest rate environment enhances the returns available on new investments, it reduces the market value of existing fixed-maturity investments and thus the availability of gains on disposition. A decline in interest rates reduces the returns available on new fixed-maturity investments but increases the market value of existing fixed-maturity investments, creating the opportunity for realized investment gains on disposition. In the future, we may alter our investment policy with regard to investments in federal, state and municipal obligations, preferred and common equity securities and real estate mortgages, as permitted by applicable law, including insurance regulations. OFF-BALANCE SHEET ARRANGEMENTS As of September 30, 2024, we had unexpired capital commitments for limited partnerships in which we hold interests. Such commitments are not recognized in the consolidated financial statements but are required to be disclosed in the notes to the consolidated financial statements. See Note 21 -- â€œCommitments and Contingenciesâ€ to our unaudited consolidated financial statements under Item 1 of this Quarterly Report on Form 10-Q for additional information. 64 Â CRITICAL ACCOUNTING POLICIES AND ESTIMATES We have prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (â€œU.S. GAAPâ€). The preparation of these consolidated financial statements requires us to make estimates and judgments to develop amounts reflected and disclosed in our consolidated financial statements. Material estimates that are particularly susceptible to significant change in the near term are related to our losses and loss adjustment expenses, which include amounts estimated for claims incurred but not yet reported. We base our estimates on various assumptions and actuarial data we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates. We believe our accounting policies specific to losses and loss adjustment expenses, reinsurance recoverable, reinsurance with retrospective provisions, deferred income taxes, stock-based compensation expense, limited partnership investments, acquired intangible assets, warrants, and redeemable noncontrolling interest involve our most significant judgments and estimates material to our consolidated financial statements. Reserves for Losses and Loss Adjustment Expenses Our liability for losses and loss adjustment expense (â€œReservesâ€) is specific to property insurance, which is our insurance subsidiariesâ€™ only line of business. The Reserves include both case reserves on reported claims and our reserves for incurred but not reported (â€œIBNRâ€) losses. At each period end date, the balance of our Reserves is based on our best estimate of the ultimate cost of each claim for those known cases and the IBNR loss reserves are estimated based primarily on our historical experience. Changes in the estimated liability are charged or credited to operations as the losses and loss adjustment expenses are adjusted. The IBNR represents our estimate of the ultimate cost of all claims that have occurred but have not been reported to us, and in some cases may not yet be known to the insured, and future development of reported claims. Estimating the IBNR component of our Reserves involves considerable judgment on the part of management. At September 30, 2024, $531,072,000 of the total $612,354,000 we have reserved for losses and loss adjustment expenses is attributable to our estimate of IBNR. The remaining $81,282,000 relates to known cases which have been reported but not yet fully settled in which case we have established a reserve based on currently available information and our best estimate of the cost to settle each claim. At September 30, 2024, $56,208,000 of the $81,282,000 in reserves for known cases relates to claims incurred during prior years. Our Reserves increased from $585,073,000 at December 31, 2023 to $612,354,000 at September 30, 2024. The $27,281,000 increase is comprised of $198,436,000 in reserves established for 2024 loss year, including $61,000,000 specific to Hurricane Helene, offset by reductions in our catastrophe Reserves of $79,615,000 primarily specific to Hurricane Ian and Hurricane Irma, and reductions in our non-catastrophe Reserves of $52,597,000 for 2023 and $38,943,000 for 2022 and prior loss years. The Reserves established for 2024 claims are primarily driven by an allowance for those claims that have been incurred but not reported to the company as of September 30, 2024. The decrease of $171,155,000 specific to our 2023 and prior loss-years reserves is due to settlement of claims related to those loss years. 65 Â Based on all information known to us, we consider our Reserves at September 30, 2024 to be adequate to cover our claims for losses that have occurred as of that date including losses yet to be reported to us. However, these estimates are continually reviewed by management as they are subject to significant variability and may be impacted by trends in claim severity and frequency or unusual exposures that have not yet been identified. As part of the process, we review historical data and consider various factors, including known and anticipated regulatory and legal developments, changes in social attitudes, inflation and economic conditions. As experience develops and other data becomes available, these estimates are revised, as required, resulting in increases or decreases to the existing unpaid losses and loss adjustment expenses. Adjustments are reflected in the results of operations in the period in which they are made, and the liabilities may deviate substantially from prior estimates. Economic Impact of Reinsurance Contracts with Retrospective Provisions From time to time, our reinsurance contracts may include retrospective provisions that adjust premiums in the event losses are minimal or zero. In accordance with accounting principles generally accepted in the United States of America, we will recognize an asset in the period in which the absence of loss experience obligates the reinsurer to pay cash or other consideration under the contract. In the event that a loss arises, we will derecognize such asset in the period in which a loss arises. Such adjustments to the asset, which accrue throughout the contract term, will negatively impact our operating results when a catastrophic loss event occurs during the contract term. Due to Hurricane Helene, the balance of previously accrued benefits under the multi-year reinsurance contract with retrospective provisions was decreased by $12,369,000 during the third quarter of 2024. For the three months ended September 30, 2024, we derecognized $7,707,000 of accrued benefits. For the nine months ended September 30, 2024, we accrued benefits of $6,279,000. For the three and nine months ended September 30, 2023, we accrued benefits of $6,993,000 and $20,979,000, respectively. The accrual of benefits was recognized as a reduction in ceded premiums. As of September 30, 2024, we had $50,568,000 of accrued benefits, the amount that would be charged to earnings in the event we experience a catastrophic loss that exceeds the coverage limit provided under such agreements. We believe the credit risk associated with the collectability of these accrued benefits is minimal based on available information about the reinsurerâ€™s financial position and the reinsurerâ€™s demonstrated ability to comply with contract terms. See Note 23 -- â€œSubsequent Eventsâ€ to our unaudited consolidated financial statements under Item 1 of this Quarterly Report on Form 10-Q for additional information. The above and other accounting estimates and their related risks that we consider to be our critical accounting estimates are more fully described in our Annual Report on Form 10-K, which we filed with the SEC on March 8, 2024. For the nine months ended September 30, 2024, there have been no other material changes with respect to any of our critical accounting policies. RECENT ACCOUNTING PRONOUNCEMENTS None. 66 Â ITEM 3 â€“ QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK Our investment portfolio at September 30, 2024 included fixed-maturity and equity securities, the purposes of which are not for speculation. Our main objective is to maximize after-tax investment income and maintain sufficient liquidity to meet our obligations while minimizing market risk, which is the potential economic loss from adverse fluctuations in securities prices. We consider many factors including credit ratings, investment concentrations, regulatory requirements, anticipated fluctuation of interest rates, durations and market conditions in developing investment strategies. Our investment securities are managed primarily by outside investment advisors and are overseen by the investment committee appointed by our Board of Directors. From time to time, our investment committee may decide to invest in low-risk assets such as U.S. government bonds. Our investment portfolio is exposed to interest rate risk, credit risk and equity price risk. Fiscal and economic uncertainties caused by any government action or inaction may exacerbate these risks and potentially have adverse impacts on the value of our investment portfolio. We classify our fixed-maturity securities as available-for-sale and report any unrealized gains or losses, net of deferred income taxes, as a component of other comprehensive income within our stockholdersâ€™ equity. As such, any material temporary changes in their fair value can adversely impact the carrying value of our stockholdersâ€™ equity. In addition, we recognize any unrealized gains or losses related to our equity securities in our statement of income. As a result, our results of operations can be materially affected by the volatility in the equity market. Interest Rate Risk Our fixed-maturity securities are sensitive to potential losses resulting from unfavorable changes in interest rates. We manage the risk by analyzing anticipated movement in interest rates and considering our future capital needs. The following table illustrates the impact of hypothetical changes in interest rates to the fair value of our fixed-maturity securities at September 30, 2024 (dollar amounts in thousands): Â Hypothetical Change in Interest Rates Â EstimatedFair Value Â Â Change inEstimatedFair Value Â Â PercentageIncrease(Decrease)in EstimatedFair Value Â 300 basis point increase Â $ 651,487 Â Â $ (16,744) Â Â -2.51 % 200 basis point increase Â Â 657,068 Â Â Â (11,163) Â Â -1.67 % 100 basis point increase Â Â 662,649 Â Â Â (5,582) Â Â -0.84 % 100 basis point decrease Â Â 673,814 Â Â Â 5,583 Â Â Â 0.84 % 200 basis point decrease Â Â 679,398 Â Â Â 11,167 Â Â Â 1.67 % 300 basis point decrease Â Â 684,982 Â Â Â 16,751 Â Â Â 2.51 % Â Credit Risk Credit risk can expose us to potential losses arising principally from adverse changes in the financial condition of the issuers of our fixed-maturity securities. We mitigate the risk by investing in fixed-maturity securities that are generally investment grade, by diversifying our investment portfolio to avoid concentrations in any single issuer or business sector, and by continually monitoring each individual security for declines in credit quality. While we emphasize credit quality in our investment selection process, significant downturns in the markets or general economy may impact the credit quality of our portfolio. 67 Â The following table presents the composition of our fixed-maturity securities, by rating, at September 30, 2024 (dollar amounts in thousands): Â Â Â Cost or Â Â % of Total Â Â Â Â % of Total Â Â Â Amortized Â Â Amortized Â Â Estimated Â Â Estimated Â Comparable Rating Â Cost Â Â Cost Â Â Fair Value Â Â Fair Value Â AAA Â $ 78,962 Â Â Â 12 Â Â $ 79,016 Â Â Â 12 Â AA+, AA, AA- Â Â 557,629 Â Â Â 84 Â Â Â 560,355 Â Â Â 84 Â A+, A, A- Â Â 14,111 Â Â Â 2 Â Â 14,104 Â Â Â 2 Â BBB+, BBB, BBB- Â Â 12,968 Â Â Â 2 Â Â Â 13,005 Â Â Â 2 Â CCC+, CC and Not rated Â Â 1,999 Â Â Â â€” Â Â Â 1,751 Â Â Â â€” Â Total Â $ 665,669 Â Â Â 100 Â $ 668,231 Â Â Â 100 Â Â Equity Price Risk Our equity investment portfolio at September 30, 2024 included common stocks, perpetual preferred stocks, mutual funds and exchange-traded funds. We may incur potential losses due to adverse changes in equity security prices. We manage the risk primarily through industry and issuer diversification and asset mix. The following table illustrates the composition of our equity securities at September 30, 2024 (dollar amounts in thousands): Â Â Â Â Â Â % of Total Â Â Â Estimated Â Â Estimated Â Â Â Fair Value Â Â Fair Value Â Stocks by sector: Â Â Â Â Â Â Consumer Â $ 7,995 Â Â Â 14 Â Financial Â Â 7,711 Â Â Â 14 Â Technology Â Â 3,571 Â Â Â 6 Â Other (1) Â Â 3,416 Â Â Â 6 Â Â Â 22,693 Â Â Â 40 Â Mutual funds and exchange-traded funds by type: Â Â Â Â Â Â Debt Â Â 27,541 Â Â Â 49 Â Equity Â Â 6,055 Â Â Â 11 Â Alternative Â Â 44 Â Â Â â€” Â Â Â 33,640 Â Â Â 60 Â Total Â $ 56,333 Â Â Â 100 Â Â (1)Represents an aggregate of less than 5% sectors. Foreign Currency Exchange Risk At September 30, 2024, we did not have any material exposure to foreign currency related risk. 68 Â ITEM 4 â€“ CONTROLS AND PROCEDURES Evaluation of Disclosure Controls and Procedures Under the supervision and with the participation of our chief executive officer (our principal executive officer) and our chief financial officer (our principal financial and accounting officer), we have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, and, based on this evaluation, our chief executive officer and our chief financial officer have concluded that these disclosure controls and procedures are effective. Changes in Internal Control Over Financial Reporting There have been no changes in our internal controls over financial reporting during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Limitations on Effectiveness of Controls and Procedures In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, implementation of possible controls and procedures depends on managementâ€™s judgment in evaluating their benefits relative to costs. 69 Â PART II â€“ OTHER INFORMATION ITEM 1 â€“ LEGAL PROCEEDINGS We are a party to claims and legal actions arising routinely in the ordinary course of our business. Although we cannot predict with certainty the ultimate resolution of the claims and lawsuits asserted against us, we do not believe that any currently pending legal proceedings to which we are a party will have a material adverse effect on our consolidated financial position, results of operations or cash flows. ITEM 1A â€“ RISK FACTORS There have been no material changes in the risk factors previously disclosed in the section entitled â€œRisk Factorsâ€ in our Form 10-K, which was filed with the SEC on March 8, 2024. ITEM 2 â€“ UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS (a)Sales of Unregistered Securities and Use of Proceeds None. (b)Repurchases of Securities None. Working Capital Restrictions and Other Limitations on the Payment of Dividends We are not subject to working capital restrictions or other limitations on the payment of dividends. Our insurance subsidiaries, however, are subject to restrictions on the dividends they may pay. Those restrictions could impact HCIâ€™s ability to pay future dividends. 70 Â Under Florida law, a domestic insurer may not pay any dividend or distribute cash or other property to its stockholders except out of that part of its available and accumulated capital and surplus funds which is derived from realized net operating profits on its business and net realized capital gains. Additionally, a Florida domestic insurer may not make dividend payments or distributions to its stockholders without prior approval of the Florida Office of Insurance Regulation (â€œFLOIRâ€) if the dividend or distribution would exceed the larger of (1) the lesser of (a) 10.0% of its capital surplus or (b) net income, not including realized capital gains, plus a two year carry forward, (2) 10.0% of capital surplus with dividends payable constrained to unassigned funds minus 25% of unrealized capital gains or (3) the lesser of (a) 10.0% of capital surplus or (b) net investment income plus a three year carry forward with dividends payable constrained to unassigned funds minus 25% of unrealized capital gains. Alternatively, a Florida domestic insurer may pay a dividend or distribution without the prior written approval of the FLOIR if (1) the dividend is equal to or less than the greater of (a) 10.0% of the insurerâ€™s capital surplus as regards to policyholders derived from realized net operating profits on its business and net realized capital gains or (b) the insurerâ€™s entire net operating profits and realized net capital gains derived during the immediately preceding calendar year, (2) the insurer will have policy holder capital surplus equal to or exceeding 115.0% of the minimum required statutory capital surplus after the dividend or distribution, (3) the insurer files a notice of the dividend or distribution with the FLOIR at least ten business days prior to the dividend payment or distribution and (4) the notice includes a certification by an officer of the insurer attesting that, after the payment of the dividend or distribution, the insurer will have at least 115% of required statutory capital surplus as to policyholders. Except as provided above, a Florida domiciled insurer may only pay a dividend or make a distribution (1) subject to prior approval by the FLOIR or (2) 30 days after the FLOIR has received notice of such dividend or distribution and has not disapproved it within such time. During the nine months ended September 30, 2024, our insurance subsidiaries paid dividends of $11,000,000 to HCI. ITEM 3 â€“ DEFAULTS UPON SENIOR SECURITIES None. ITEM 4 â€“ MINE SAFETY DISCLOSURES None. ITEM 5 â€“ OTHER INFORMATION None of our directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a â€œnon-Rule 10b5-1 trading arrangementâ€ (as defined in Item 408(c) of Regulation S-K) during the third quarter of 2024. 71 Â ITEM 6 â€“ EXHIBITS The following documents are filed as part of this report: Â EXHIBIT Â NUMBER Â DESCRIPTION Â 3.1 Â Articles of Incorporation, with amendments. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 7, 2013. Â 3.1.1 Â Articles of Amendment to Articles of Incorporation designating the rights, preferences and limitations of Series B Junior Participating Preferred Stock. Incorporated by reference to Exhibit 3.1 to our Form 8-K filed October 18, 2013. Â Â Â 3.1.2 Â Articles of Amendment to Articles of Incorporation cancelling the rights, preferences and limitations of Series B Junior Participating Preferred Stock. Incorporated by reference to Exhibit 3.1 to our Form 8-K filed May 15, 2020. Â Â Â 3.2 Â Bylaws, with amendments. Incorporated by reference to the correspondingly numbered exhibit to our Form 8-K filed September 13, 2019. Â 4.1 Â Form of common stock certificate. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed November 7, 2013. Â Â Â 4.2 Â Common Stock Purchase Warrant, dated February 26, 2021, issued by HCI Group, Inc. to CB Snowbird Holdings, L.P. Incorporated by reference to Exhibit 4.1 of our Form 8-K filed March 1, 2021. Â Â Â 4.3 Â Indenture, dated May 23, 2022, by and between HCI Group, Inc. and The Bank of New York Mellon Trust Company, N.A. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2022. Â Â 4.6 Â Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934, as amended. Incorporated by reference to the corresponding numbered exhibit to our Form 10-K filed March 12, 2021. Â 4.9 Â See Exhibits 3.1, 3.1.1, 3.1.2Â and 3.2Â of this report for provisions of the Articles of Incorporation, as amended, and our Bylaws, as amended, defining certain rights of security holders. Â Â Â 4.10 Â Indenture, dated March 3, 2017, between HCI Group, Inc. and The Bank of New York Mellon Trust Company, N.A. Incorporated by reference to Exhibit 4.1 of our Form 8-K filed March 3, 2017. Â Â Â 4.11 Â Form of Global 4.25% Convertible Senior Note due 2037 (included in Exhibit 4.1). Incorporated by reference to Exhibit 4.1 of our Form 8-K filed March 3, 2017. Â Â Â 10.1 Â Preferred Stock Purchase Agreement, dated February 26, 2021, among TypTap Insurance Group, Inc., HCI Group, Inc., and CB Snowbird Holdings, L.P. Incorporated by reference to the corresponding numbered exhibit to our Form 8-K filed March 1, 2021. Â Â Â 10.2 Â Amended and Restated Articles of Incorporation of TypTap Insurance Group, Inc. filed February 26, 2021. Incorporated by reference to the corresponding numbered exhibit to our Form 8-K filed March 1, 2021. Â Â Â 10.3 Â Shareholders Agreement, dated February 26, 2021, among TypTap Insurance Group, Inc., CB Snowbird Holdings, L.P., HCI Group, Inc., and the other shareholders party thereto. Incorporated by reference to the corresponding numbered exhibit to our Form 8-K filed March 1, 2021. Â Â Â 72 Â 10.4 Â Parent Guaranty Agreement, dated February 26, 2021, between HCI Group, Inc. and CB Snowbird Holdings, L.P. Incorporated by reference to the corresponding numbered exhibit to our Form 8-K filed March 1, 2021. Â Â Â 10.5** Â HCI Group, Inc. 2012 Omnibus Incentive Plan as revised April 26, 2022. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed May 6, 2022. Â Â Â 10.7** Â Executive Employment Agreement dated November 23, 2016 between Mark Harmsworth and HCI Group, Inc. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 3, 2017. Â Â Â 10.8 Â Reimbursement Contract effective June 1, 2024 between Homeowners Choice Property & Casualty Insurance Company, Inc. and the State Board of Administration of the State of Florida which administers the Florida Hurricane Catastrophe Fund. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.9 Â Reimbursement Contract effective June 1, 2024 between TypTap Insurance Company and the State Board of Administration of the State of Florida which administers the Florida Hurricane Catastrophe Fund. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.10 Â Underlying Second Layer Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2024 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.11 Â Second Layer Reinstatement Premium Protection Reinsurance Contract effective June 1, 2024 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.12 Â Third Layer Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2024 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.13 Â Third Layer Reinstatement Premium Protection Reinsurance Contract effective June 1, 2024 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.14 Â County Weighted Industry Loss Reinsurance Contract effective July 9, 2024 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 73 Â 10.15 Â Panhandle Named Storm Property Catastrophe Excess of Loss Reinsurance Contract effective July 1, 2024 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.16 Â Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2024 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.17 Â Reinstatement Premium Protection Reinsurance Contract effective June 1, 2024 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.18 Â Layer 3B Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2024 issued to TypTap Insurance Company and Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.19 Â Layer 3B Reinstatement Premium Protection Reinsurance Contract effective June 1, 2024 issued to TypTap Insurance Company and Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.20 Â Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2024 issued to TypTap Insurance Company and Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.21 Â Reinstatement Premium Protection Reinsurance Contract effective June 1, 2024 issued to TypTap Insurance Company and Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.22 Â First and Second Layer Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2024 issued to TypTap Insurance Company and Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 10.23 Â Layer 3C Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2024 issued to TypTap Insurance Company and Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2024. Â Â Â 74 Â 10.25 Â Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2023 issued to Homeowners Choice Property & Casualty Insurance Company by Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.26 Â Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2023 issued to Homeowners Choice Property & Casualty Insurance Company by Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.27 Â Reinstatement Premium Protection Reinsurance Contract effective June 1, 2023 issued to Homeowners Choice Property & Casualty Insurance Company by Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.28 Â Reinstatement Premium Protection Reinsurance Contract effective June 1, 2023 issued to Homeowners Choice Property & Casualty Insurance Company by Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.29 Â Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2023 issued to TypTap Insurance Company by Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.30 Â Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2023 issued to TypTap Insurance Company by Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.31 Â Reinstatement Premium Protection Reinsurance Contract effective June 1, 2023 issued to TypTap Insurance Company by Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.32 Â Reinstatement Premium Protection Reinsurance Contract effective June 1, 2023 issued to TypTap Insurance Company by Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.33 Â Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2023 issued to Homeowners Choice Property & Casualty Insurance Company by Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.34 Â Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2023 issued to Homeowners Choice Property & Casualty Insurance Company and TypTap Insurance Company by Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.35 Â Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2023 issued to Homeowners Choice Property & Casualty Insurance Company and TypTap Insurance Company by Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to Regulation S-K Item 75 Â Â Â 601(b)(10)(iv). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.36 Â Reimbursement Contract effective June 1, 2023 between Homeowners Choice Property & Casualty Insurance Company, Inc. and the State Board of Administration of the State of Florida which administers the Florida Hurricane Catastrophe Fund. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.37 Â Reimbursement Contract effective June 1, 2023 between TypTap Insurance Company, Inc. and the State Board of Administration of the State of Florida which administers the Florida Hurricane Catastrophe Fund. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.38 Â RAP Reimbursement Contract effective June 1, 2023 between Homeowners Choice Property & Casualty Insurance Company, Inc. and the State Board of Administration of the State of Florida which administers the Reinsurance to Assist Policyholders Program (â€œRAP Programâ€). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.39 Â RAP Reimbursement Contract effective June 1, 2023 between TypTap Insurance Company, Inc. and the State Board of Administration of the State of Florida which administers the Reinsurance to Assist Policyholders Program (â€œRAP Programâ€). Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.40 Â Equity Distribution Agreement between HCI Group, Inc., Truist Securities, Inc. and Citizens JMP Securities, LLC. Incorporated by reference to Exhibit 1.2 of our Form S-3 filed January 22, 2024. Â Â Â 10.41 Â Amended and Restated Common Stock Purchase Warrant between HCI Group, Inc. and CB Snowbird Holdings, L.P. Incorporated by reference to Exhibit 4.17 of our Form S-3 filed January 22, 2024. Â Â Â 10.42 Â Registration Rights Agreement between HCI Group, Inc. and CB Snowbird Holdings, L.P. Incorporated by reference to Exhibit 4.18 of our Form S-3 filed January 22, 2024. Â Â Â 10.43 Â Stock Redemption Agreement between TypTap Insurance Group, Inc. and CB Snowbird Holdings, L.P. Incorporated by reference to Exhibit 4.19 of our Form S-3 filed January 22, 2024. Â Â Â 10.44 Â Assumption Agreement between Homeowners Choice Property & Casualty Insurance Company, Inc. and Citizens Property Insurance Corporation. Incorporated by reference to Exhibit 99.1 of our Form 8-K filed October 2, 2023. Â Â Â 10.45 Â Assumption Agreement between TypTap Insurance Company and Citizens Property Insurance Corporation. Incorporated by reference to Exhibit 99.1 of our Form 8-K filed November 6, 2023. Â Â Â 10.48** Â TypTap Insurance Group, Inc. 2021 Equity Incentive Plan. Incorporated by reference to Exhibit 10.5 of our Form 8-K filed March 1, 2021. Â Â Â 10.49** Â Form of Restricted Stock Award Agreement of TypTap Insurance Group, Inc. Incorporated by reference to Exhibit 10.6 of our Form 8-K filed March 1, 2021. Â Â Â 10.51** Â Stock Option Agreement between Paresh Patel and TypTap Insurance Group, Inc. dated October 1, 2021. Incorporated by reference to Exhibit 99.1 to our Form 8-K filed October 7, 2021. Â Â Â 10.52** Â TypTap Insurance Group, Inc. 2021 Omnibus Incentive Plan. Incorporated by reference to Exhibit 99.2 of our Form 8-K filed October 7, 2021. Â Â Â 76 Â 10.53 Â Purchase Agreement, dated May 18, 2022, by and among HCI Group, Inc., JMP Securities LLC and Truist Securities, Inc., as representatives of the several purchasers named therein. Incorporated by reference to Exhibit 10.1 of our Form 8-K filed May 23, 2022. Â Â Â 10.54** Â Stock Option Agreement between Paresh Patel and HCI Group, Inc. dated September 15, 2023. Â Â Â 10.57** Â Form of executive restricted stock award contract. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed May 1, 2014. Â Â Â 10.58 Â Purchase Agreement, dated February 28, 2017, by and between HCI Group, Inc. and JMP Securities LLC and SunTrust Robinson Humphrey, Inc., as representatives of the several initial purchasers named therein. Incorporated by reference to Exhibit 10.1 of our Form 8-K filed February 28, 2017. Â Â Â 10.62 Â Amended and Restated Credit Agreement, dated June 2, 2023, between HCI Group, Inc. and Fifth Third Bank. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2023. Â Â Â 10.63 Â Security and Pledge Agreement and Revolving Credit Promissory Note, dated June 2, 2023, between HCI Group, Inc. and Fifth Third Bank. Incorporated by reference to Exhibits 99.2, and 99.3Â to our Form 8-K filed June 8, 2023. Â Â Â 10.64 Â Second Amended and Restated Credit Agreement, Second Amended and Restated Security and Pledge Agreement, and Renewed, Amended and Restated Revolving Credit Promissory Note, dated November 3, 2023, between HCI Group, Inc. and Fifth Third Bank. Incorporated by reference to Exhibits 99.1, 99.2, and 99.3Â to our Form 8-K filed November 9, 2023. Â Â Â 10.65 Â Underwriting Agreement, dated December 6, 2023, by and between HCI Group, Inc. and Citizens JMP Securities, LLC. Incorporated by reference to Exhibit 1.1 to our Form 8-K filed December 7, 2023. Â Â Â 10.66** Â Executive Employment Agreement between Paresh Patel and HCI Group, Inc. dated April 17, 2024. Incorporated by reference to Exhibit 99.1 to our Form 8-K filed April 23, 2024. Â Â Â 10.67** Â Restricted Stock Award Contract between Paresh Patel and HCI Group, Inc. dated April 17, 2024. Incorporated by reference to Exhibit 99.2 to our Form 8-K filed April 23, 2024. Â Â Â 10.105** Â Restricted Stock Award Contract between Paresh Patel and HCI Group, Inc. dated January 16, 2020. Incorporated by reference to Exhibit 99.1 to our Form 8-K filed January 23, 2020. Â Â Â 10.106** Â Nonqualified Stock Option Agreement between Paresh Patel and HCI Group, Inc. dated January 16, 2020. Incorporated by reference to Exhibit 99.2 to our Form 8-K filed January 23, 2020. Â Â Â 10.124 Â Property Quota Share Reinsurance Contract effective December 31, 2020 issued to United Property and Casualty Insurance Company by Homeowners Choice Property & Casualty Insurance Company. Incorporated by reference to the corresponding numbered exhibit to our Form 10-K filed March 10, 2022. Â Â Â 10.125 Â Renewal Rights Agreement effective January 18, 2021 by and among United Property and Casualty Insurance Company, United Insurance Holdings Corp., United Insurance Management, L.C. and Homeowners Choice Property & Casualty Insurance Company. Incorporated by reference to the corresponding numbered exhibit to our Form 10-K filed March 10, 2022. Â Â Â 10.126 Â Property Quota Share Reinsurance Contract effective June 1, 2021 issued to United Property and Casualty Insurance Company by Homeowners Choice Property & Casualty Insurance Company and TypTap Insurance Company. Incorporated by reference to the corresponding numbered exhibit to our Form 10-K filed March 10, 2022. Â Â Â 77 Â 10.127 Â Renewal Rights Agreement effective December 30, 2021 by and among United Property and Casualty Insurance Company, United Insurance Holdings Corp., United Insurance Management, L.C. and Homeowners Choice Property & Casualty Insurance Company. Incorporated by reference to the corresponding numbered exhibit to our Form 10-K filed March 10, 2022. Â Â Â 10.128 Â Property Quota Share Reinsurance Contract effective December 31, 2021 issued to United Property and Casualty Insurance Company by Homeowners Choice Property & Casualty Insurance Company. Incorporated by reference to the corresponding numbered exhibit to our Form 10-K filed March 10, 2022. Â Â Â 10.129 Â Property Quota Share Reinsurance Contract effective June 1, 2022 issued to United Property and Casualty Insurance Company by TypTap Insurance Company. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 9, 2022. Â Â Â 31.1 Â Certification of the Chief Executive Officer Â Â Â 31.2 Â Certification of the Chief Financial Officer Â Â Â 32.1 Â Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C.ss.1350 Â Â Â 32.2 Â Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C.ss.1350 Â Â Â 101.INS Â Inline XBRL Instance Document Â Â Â 101.SCH Â Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Documents Â Â Â 104 Â Cover Page Interactive Data File (embedded within the Inline XBRL document) Â ** Management contract or compensatory plan. 78 Â SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, who have signed this report on behalf of the Company. Â HCI GROUP, INC. November 8, 2024 By: Â /s/ Paresh Patel Paresh Patel Chief Executive Officer (Principal Executive Officer) November 8, 2024 By: Â /s/ James Mark Harmsworth James Mark Harmsworth Chief Financial Officer (Principal Financial and Accounting Officer) Â A signed original of this document has been provided to HCI Group, Inc. and will be retained by HCI Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. Â Â 79 EX-31.1 Â Exhibit 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 I, Paresh Patel, certify that: 1. I have reviewed this quarterly report on Form 10-Q of HCI Group, Inc.; 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; 4. The registrantâ€™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 15d-15(f)) for the registrant and have: a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; 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 registrantâ€™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 registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and 5. The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™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 registrantâ€™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 registrantâ€™s internal control over financial reporting. Â /s/ Paresh Patel November 8, 2024 Paresh Patel Â Chief Executive Officer(Principal Executive Officer) Â A signed original of this document has been provided to HCI Group, Inc. and will be retained by HCI Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. Â EX-31.2 Â Exhibit 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 I, James Mark Harmsworth, certify that: 1. I have reviewed this quarterly report on Form 10-Q of HCI Group, Inc.; 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; 4. The registrantâ€™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 15d-15(f)) for the registrant and have: a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; 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 registrantâ€™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 registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and 5. The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™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 registrantâ€™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 registrantâ€™s internal control over financial reporting. Â /s/ James Mark Harmsworth November 8, 2024 James Mark Harmsworth Â Chief Financial Officer(Principal Financial and Accounting Officer) Â A signed original of this document has been provided to HCI Group, Inc. and will be retained by HCI Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. Â EX-32.1 Â Exhibit 32.1 Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 Solely for the purposes of complying with 18 U.S.C. ss.1350, I, the undersigned Chief Executive Officer of HCI Group, Inc. (the â€œCompanyâ€), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2024 as filed with the Securities and Exchange Commission on November 8, 2024 (the â€œReportâ€), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. Â /s/ Paresh Patel Paresh Patel Chief Executive Officer November 8, 2024 Â A signed original of this document has been provided to HCI Group, Inc. and will be retained by HCI Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. Â EX-32.2 Â Exhibit 32.2 Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Solely for the purposes of complying with 18 U.S.C. ss.1350, I, the undersigned Chief Financial Officer of HCI Group, Inc. (the â€œCompanyâ€), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2024 as filed with the Securities and Exchange Commission on November 8, 2024 (the â€œReportâ€), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. Â /s/ James Mark Harmsworth James Mark Harmsworth Chief Financial Officer November 8, 2024 Â A signed original of this document has been provided to HCI Group, Inc. and will be retained by HCI Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. Â