



## Corporate Presentation

November 2017



# Important Cautions Regarding Forward-Looking Statements



*This presentation includes certain forward-looking statements and information, including statements regarding plans, strategies and expectations of HCI Group, Inc. (“HCI” or the “Company”). When used in this presentation, words such as “believes,” “anticipates,” “expects,” “estimates,” or words of similar meaning are generally intended to identify forward-looking statements. All statements other than statements of historical fact included in this presentation are forward-looking statements. These forward-looking statements are subject to risks, uncertainties, assumptions and other factors, many of which are beyond the control of the Company. Important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements are described in the Company’s filings it makes from time to time with the Securities and Exchange Commission, including within the “Risk Factors” section of the Annual Report on Form 10-K for the year ended December 31, 2016 filed February 22, 2017.*

# Key Company Statistics as of Sept. 30, 2017



**Stock Price (11/3/17)** **\$32.46**

52 Week Low/High \$26.29/\$50.93

Common Shares Out. 9.85M<sup>2</sup>

Fully Diluted Share Ct. 12.35M

Free Float, est. 7.3M

Avg. Daily Vol. (3 mo.) 136,657<sup>3</sup>

**Market Capitalization** **\$319.7M**

**Gross Revenue<sup>1</sup> (TTM)** **\$385.7M**

EPS (TTM) (\$1.58)

P/E (TTM) NM

Dividend Yield 4.3%

**Cash (MRQ)** **\$292.4M**

Total Assets (MRQ) \$1,029.3M

Total Debt (MRQ) \$236.3M

Book Value/Share<sup>4</sup> (MRQ) \$21.37

**Stockholders' Equity (MRQ)** **\$193.1M**

Institutional Ownership 73.4%

**Insider Ownership** **25.4%**

Employees 331

Founded/IPO 2006/2008

## Gross Revenues <sup>(1)</sup>

(\$M)



Sources: HCI, Capital IQ

NM = not meaningful; MRQ = most recent quarter; TTM = trailing twelve months. MRQ and TTM figures as of quarter end 6/30/17

(1) Gross revenue = total revenue before premiums ceded

(2) Per AST; includes 814,000 shares subject to prepaid forward contracts; shares outstanding per GAAP are 9.036M

(3) Per NASDAQ.com

(4) \$193.1M/9.036M

# Our Business Lines

HCI Group owns enterprises engaged in diverse yet complementary business activities

- **Property & Casualty Insurance:**
  - **Homeowners Choice** – homeowners insurance
  - **TypTap Insurance Company** – private flood insurance offered through the TypTap.com online platform
- **Reinsurance: Claddaugh**, HCI's captive reinsurer, participates in the reinsurance program for Homeowners Choice
- **Real Estate: Greenleaf Capital** manages and develops HCI's growing real estate portfolio
- **Technology: Exzeo** develops innovative products and value-added services for Homeowners Choice, TypTap and the insurance industry



**Homeowners Choice™**



**CLADDAUGH**



# Key Milestones: Growth Through Innovation



# Investment Highlights



- **Top 10 Florida homeowners insurer**<sup>(1)</sup> led by veteran management team with successful entrepreneurial track record
- **Opportunity** for continued profitable growth
  - Market share gains in **homeowners insurance** through: M&A, leveraging independent agents, and future assumptions from Citizens
  - Expansion of **flood insurance** in Florida and other geographies
  - Opportunities to **expand outside of core Florida market**<sup>(3)</sup>
  - Expansion possibilities in other divisions, such as **reinsurance**, **real estate** and **technology**
- Disciplined business execution results in **consistent profitability** and **best-in-class margins**<sup>(2)</sup>
  - Profitable in 39 of last 40 quarters
  - 28 consecutive quarters of dividends
- **Proprietary technology developed in-house** provides sustainable competitive advantage
- **Well-structured reinsurance program** protects capital base

(1) Source: Florida Office of Insurance Regulation at 6/30/17; excludes State Farm

(2) As compared to public peer companies: Federated National Holding Company (FNHC), Heritage Insurance Holdings, Inc. (HRTG), United Insurance Holdings Corp. (UIHC), Universal Insurance Holdings (UVE)

(3) Homeowners Choice has received regulatory approval to write flood insurance policies in Arkansas, Maryland, New Jersey, North Carolina, Pennsylvania, South Carolina, and Texas.

# Expertise Drives Profitable Results

**Developed proprietary risk selection technology and service processes that deliver industry-leading results <sup>(1)</sup>**

- **Predictive underwriting model**

- Analyzes 48 key data points through proprietary algorithms
- Identifies historical loss trends to forecast future claims and profitability

- **Insourcing of all key functions**

- In-house policy administration and claims processing functions result in better cost containment and lower losses
- Better customer experience leads to higher retention rates

(1) As compared to public peer companies: Federated National Holding Company (FNHC), Heritage Insurance Holdings, Inc. (HRTG), United Insurance Holdings Corp. (UIHC), Universal Insurance Holdings (UVE)



# Conservative Approach to Risk

HCI proactively manages its risk exposure through multiple strategies

- **Risk Selection**

- Premium adequacy (sufficient premium for risk)

- **Risk Management**

- Non-catastrophic exposures (theft, fire & water)

- **Risk Allocation**

- Geographic diversification of policies

- **Risk Transfer**

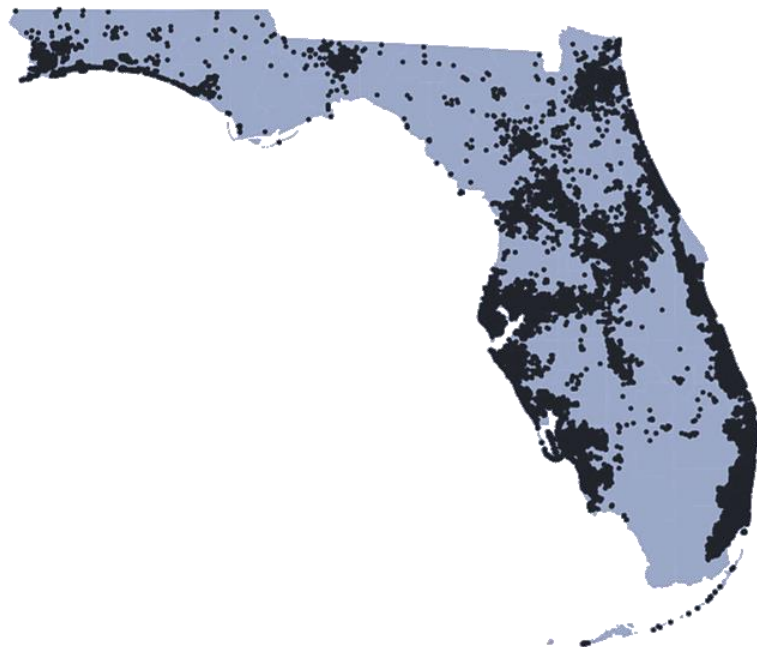
- Reinsurance partnerships

Florida P&C Insurance Market by Premiums & Risk Exposure*						
Florida P&C Insurer	Annual Premiums (\$M)	Rank	Risk Exposure (\$B)	Rank	Premium per \$250K of TIV	Rank
Universal	\$896.9	1	\$135.0	1	\$1,660	3
Citizens	831.5	2	108.8	2	1,911	2
Heritage	528.0	3	92.0	5	1,435	4
Federated National	476.8	4	97.0	3	1,229	5
Security First	366.3	5	92.8	4	986	7
<b>Homeowners Choice</b>	<b>\$350.3</b>	<b>6</b>	<b>\$43.4</b>	<b>17</b>	<b>\$2,020</b>	<b>1</b>
United	308.4	7	72.7	6	1,061	6
HCI ranks 1 <sup>st</sup> in premiums per \$250,000 of total insurable value (TIV), while ranking 6 <sup>th</sup> by premiums written in Florida and 17 <sup>th</sup> by risk exposure						



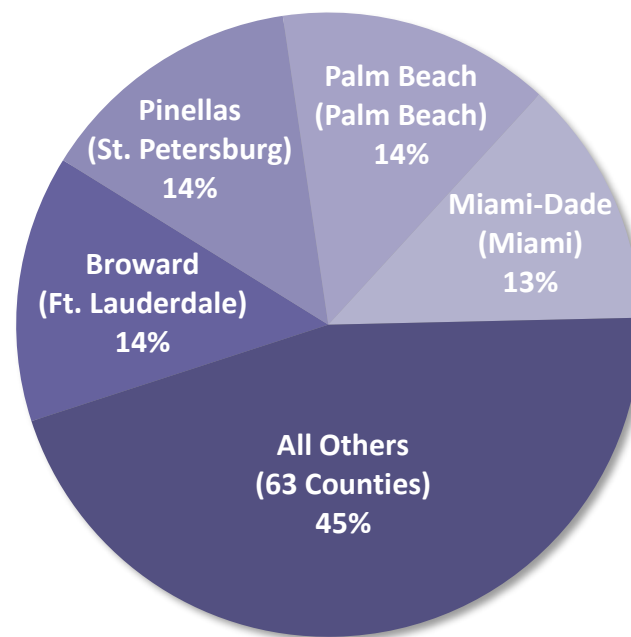
# Geographically Diversified in Florida

## Geographic Diversification<sup>1</sup>



**Homeowners Choice's Recent Portfolio Acquisitions have Increased its Geographic Diversification**

## Homeowners Choice Insured Value by County<sup>1</sup>



**Policies in Force Distributed Across All 67 Counties in Florida, with Only Four Counties Individually Accounting for >10%**

# Reinsurance: Transferring Risk

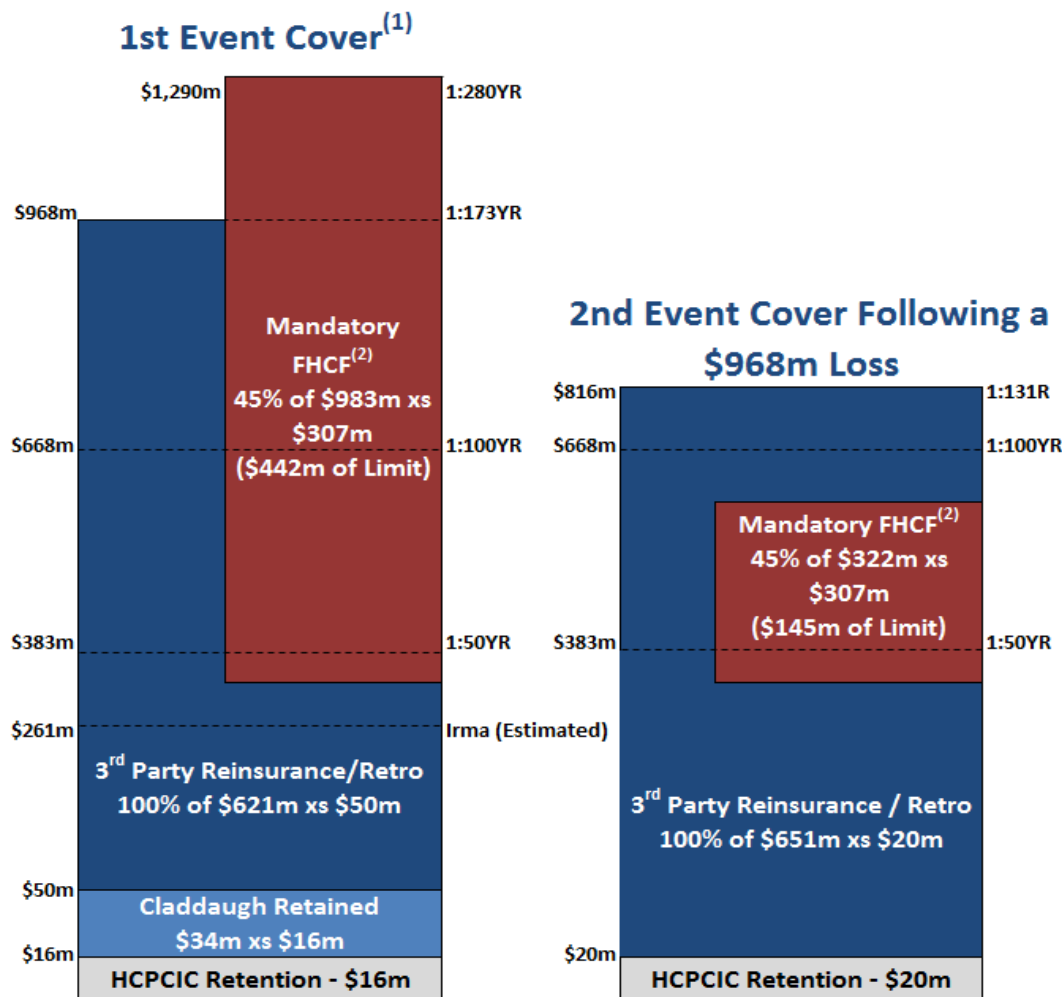
- Homeowners Choice's reinsurance program transfers catastrophic risk to **55 highly-rated or fully collateralized** reinsurance partners
  - The 2017-2018 program provides **\$968 million of catastrophic coverage** (1<sup>st</sup> event cover)
- Gross reinsurance premiums of **~\$126<sup>(1)</sup> million** and first event retention of only **\$16 million** for Homeowners Choice
- Since 1964, in Florida there have been **only 10 storms rated Category 3 or higher** in Florida
- HCI's captive reinsurer, Claddaugh, helps lower costs by retaining risk selectively from year to year; after assuming claims for Hurricanes Irma and Matthew, net after tax cumulative savings are estimated to be \$55.3 million.



(1) Assumes no benefit under multi-year retrocession contracts.

# 2017-2018 Reinsurance Program

## Conservative Reinsurance Program Provides Protection Against Catastrophic Events



Note: Figure not drawn to scale

(1) RMS RiskLink v15.0 Long-Term Hurricane, with Loss Amplification, excluding Storm Surge, without Secondary Uncertainty

(2) Florida Hurricane Catastrophe Fund

# Capitalizing on Florida Market Opportunity

- ~**135,000 policies** in force<sup>(1)</sup>
- A highly fragmented market results in acquisition opportunities for HCI
  - Top 10 insurers control only 46%
  - Weaker players impacted by recent hurricanes and need for capital

Florida P&C Insurance Market by Premiums Written*			
Rank	Florida P&C Insurer	Annualized Premiums (\$M)	Market Share (%)
1	Universal	\$896.9	9.0%
2	Citizens	831.5	8.3
3	Heritage	528.0	5.3
4	Federated National	476.8	4.8
5	Security First	366.3	3.7
<b>6</b>	<b>Homeowners Choice</b>	<b>\$350.3</b>	<b>3.5%</b>
7	United	308.4	3.1
8	First Protective	285.3	2.9
9	American Integrity	274.2	2.7
10	USAA	258.7	2.6
<b>Total for Top 10 Companies</b>		<b>\$4,576.4</b>	<b>45.8%</b>
<b>Total for All Companies in FL</b>		<b>\$10,002.2</b>	<b>100.0%</b>

\*Source: Florida Office of Insurance Regulation at 6/30/17; excludes State Farm

(1) Excludes TypTap Insurance Co.

# Flood Insurance: \$1B Market in Florida

## National Flood Insurance Program (NFIP)

- \$23 billion underfunded
- Passed legislation to cover deficit
- Increasing premiums up to 25% per year

## HCI's Flood Insurance Strategy

- Initially focused on Florida, with expansion into other states<sup>(1)</sup>
- Offer superior coverage and competitive rates
- Utilize in-house software to minimize underwriting costs
- Limited number of competitors

(1) Homeowners Choice has received regulatory approval to write flood insurance in the following states: AR, MD, NC, NJ, PA, SC, and TX

(2) Source: Federal Emergency Management Agency, as of 8/31/17

(3) Homeowners Choice has received regulatory approval to write flood insurance in these top ten states

(4) This includes AR, MD, and PA. Homeowners Choice has received regulatory approval to write flood insurance in these states, which have an aggregate written premium in-force of \$117.1M

## State Flood Insurance Market by Premiums Written <sup>(2)</sup>

Rank	State	Premiums Written (\$M)
1	Florida	\$944.5 <sup>(3)</sup>
2	Texas	363.1 <sup>(3)</sup>
3	Louisiana	354.0
4	New Jersey	224.8 <sup>(3)</sup>
5	New York	205.7
6	California	192.4
7	South Carolina	134.8 <sup>(3)</sup>
8	North Carolina	107.9 <sup>(3)</sup>
9	Massachusetts	77.5
10	Virginia	77.3
Total for Top 10 States		\$2,682.1
Total for Other States		\$830.7 <sup>(4)</sup>
Total for All States		\$3,512.8

# TypTap: Technology-Enabled Flood Insurance



## Flood Insurance



TypTap  
Insurance Company

- **100% online-based insurance company** powered by proprietary technology
- Currently serving Florida flood insurance market as **alternative to policies offered by National Flood Insurance Program (NFIP)**
  - Cost effective alternative to rising rates of NFIP product
- **Three easy steps provide a quote in seconds:**
  - Type in the Florida address
  - Answer how many months out of the year the home is lived in
  - Provide how many flood claims have been reported at the property

TypTap

CALL NOW

ANNUAL PREMIUM:  
**\$2,555**

QUOTE #15541

11801 1ST ST E  
TREASURE ISLAND, FL 33706  
Year Built: 1952  
Flood Zone: "A"

BUILDING LIMIT ⓘ	\$250,000
BUILDING DEDUCTIBLE ⓘ	\$2,000
PERSONAL PROPERTY ⓘ	\$100,000
PERSONAL PROPERTY DEDUCTIBLE ⓘ	\$2,000
PERSONAL PROPERTY REPLACEMENT COST ⓘ	NO

+ Bonus Features

NEXT

# Leveraging Proprietary Technology Platform

HCI's technology division develops innovative products and offers value-added services to Homeowners Choice, TypTap, and the insurance industry



- **Proplet:** Enables agents the ability to **search, underwrite and purchase** insurance



- **Exzeo:** Facilitates a **collaborative, real-time** work environment
  - Intelligent automation for business processes of insurance industry

- **Atlas Viewer:** Identify, track and **manage** daily claims as well as major claim events

5445 PALM DR NEW PORT RICHEY FL 34652	
YEARLYTYPE	
Exzeo	Exzeo
Sams	Sams
Igd Confidence	100%
Claim No	861247
Policy Type	HO6
Policy No	162135
Insured Name	DOE, JOHN
Examiner	OKAM, HILARY
Adjuster	CHRIS CRACCHIOLO-JE
Date Of Loss	02/09/2016
Date Reported	02/18/2016 12:00 am
Loss Paid	\$1,011
Current Loss	\$1,011
Coverage A	\$50,000
Loss Type	WATER - EXTERNAL
WATER-EXT	



# Expanding Real Estate Opportunity

**Greenleaf Capital** manages and develops HCI's growing real estate portfolio

- Investment philosophy seeks **immediate cash flow** and **capital appreciation** through opportunistic transactions
- Opportunity to increase returns with debt financing at currently favorable rates
- Estimated \$30 million real estate market value in excess of carrying amount not recognized in stockholders' equity



Existing Commercial Properties			
Property	Size	Net Book Value as of 9/30/17	Market Value
Class A Office Buildings	138,000 Sq. Ft.	\$9.4M	\$20M <sup>(1)</sup>
Marina/Restaurant	10 Acres, with 12,500 Sq. Ft. Restaurant	9.8M	26M <sup>(2)</sup>
Large Regional Grocery & Out Parcels	16 Acres, with 61,400 Sq. Ft. Retail	15.4M	16M <sup>(3)</sup>
Marina/Retail	9 Acres, with 21,500 Sq. Ft. Retail	8.1M	11M <sup>(4)</sup>
Large Regional Grocery & Out Parcels	12 Acres, with 49,995 Sq. Ft. Retail	16.0M	17M <sup>(5)</sup>
Fuel Station & Convenience Store	8,000 Sq. Ft. Retail + Ground Lease	4.5M	4.5M
<b>Total</b>		<b>\$63.2M</b>	<b>\$94.5M</b>

(1) Based on November 2015 appraisal (Cypress Commons) and March 2017 appraisal (Ocala)

(2) Based on March 2017 appraisal

(3) Based on April 2016 appraisal (gain recognized Q3 2016)

(4) Based on October 2014 appraisal (gain recognized Q4 2016)

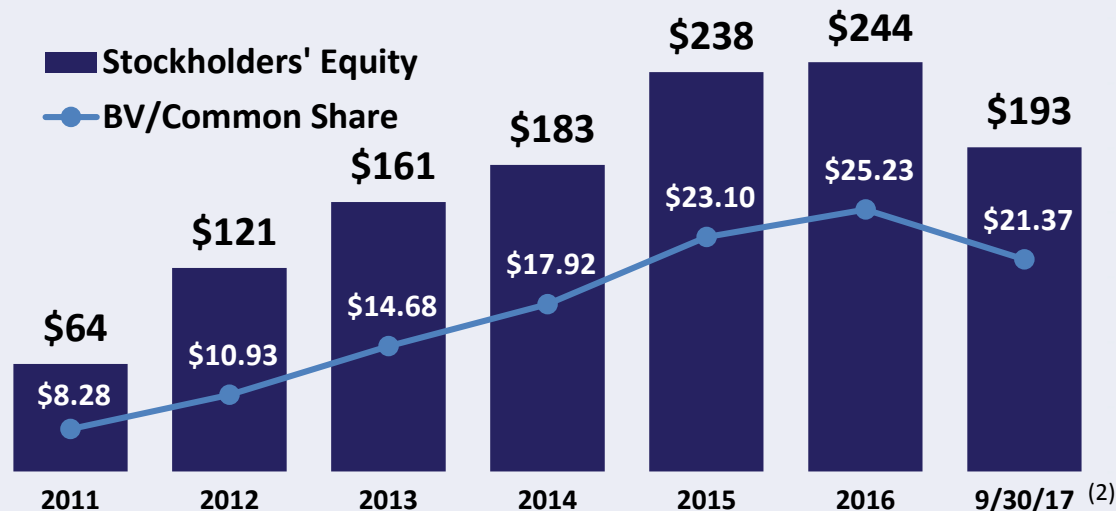
(5) Based on October 2016 appraisal (gain recognized Q4 2016)



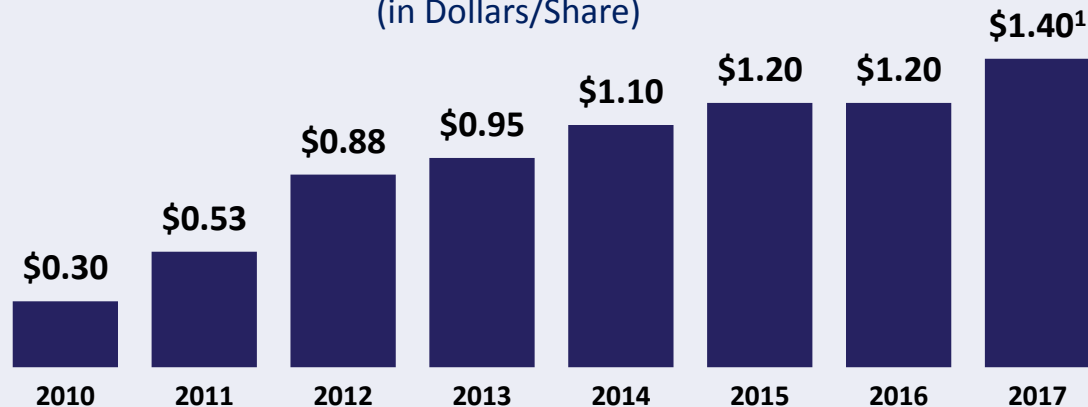
# Shareholder Value Creation

- Shareholders benefit from focus on profitability
- Robust earnings profile supports conservative and strong capital structure
- Paid \$13.6M of dividends over the past 12 months
- Focus on increasing Book Value per Share and Stockholders' Equity
- Share Repurchase Activity:
  - **2009/2011:** Bought back \$~4M of \$6M plan (519,463 shares)
  - **2013:** Bought back \$30M in connection with convertible offering
  - **2014/2015:** Bought back 100% of \$40M plan (1,028,570 shares)
  - **2015/2016:** Bought back 100% of \$20M plan (643,703 shares)
  - **2017:** Bought back \$29.7M in connection with convertible offering, and \$6.2M in connection with 2017 \$20M plan

**Total Stockholders' Equity (\$millions)  
& Book Value/Common Share**



**Annual Dividends Paid Per Share<sup>1</sup>  
(in Dollars/Share)**

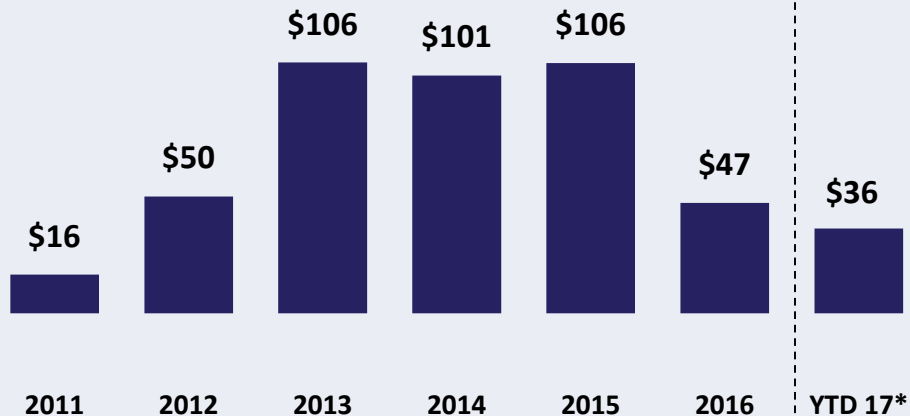


(1) Based on quarterly dividends paid through 9/30/17 and annualized for full calendar year.

(2) Reflects \$42M after tax impact of Hurricane Irma.

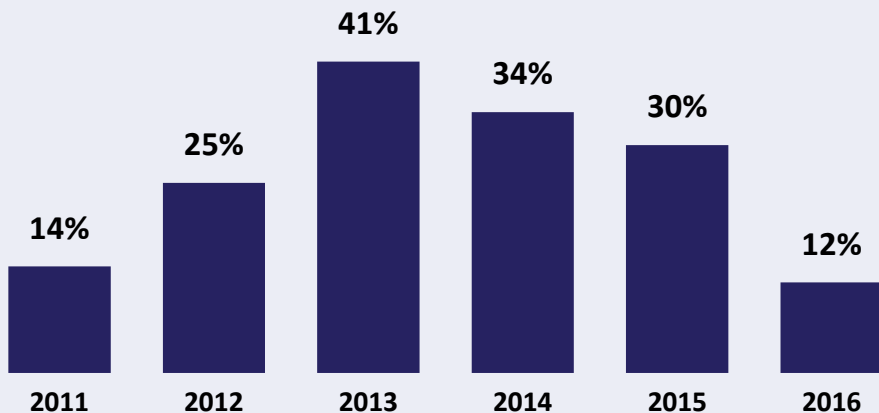
# Highly Focused on Profitability

**Pre-Tax Earnings <sup>(1)</sup> (\$M)**

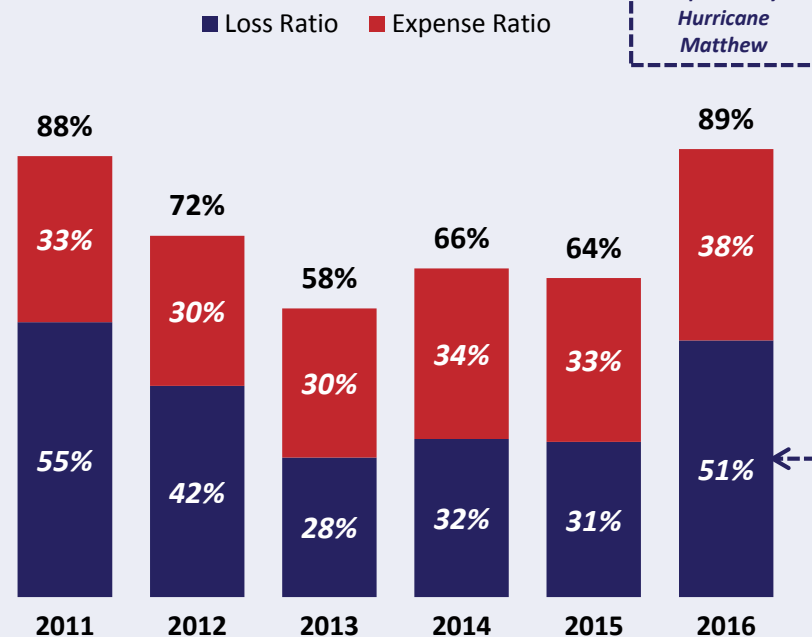


- Prudent risk management enables positive returns even in years with CAT events
- Predictive underwriting and technology enable focus on underwriting most profitable business

**Return on Equity**



**Combined GAAP Underwriting Ratios <sup>(2)</sup>**



\* Adjusted for Irma impact

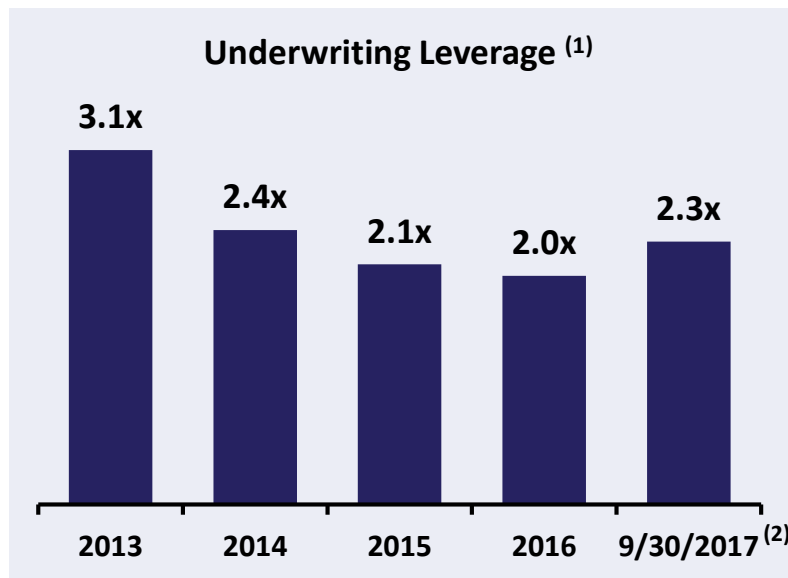
(1) YTD = the nine month period ended September 30

(2) Combined ratio = total of all expenses in relation to net premiums earned

# Strong and Conservative Balance Sheet

HCI focuses on maintaining a **strong balance sheet** as a key component of its strategy

- HCI maintains a stronger, more conservative balance sheet than industry peers
  - High level of liquidity at holding company level to take advantage of market opportunities
  - More than adequate capital in all insurance companies
  - High cash position minimizes credit risk in overall investment portfolio and allows HCI to be nimble in capitalizing on rising interest rates
  - Conservative underwriting leverage reduces pressure in a challenging underwriting environment

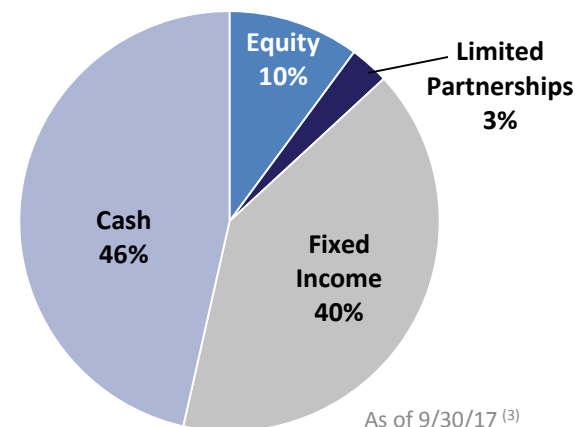


(1) Gross Written Premiums/ STAT Surplus [Homeowners Choice Property and Casualty Insurance Co.]

(2) Underwriting leverage @ 9/30/17 = Premiums in-force / STAT Surplus [Homeowners Choice Property and Casualty Insurance Co.]

# Conservative Investment Portfolio Well Positioned for Rising Rates

- Significant portfolio cash balance available for future investment (46%) <sup>(1)</sup>
- Generated investment related income of **\$10.8 million through 9/30/17** and **\$6.9 through 9/30/16** <sup>(2)</sup>



**Historical Investment Portfolio by Asset Type <sup>(1)</sup>**

\$M	2012		2013		2014		2015		2016		9/30/17	
Equity	\$8.9	3%	\$17.6	4%	\$45.6	10%	\$48.2	10%	\$53.0	10%	\$64.0	10%
Limited Partnerships <sup>(3)</sup>	—	0%	—	0%	2.6	1%	23.9	5%	29.3	6%	21.0	3%
Fixed Income	35.9	13%	112.2	27%	97.1	21%	125.0	27%	166.2	31%	256.1	41%
Cash	230.2	84%	293.4	69%	314.7	68%	267.7	58%	280.5	53%	292.4	46%
<b>Total</b>	<b>\$275.0</b>	<b>100%</b>	<b>\$423.2</b>	<b>100%</b>	<b>\$460.0</b>	<b>100%</b>	<b>\$464.8</b>	<b>100%</b>	<b>\$529.0</b>	<b>100%</b>	<b>\$633.5</b>	<b>100%</b>

(1) As of 9/30/17

(2) Excludes other than temporary impairment expense (OTTI)

(3) Year-to-date 2017 Limited Partnership values as of 6/30/17

# Profitable Strategies for Future Growth

## 1 Grow Homeowners Insurance Book

- **Acquisitions:** Utilize strong balance sheet and operational expertise to take advantage of acquisition opportunities
- **New State Expansion:** Export capabilities to penetrate attractive markets outside of Florida
- **Organic:** Originate new policies by leveraging technology platform, potential Citizens takeouts and Homeowners Choice's network of ~3,600 independent agents

## 2 Capitalize on First-Mover Advantage in Private Flood Insurance

- Offer flood insurance to new and existing policyholders facing increasing flood insurance rates

## 3 Execute on Emerging Real Estate Opportunity

- Increase our portfolio through anchor tenant strategy and other real estate ventures

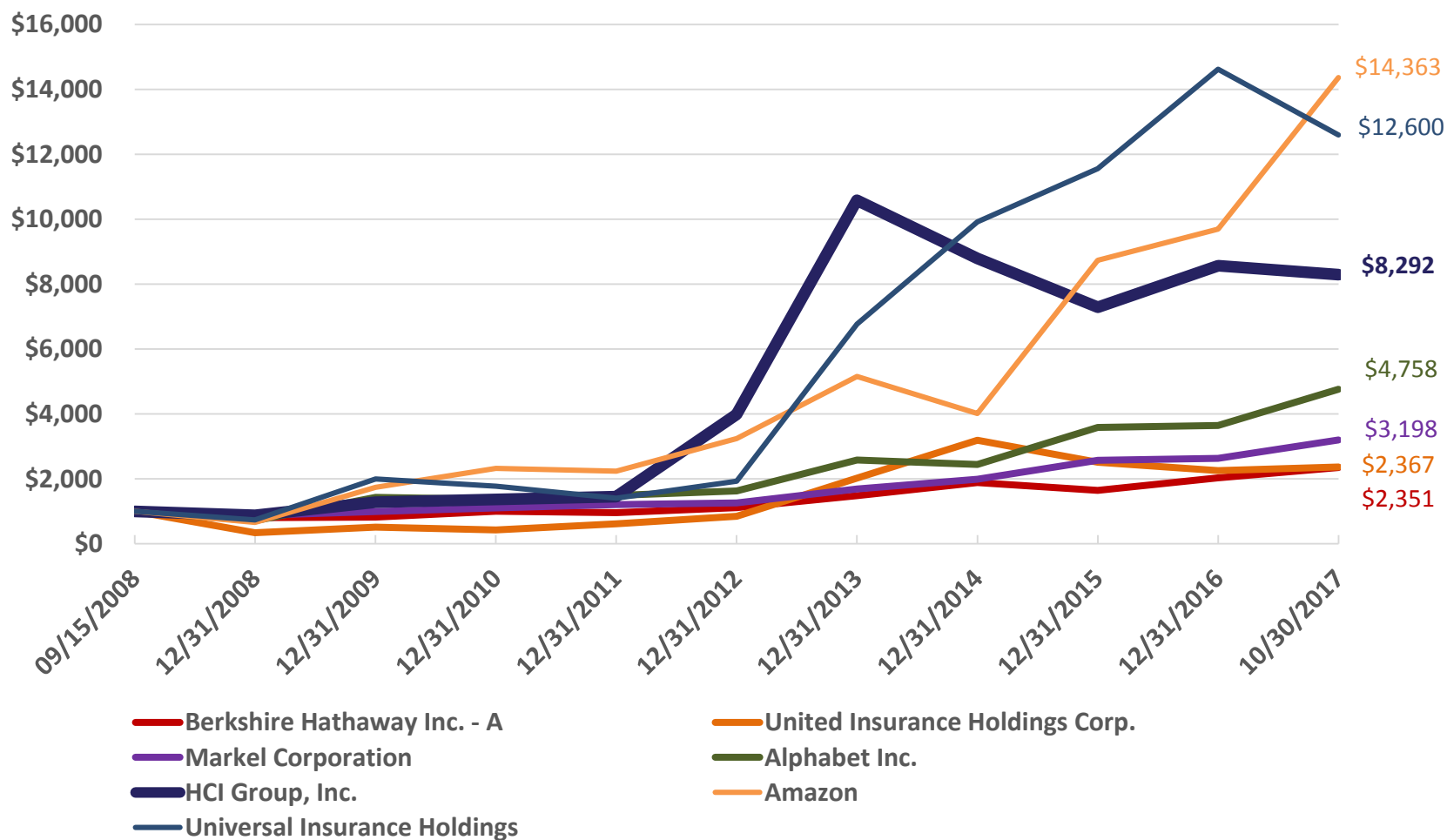
## 4 Leverage Proprietary Technology Platform

- License innovative products and offer value-added services to Homeowners Choice, TypTap and the insurance industry

# Cumulative Total Return



## Cumulative Total Return on Initial Investment of \$1,000

September 2008 to October 2017



# Senior Management Team

 <p><b>Paresh Patel</b> <b>Chairman &amp; CEO</b></p>	 <p><b>Mark Harmsworth</b> <b>CFO</b></p>	 <p><b>Andrew Graham</b> <b>General Counsel</b></p>
<ul style="list-style-type: none"> <li>• Founder; Chairman since 2007 and CEO since 2011</li> <li>• Designed HCI's policy administration systems, leveraging software development experience</li> <li>• Founded NorthStar Bank in 2004 and served as Director from 2006 to 2011</li> </ul>	<ul style="list-style-type: none"> <li>• CFO since 2017; previously Senior VP of Finance</li> <li>• Former senior advisor to Stewart Information Services (NYSE: STC)</li> <li>• CFO of First American Title Insurance Company from 2006 to 2011</li> <li>• Senior EVP of First Canadian Title Insurance Company from 2002 to 2006</li> </ul>	<ul style="list-style-type: none"> <li>• General Counsel since 2008</li> <li>• Served from 1999 to 2007 in various capacities, including General Counsel, for Trinsic</li> <li>• Served on Internal Audit Committee of Hillsborough County, Florida, since 2011</li> <li>• Trustee of Hillsborough Community College from 2007 to 2011</li> </ul>

 <p><b>Kevin Mitchell</b> <b>VP of Investor Relations</b></p>	 <p><b>Anthony Saravanos</b> <b>President of Greenleaf Capital</b></p>
<ul style="list-style-type: none"> <li>• VP of Investor Relations since 2013</li> <li>• Area Director of Financial Institutions practice at Arthur J. Gallagher (NYSE: AJG) from 2008 to 2013</li> <li>• Employed by Oswald Companies, one of the nation's largest independent insurance brokerage firms, from 2005 to 2008</li> </ul>	<ul style="list-style-type: none"> <li>• Director since 2007; President of Greenleaf Capital since 2013</li> <li>• Former VP of full-service real estate firm in Palm Harbor, Florida, from 2005 to 2013</li> <li>• Managing Partner of 13 commercial CRE entities in Florida and New York since 2001</li> <li>• Director of First Home Bank since 2011; Chairman since 2015</li> </ul>

# Contact us

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