



INSPIRE to be the Best

Heritage Insurance Holdings, Inc. (NYSE: HRTG) Investor Presentation

January 2023



Statements in this presentation that are not historical facts are forward-looking statements that are subject to certain risks and uncertainties that could cause actual events and results to differ materially from those discussed herein. Without limiting the generality of the foregoing, words such as “may,” “will,” “expect,” “believe,” “anticipate,” “approximate,” “plan,” “intend,” “could,” “would,” “estimate,” or similar expressions are intended to identify forward-looking statements. Forward looking statements include, but are not limited to, statements about the Company’s expectations with regard to net investment income, underwriting margins and capital to support future premium growth and expansion initiatives. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that could cause the Company’s actual results to differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, among other things, risks related to the possibility that actual losses may exceed reserves; the concentration of the Company’s business in coastal states, which could be impacted by hurricane losses or other significant weather-related events such as northeastern winter storms; the Company’s exposure to catastrophic weather events; increased costs of reinsurance, non-availability of reinsurance, and non-collectability of reinsurance; the Company’s failure to effectively manage its growth and integrate acquired companies; increased competition, competitive pressures, and market conditions; the Company’s failure to accurately price the risks it underwrites; the inherent uncertainty of the Company’s models and reliance on such models as a tool to evaluate risk; the failure of the Company’s claims department to effectively manage or remediate claims; low renewal rates and failure of such renewals to meet the Company’s expectations; the Company’s failure to execute its diversification strategy; failure of the Company’s information technology systems and unsuccessful development and implementation of new technologies; a lack of redundancy in the Company’s operations; the Company’s failure to attract and retain qualified employees and independent agents or loss of key personnel; the Company’s inability to generate investment income; the Company’s inability to maintain its financial

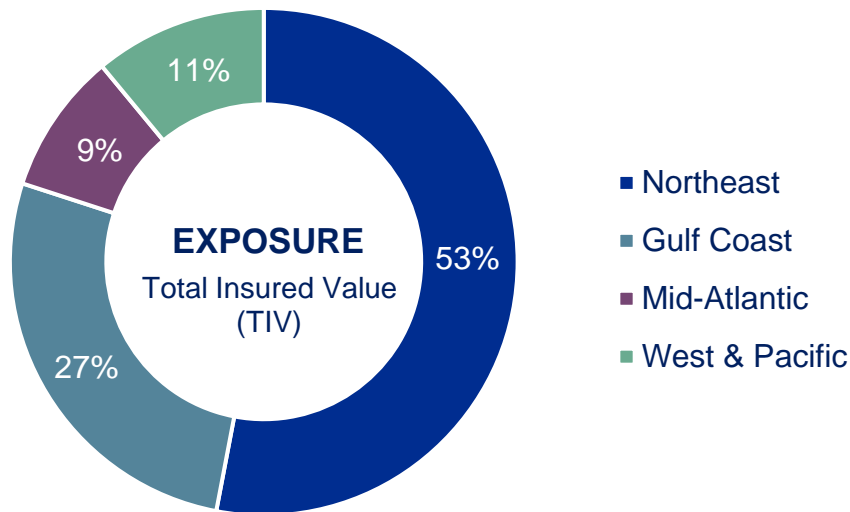
stability rating; effects of emerging claim and coverage issues relating to legal, judicial, environmental and social conditions; the failure of the Company’s risk mitigation strategies or loss limitation methods; changes in regulations and the Company’s failure to meet increased regulatory requirements; and other matters described from time to time by the Company in its filings with the Securities and Exchange Commission, including, but not limited to, those set forth in its Annual Report on Form 10-K for the year ended December 31, 2021 and subsequent Quarterly Reports on Form 10-Q (or such other reports that may be filed with the SEC). The Company undertakes no obligations to update, change or revise any forward-looking statement, whether as a result of new information, additional or subsequent developments or otherwise, except as required by law.

Non-GAAP Financial Information: This presentation includes financial measures that are not presented in accordance with generally accepted accounting principles in the U.S. (GAAP). A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure can be found in the Appendix to this presentation on slide 25.

Note: This presentation also contains information regarding securities analyst consensus and other financial professionals’ estimates of certain financial items for Heritage and other industry participants derived from reports of FactSet Research Systems (“FactSet”). These estimates are projections made by securities analysts and other financial professionals who cover Heritage and other industry participants. Any opinions, forecasts, estimates, projections or predictions regarding Heritage’s performance made by such third parties (and, therefore, such estimates) are theirs alone and do not represent the opinions, forecasts, estimates, projections or predictions of Heritage or its management. By providing these estimates, Heritage does not imply its adoption of, endorsement of or concurrence with such information, conclusions or recommendations. Heritage assumes no liability for the accuracy of such estimates and undertakes no liability to update or revise such estimates based on new information or otherwise.

Heritage Overview

- Super-regional U.S. property and casualty insurance holding company
- \$1.24 billion of premiums in force, primarily for personal residential insurance (PRES), as well as commercial residential insurance (CRES) and commercial general liability (CGL) insurance
- Vertically integrated structure with in-house underwriting, actuarial, customer service, claims processing and adjusting functions (3rd parties used as needed)



Financial data as of 9/30/22, HRTG market data as of 1/12/22, and financial strength ratings most recent available

NYSE: HRTG

Market Cap: \$59.6 million

Total Assets: \$2.5 billion

Total Equity: \$117.7 million

Premiums-In-Force: \$1.24 billion

Total Employees: 648

Founded/IPO: 2012/2014

Headquarters: Tampa, FL

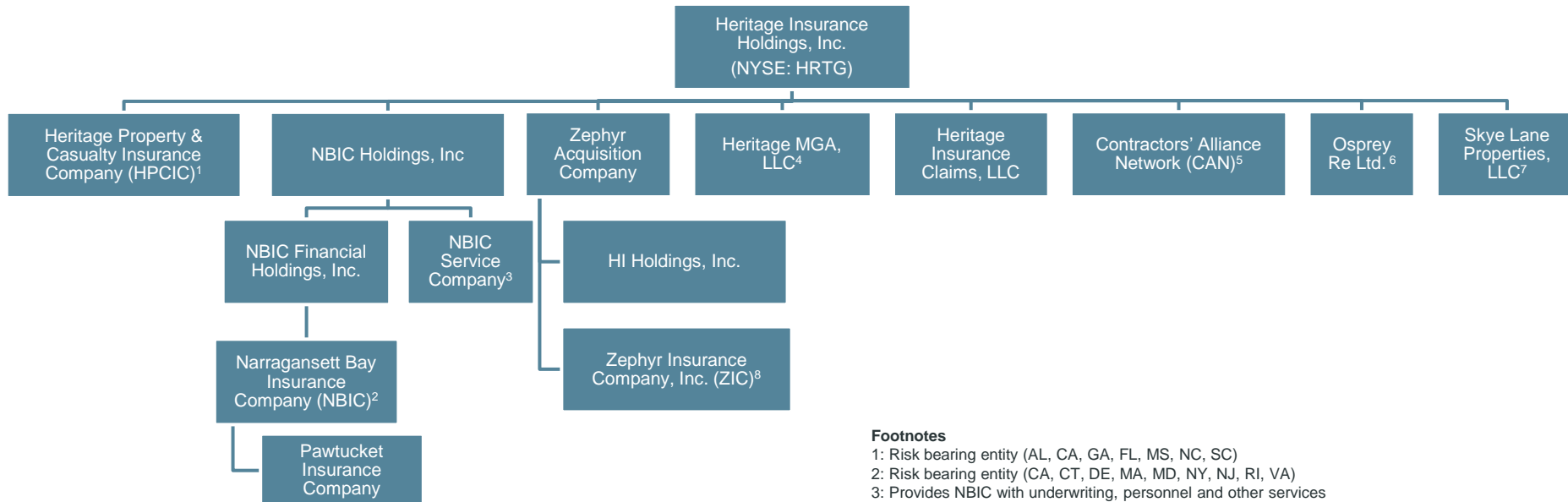
Financial Strength Ratings	HPCIC	NBIC	ZIC
Demotech	A	A	A'
Kroll	BBB+	A-	BBB+

- Kroll Investment grade issuer rating: BBB-

Vertically Integrated Structure

- Unique, vertically integrated structure reduces our reliance on third parties, benefiting our loss, LAE and operating expenses, while also serving as a hedge during catastrophe years.
- Vertically integrated structure reduces our earnings volatility, supporting P/E-based valuation for HRTG.
- MGA structure allows us to meet holding company capital needs (e.g., debt servicing, share repurchases, M&A, etc.)

ORGANIZATIONAL STRUCTURE



Footnotes

- 1: Risk bearing entity (AL, CA, GA, FL, MS, NC, SC)
- 2: Risk bearing entity (CA, CT, DE, MA, MD, NY, NJ, RI, VA)
- 3: Provides NBIC with underwriting, personnel and other services
- 4: Provides HPCIC & ZIC with underwriting, personnel and other services
- 5: Mitigation and construction division, serves as a hedge in catastrophe years
- 6: Captive reinsurer
- 7: Subsidiary that owns Heritage's corporate headquarters
- 8: Risk bearing entity (HI)

Experienced Management Team



Ernie Garateix:
Chief Executive
Officer

- CEO since 2020.
- Previously COO since 2014 and EVP since company's 2012 founding.
- Prior to Heritage, Mr. Garateix served as Vice President of Operations at American Integrity Insurance Group and Associate Vice President of IT at FCCI Insurance Group.



Kirk Lusk:
Chief Financial
Officer

- CFO since 2018.
- Joined Heritage in 2017 via the acquisition of NBIC, where he served as CFO
- Prior to Heritage, was International CFO of Aetna, Inc., CFO of Alea Group Holdings Bermuda Ltd. and CFO of GE ERC Global Casualty and GE Capital Auto Warranty Services.



Tim Moura:
President, NBIC

- NBIC President since 2017.
- Previously SVP of Marketing, Agency, and Client Services since 2014.
- Prior to NBIC, served as VP of Business Development and Commercial Lines for Tower Group Companies, and VP, Underwriting and Product Management, Personal Lines at OneBeacon Insurance Group.



Tim Johns:
President,
Zephyr

- Zephyr President since 2018.
- Prior to Zephyr, was Chief Consumer Officer at the Hawaii Medical Service Association, the largest health insurer in Hawaii, as well as multiple executive leadership roles within private, public and non-profit enterprises in Hawaii.



Randy Jones:
President,
Commercial
Division

- Commercial Division President since 2014.
- Prior to Heritage, was SVP of American Strategic Insurance's (ASI) commercial division and served in management at other insurance enterprises.
- Holds the American Risk Manager (ARM) and Certified Property Insurance Adviser (CPIA) designations.

Generate underwriting profit

- Rate adequacy
- More selective underwriting
- Tighten underwriting criteria while restricting new business for policies written in over-concentrated markets or products

Optimize capital allocation

- Focus on products and geographies with higher returns
- Reduction of policy count for Florida personal lines product, intentionally declined 18.8% compared to 3Q21
- Continued offering of Florida commercial lines product with 18.2% growth in annual premium while total insured value ("TIV") increased only 4.2%

Improve portfolio diversity

- Diversification efforts led to a premium in-force growth of 14.1% in other states
- TIV in other states improved to 74.8%, from 71.3% as of 3Q21

Achieve consistent long-term quarterly earnings and drive shareholder value

Operating Performance Summary

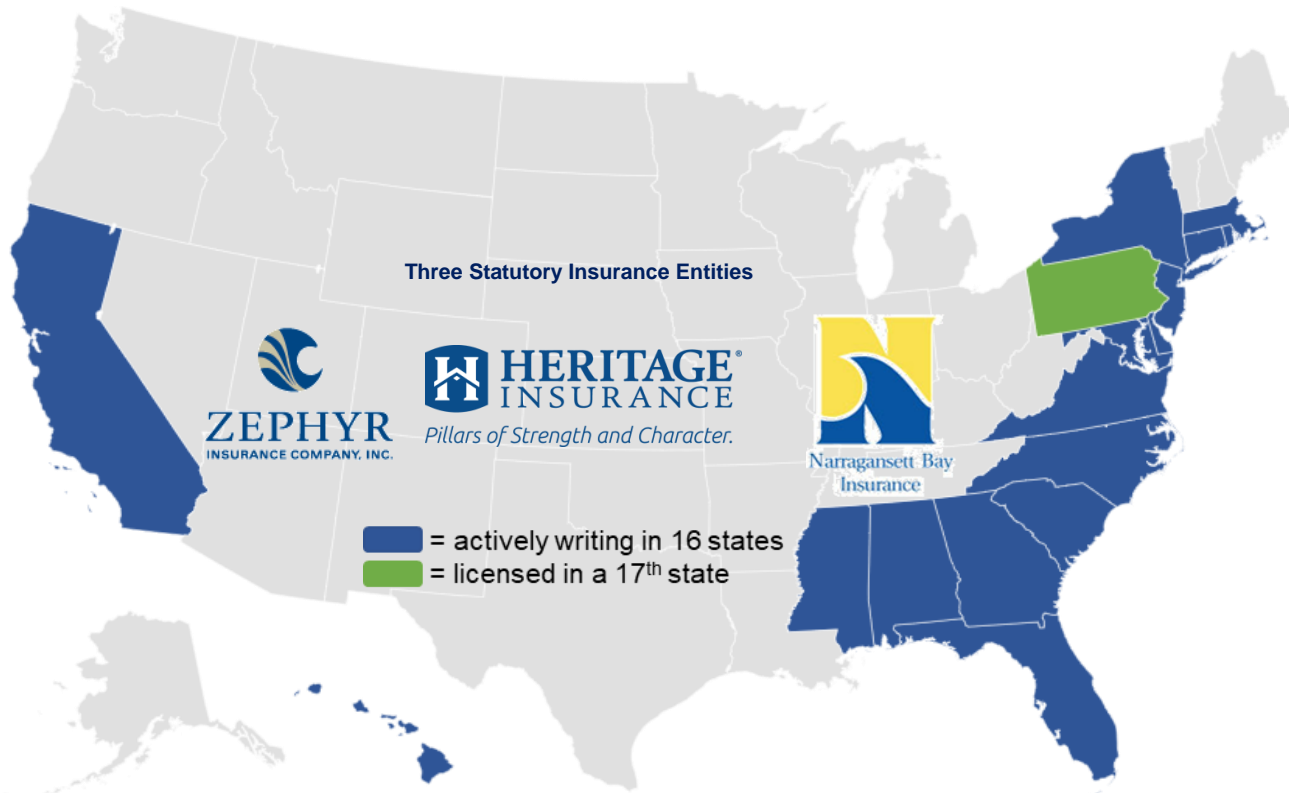
3Q22 Update

- Net loss of \$1.83/sh, compared to \$0.59/sh in 3Q21, due to higher weather losses
- Net combined ratio of 133.3%, up from 112.5% in 3Q21
- Net loss ratio of 97.6%, 17.8 points higher from 3Q21, driven by higher losses incurred due to weather events
- Net expense ratio of 35.7%, up 3.0 points from 3Q21
- Rate increases drive premiums-in-force growth of 5.8% while policy count declined 6.9% from 3Q21
- In Florida, PIF declined by 16.8%, TIV declined by 10.3%, and reduced premiums in force by 2.6%
- Gross premiums earned up 4.6% from 3Q21, reflecting higher gross premiums written
- Gross premiums written up 11.1% from 3Q21, with intentional exposure-management and re-underwriting efforts resulting in a 4.0% reduction in Florida, offset by growth of 11.4% in other regions.
- Total capital returned to shareholders of \$6.7 million, reflecting \$0.06 per share quarterly dividend and repurchase of shares.
- Continued execution of Heritage's diversification strategy, with 74.8% of TIV outside of Florida, up from 71.3% as of the third quarter 2021.

<i>thousands, except per share amounts</i>	3Q22	Change	3Q21
Policies in force (PIF) count at period end	541.4	(6.9)%	581.3
Premiums in force at period end	\$1,242.4	5.8%	\$1,174.5
Total insured value, property, at period end	\$407.4	2.1%	\$399.0
Gross premiums written	\$304,501	11.1%	\$274,178
Gross premiums earned	\$307,959	4.6%	\$294,409
Net premiums earned	\$159,693	(1.7)%	\$162,445
GAAP net income	\$(48,240)	NM	\$(16,410)
GAAP EPS	\$(1.83)	NM	\$(0.59)
Net combined ratio	133.3%	20.8 pts	112.5%
Net loss ratio	97.6%	17.8 pts	79.8%
Net expense ratio	35.7%	3.0 pts	32.7%

Strategic Diversification and Intelligent Growth

- Strategic diversification designed to achieve better spread of risk, better claims trends and lower reinsurance costs.
- 74.8% of total insured value (TIV) outside Florida and 73% outside Gulf Coast states at MRQ end
- Uniquely diversified portfolio including Northeast, Mid-Atlantic, West and Pacific exposures
- Since the end of 2016, reduced PRES TIV in Florida Tri-County region by \$12.1B



Overview

- Robust organic growth engine via agency relationships and auto carrier partnerships, including some of the biggest national consumer insurance brands independent agency groups, across Heritage's multi-state platform
- 17th largest homeowners' insurer nationwide (as of 10/05/2022, bankrate.com)

HPCIC

- Over 2,700 actively writing retail independent agents
- 25% of voluntary premium is written by agents affiliated with eight large agency networks that have master agency agreements with HPCIC
- CRES policies are written through roughly 400 independent agents
- Relationships with multiple auto carriers

NBIC



- Roughly 500 retail independent agents representing approximately 800 agency locations
- 8 wholesale relationships that have access to 1,500 retail locations
- Relationships with multiple auto carriers

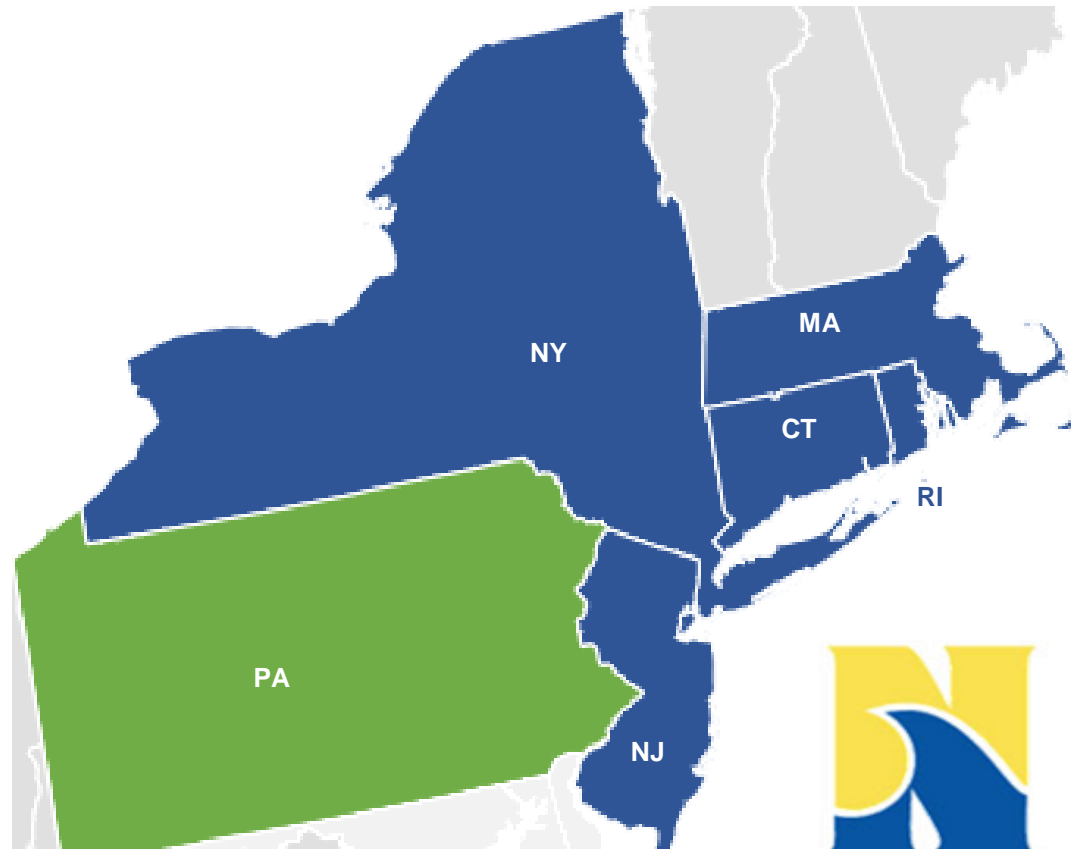
Zephyr

- Relationships with 70 actively writing independent agencies
- 51% of voluntary premium is written by agents affiliated with three large agency networks
- Relationships with multiple auto carriers

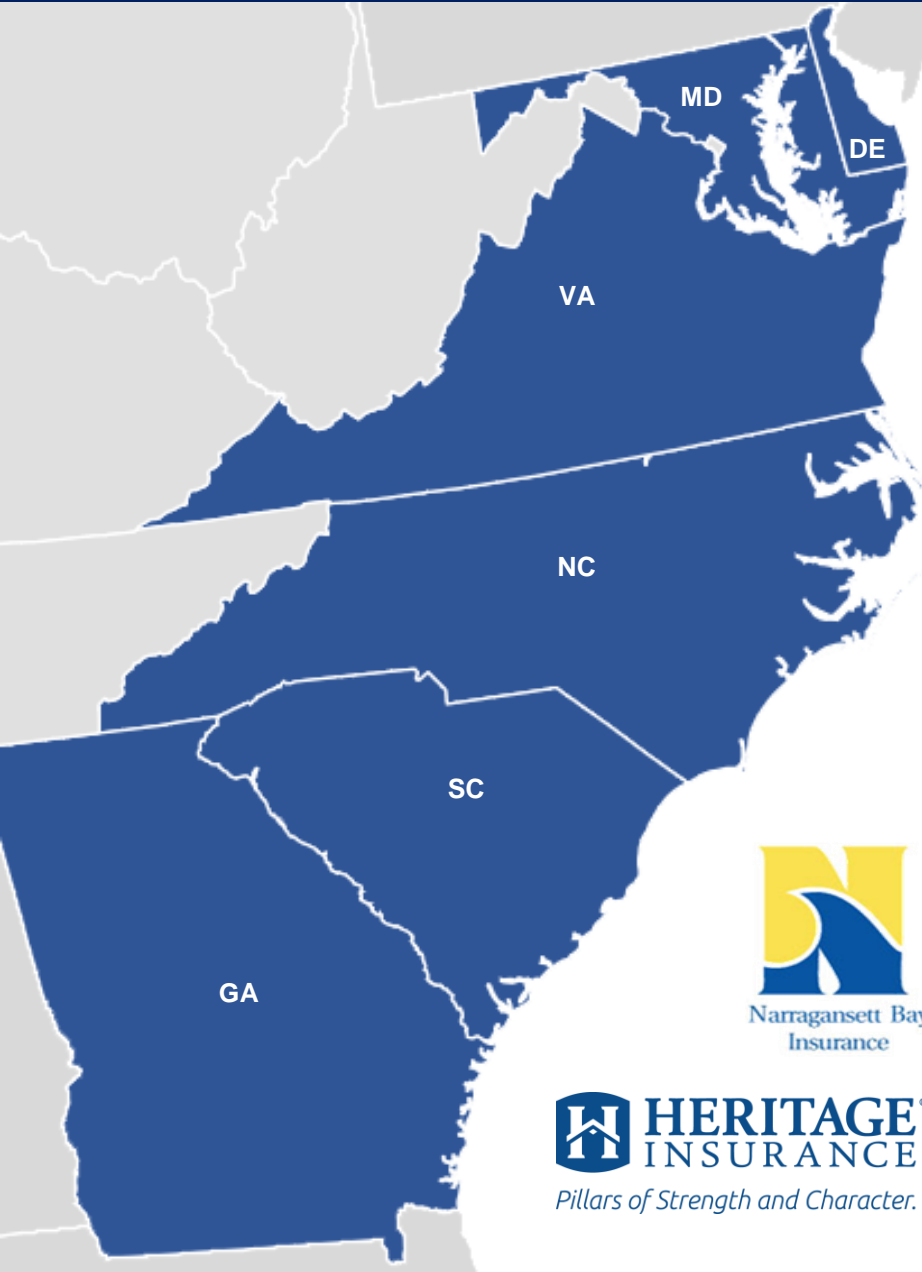
Northeast Region

- 53% of TIV at MRQ end
 - NY represents TIV of 25%
- 39% of gross premiums in force at MRQ end
 - NY 19%
- Meaningful rate increases in NY, NJ, CT, MA and RI
- Q3 2022 PIF growth of 17.4% from 2Q22
- Writing PRES in five states and CRES insurer in NY and NJ

 = actively writing
 = licensed



Mid-Atlantic Region



- 9% of TIV at MRQ end
- 7% of gross premiums in force at MRQ end
- Meaningful 2021 rate increases in VA, NC, SC and GA
- Q3 2022 PIF growth of 37.6% from 2Q22



West & Pacific Regions

- 11% of TIV at MRQ end
- 6% of gross premiums in force at MRQ end
- Q3 2022 PIF growth of 8% year-over-year and
- Hawaii
 - Entered through the acquisition of Zephyr in 2016
 - Wind-only homeowners' insurance
- California
 - Began writing in CA through Narragansett Bay in 2020



Gulf Coast Region



- 27% of TIV at MRQ end
- 48% of gross premiums in force at MRQ end
- PIF and gross premiums written reduced in 3Q22 by 10.6% and FY22 through intentional exposure-management and re-underwriting
- Since the end of 2016, reduced exposure in Florida Tri-County area by \$12.1B
 - 51% reduction in South Florida's Palm Beach, Broward, and Miami-Dade counties
- Rate increases
 - FL consistent since inception and very meaningful since 2020
 - AL meaningful in 2021 with additional in 2022
- Selectively writing new PRES in FL
- Currently writing new PRES in MS and AL and CRES in FL
- Florida Senate Bill 2A in effect from January 1st 2023 – creating safety for insurance companies in event of catastrophe, decreases time for claims processing and eliminates one-way attorney fees.

In-Force Metrics

Florida property insurance only accounts for 25% of Heritage's property total insured value (TIV), but reflects 46% of premiums in-force

The Florida PRES insurance average premium per \$100,000 of TIV is more than double the non-Florida average to reflect its higher hurricane and litigation risk, while the Florida PRES average insured value is well below the average for non-Florida states (property values in Florida trail those in Heritage's northeast US states).

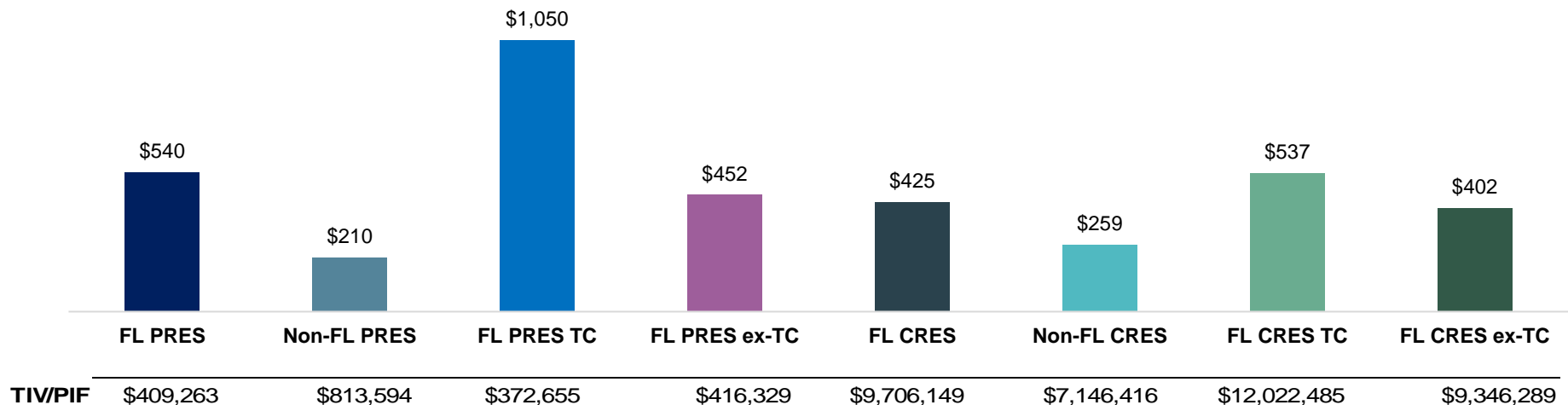
IN-FORCE METRICS (\$ in millions)

Premiums In-Force							
	<u>YE2015</u>	<u>YE2016</u>	<u>YE2017</u>	<u>YE2018</u>	<u>YE2019</u>	<u>YE2020</u>	<u>YE2021</u>
PRES	\$478	\$516	\$850	\$837	\$861	\$969	\$1,052
CRES	\$113	\$119	\$90	\$83	\$73	\$104	\$110
CGL	\$0	\$1	\$2	\$4	\$6	\$9	\$11
Total	\$592	\$635	\$942	\$924	\$941	\$1,082	\$1,172

Policies In-Force							
	<u>YE2015</u>	<u>YE2016</u>	<u>YE2017</u>	<u>YE2018</u>	<u>YE2019</u>	<u>YE2020</u>	<u>YE2021</u>
PRES	253,726	318,824	518,957	508,424	522,442	568,068	556,507
CRES	3,405	3,625	3,100	2,973	2,533	3,074	2,745
CGL	0	852	2,393	4,289	6,970	9,904	12,064
Total	257,131	323,301	524,450	515,686	531,945	581,046	571,316

Total Insured Value (Property)							
	<u>YE2015</u>	<u>YE2016</u>	<u>YE2017</u>	<u>YE2018</u>	<u>YE2019</u>	<u>YE2020</u>	<u>YE2021</u>
PRES	\$72,102	\$109,888	\$289,974	\$296,432	\$316,075	\$353,780	\$371,734
CRES	\$22,764	\$26,367	\$22,832	\$23,038	\$20,958	\$27,851	\$26,241
Total	\$94,866	\$136,256	\$312,806	\$319,470	\$337,033	\$381,632	\$397,975

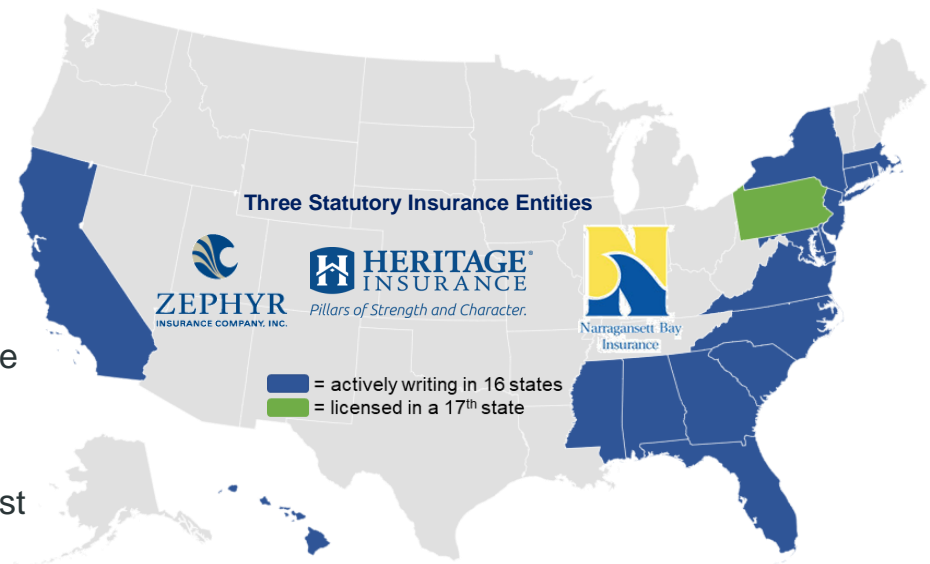
Premium/\$100k TIV



TIV = total insured value • PIF = policies in-force • PRES = personal residential • CRES = commercial residential • TC = Tri-County (FL)

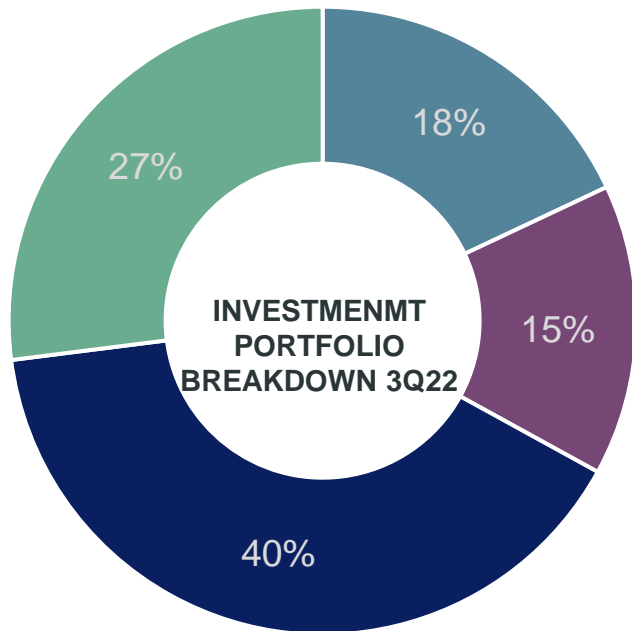
CAT XOL Reinsurance Program

- Fully placed 2022-2023 catastrophe excess-of-loss reinsurance program for statutory insurance subsidiaries in May 2022
- Total consolidated cost ~\$1.24B, up 5.8% year-over-year as of 9/30/2022, premiums-in-force
 - Just 3 pts higher than year prior cost, which accounted for 28% 3/31/2021 premium-in-force
- First event reinsurance tower exhaustion points of:
 - \$1.2B in the Northeast
 - \$1.3B in the Southeast
 - \$780M in Hawaii
- No co-participations in the syndicated program
- Program and costs include a limit of \$100M from catastrophe bonds issued by Heritage special purpose vehicle, Citrus Re Ltd., which provides multi-year reinsurance protection at a cost of \$5.1M
- First event consolidated loss retention in the Southeast and Hawaii of \$40M, and \$30.0M in the Northeast
 - Individual Insurance companies will be less given the use of captive Osprey Re
- Entire program is indemnity based
- Florida Hurricane Catastrophe Fund participation of 90%
 - Consistent with the prior year program.
- Deferred use of new Reinsurance to Assist Policyholders (RAP) program created by FL legislature in 2022



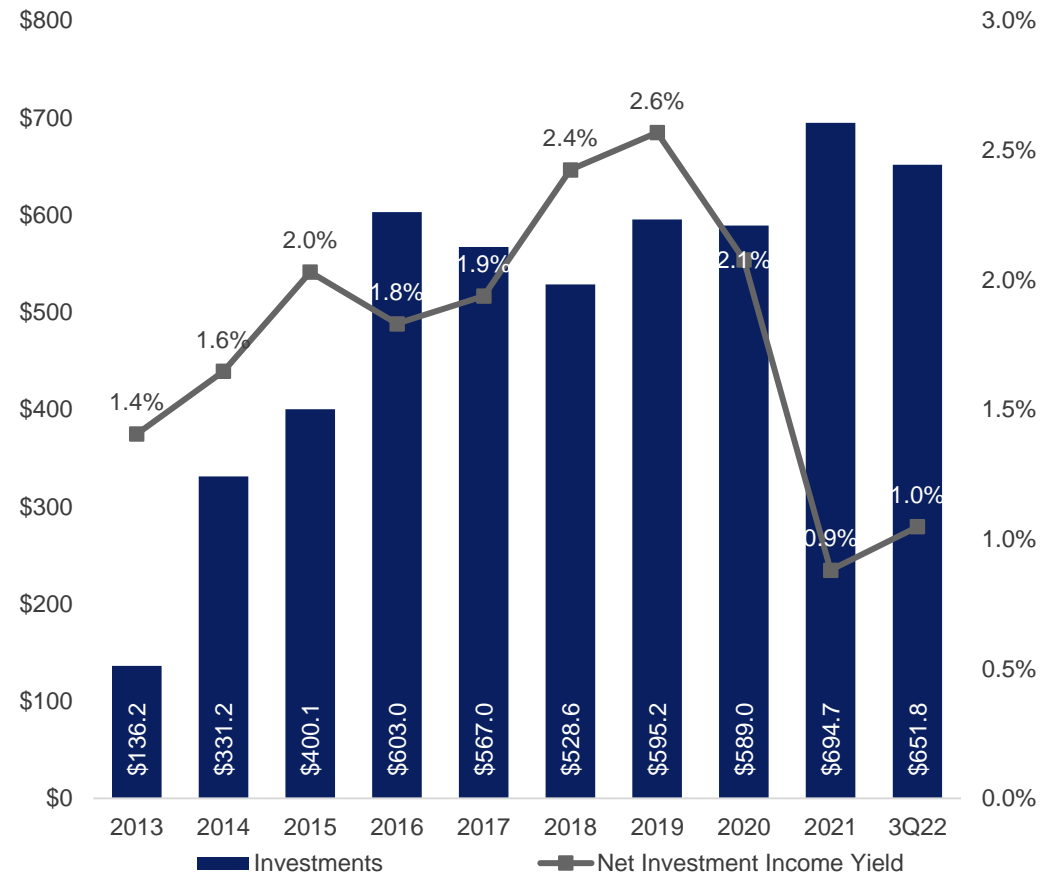
Investment Portfolio

Heritage has a very conservative investment portfolio, consisting predominantly of low duration, fixed income securities. As of 3Q22, duration was 3.4 years compared to 3.9 years at 3Q21.



- US Government
- States, municipalities and political
- Special revenue
- Industrial and miscellaneous

NET INVESTMENT INCOME PERFORMANCE

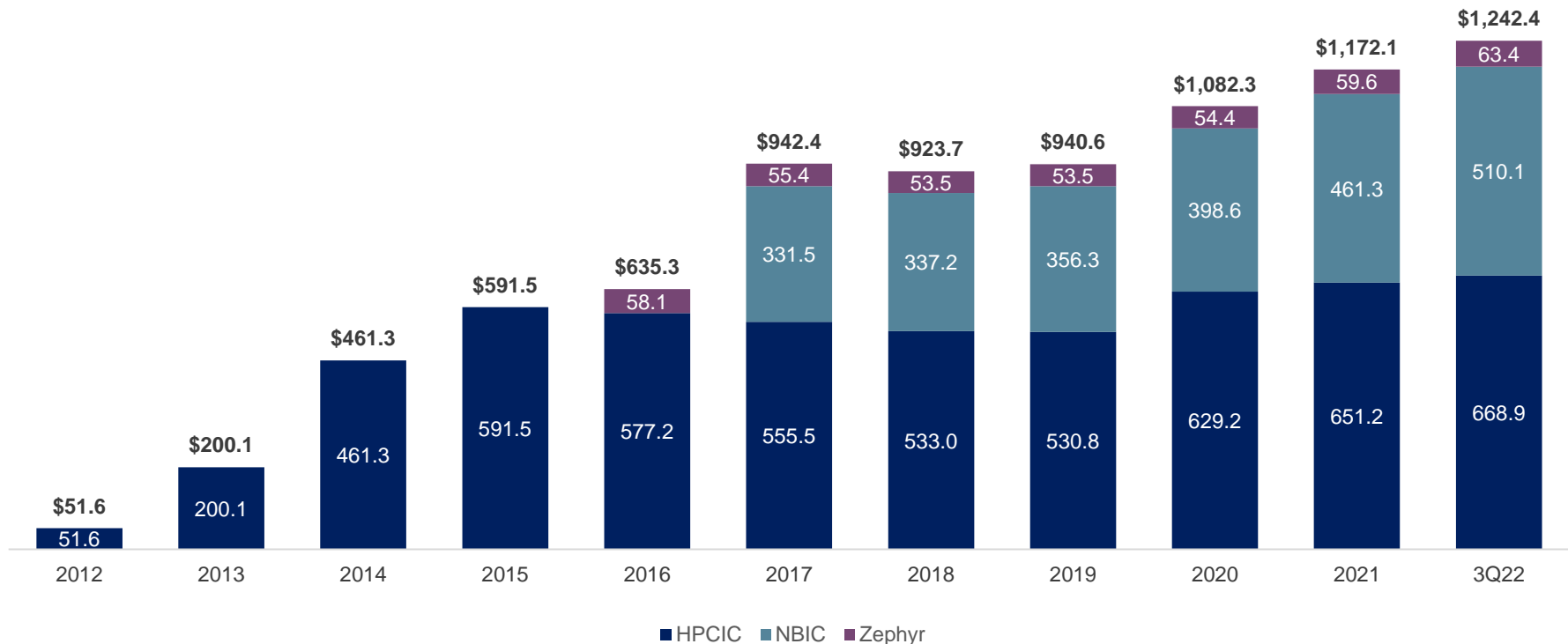


Premium Growth

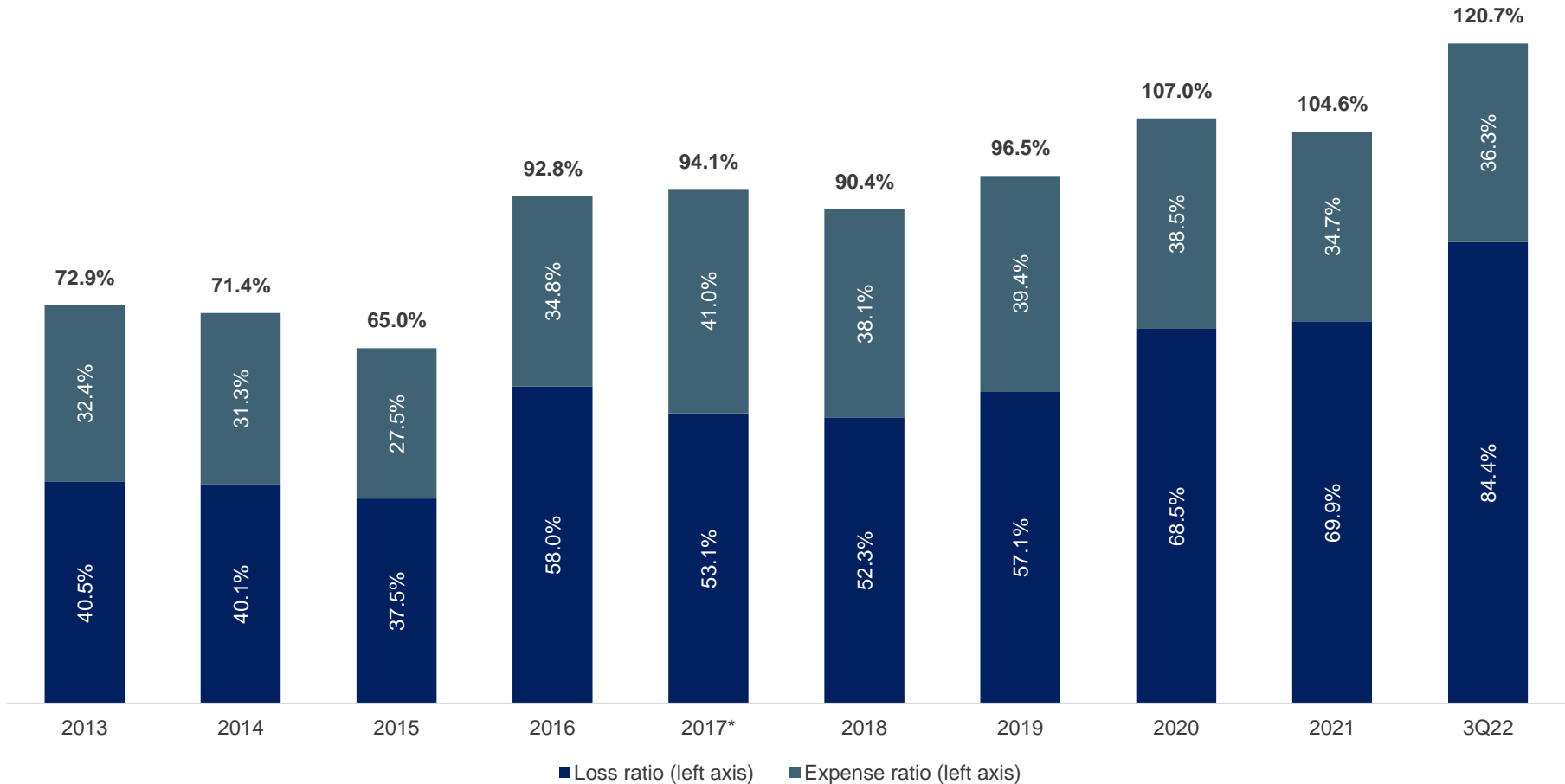
Heritage has experienced significant premium growth since inception, most recently stemming from organic growth, while earlier growth stemmed from Citizen's depopulation transactions and M&A.

Heritage's premium growth is unprecedented, reaching over \$1 billion of premiums in-force 8 years after the company's founding. The modest premium decline in 2018 and low premium growth in 2019 stemmed from Tri-County FL exposure reduction efforts.

IN-FORCE PREMIUM



Underwriting Performance



Citizens takeouts benefit HRTG's margins

Tomadoes,
Hurricanes
Hermine &
Matthew, AOB

Hurricane
Irma &
AoB

Hurricanes
Lane,
Florence &
Michael, AoB

Southeast
hail and
wind
storms,
Hurricane
Dorian

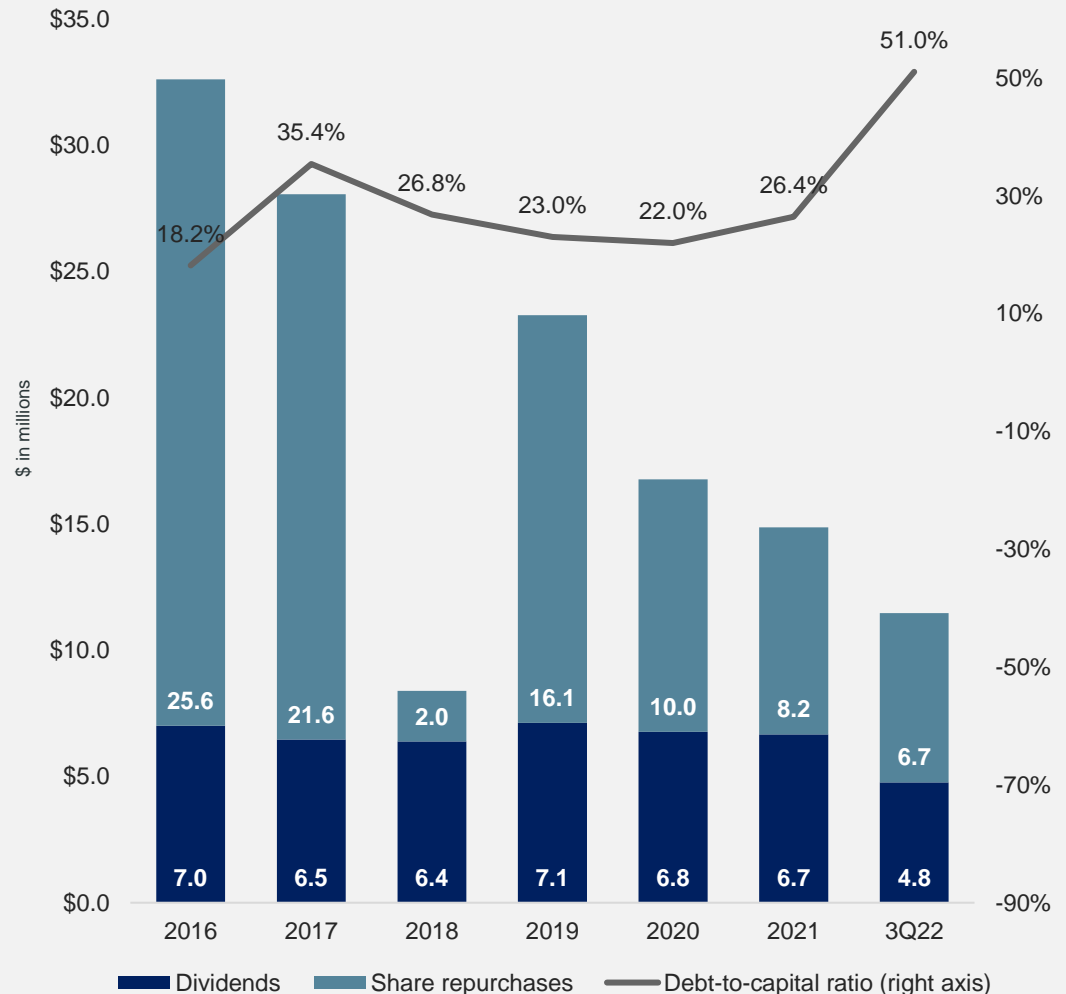
Hurricanes
Isaias, Sally
and Eta,
Southeast hail,
tornado and
wind storms

Convective
storms and
hurricanes
Elsa, Fred,
Henri and Ida.

Capital Management & Operating Leverage

- Responsible steward of shareholder capital
 - \$25.0M of share authority expired on December 31, 2022.
 - New Share Repurchase Plan authorized \$10.0M, through December 31, 2023.
 - \$135.4 million to shareholders through common share repurchases and dividends 2015-1Q22.
- One of the best-capitalized insurance companies domiciled in FL
 - \$261.4M in consolidated statutory surplus at end of 3Q22
- Net premiums written (TTM) to equity (MRQ-end) indicative of conservative balance sheet.
 - \$220.1M
- Adequate capital to fuel premium growth in Northeast, Mid-Atlantic, West and Pacific regions

DISCIPLINED CAPITAL MANAGEMENT



Note: Debt-to-capital calculated as debt principal divided by the sum of debt principal and stockholders' equity

Appendix



Non-GAAP Reconciliations

thousands, except per share amounts	3Q22	2Q21	1Q22	4Q21	3Q21	2021	2020
Income Statement Data							
Net income (loss)	\$(48,240)	\$(87,866)	\$(30,759)	\$(49,218)	\$(16,410)	\$(74,727)	\$9,326
Less: Goodwill impairment	--	(90,774)	--	(60,500)	--	(60,500)	--
Non-GAAP adjusted net income (loss)	\$(48,240)	\$2,908	\$(30,759)	\$11,282	\$(16,410)	\$(14,227)	\$9,326
<i>Diluted weighted average shares</i>	26,369	26,453	26,787	27,547	27,938	27,804	27,989
Diluted Per Share Data							
Net income (loss)	\$(1.83)	\$(3.32)	\$(1.15)	\$(1.79)	\$(0.59)	\$(2.69)	\$0.33
Less: Goodwill impairment	--	(3.43)	--	(2.20)	--	(2.18)	--
Non-GAAP adjusted net income (loss)	\$(1.83)	\$0.11	\$(1.15)	\$0.41	\$(0.59)	\$(0.51)	\$0.33
Return on Equity Data							
Annualized net income (loss)	\$(192,961)	\$(351,464)	\$(123,036)	\$(196,874)	\$(65,640)	\$(74,727)	\$9,326
Annualized non-GAAP adjusted net income (loss)	(192,961)	11,634	(123,036)	45,126	(65,640)	(14,227)	9,326
Average shareholders' equity	\$149,121	\$231,156	\$312,409	\$374,038	\$423,685	\$392,967	\$445,574
<i>Return on Equity (ROE)</i>	(129.4)%	(152.0)%	(39.4)%	(52.6)%	(15.8)%	(19.0)%	2.1%
<i>Non-GAAP adjusted ROE*</i>	(129.4)%	5.0%	(39.4)%	12.1%	(15.8)%	(3.6)%	2.1%

* Annualized non-GAAP adjusted net income (loss) divided by average shareholders' equity

Additional Information

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