

## Risk Factors Comparison 2024-03-13 to 2023-03-13 Form: 10-K

**Legend:** **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

Set forth below are certain risk factors that could harm our business, results of operations and financial condition. You should carefully read the following risk factors, together with the financial statements, related notes and other information contained in this Annual Report on Form 10- K. Our business, financial condition and operating results may suffer if any of the following risks are realized. If any of these risks or uncertainties occur, the trading price of our common stock could decline and you might lose all or part of your investment. This Annual Report on Form 10- K contains forward- looking statements that contain risks and uncertainties. Please Refer to the discussion of “ Forward- Looking Statements ” of this Annual Report in connection with your consideration of the risk factors and other important factors that may affect future results described herein. Risks Related to Our Business Our loss reserves are estimates and may be inadequate to cover our actual liability for losses, causing our results of operations to be adversely affected. We maintain reserves to cover our estimated ultimate liabilities for losses and loss adjustment expenses, also referred to as loss reserves. Our loss reserves are based primarily on our historical data and statistical projections of what we believe the resolution and administration of claims will cost based on facts and circumstances then known to us. Our claims experience and our experience with the risks related to certain claims is inherently limited. We use company historical data to the extent it is available and rely on industry historical data which may not be indicative of future periods. As a result, our projections and our estimates may be inaccurate, which in turn may cause our actual losses to exceed our loss reserves. If our actual losses exceed our loss reserves, our financial results and our ability to expand our business and to compete in the property and casualty insurance industry may be negatively affected. Factors that affect unpaid losses and loss adjustment expenses include the estimates made on a claim- by- claim basis known as “ case reserves ” coupled with bulk estimates known as “ incurred but not yet reported ” (or “ IBNR ”). Periodic estimates by management of the ultimate costs required to resolve all claims are based on our analysis of historical data and estimations of the impact of numerous factors such as (i) per claim information, (ii) industry and company historical loss experience and development patterns, (iii) legislative enactments, judicial decisions, legal developments in the awarding of damages and changes in political attitudes, and (iv) trends in general economic conditions, including the effects of inflation. Management revises its estimates based on the results of its analysis. This process assumes that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for estimating the ultimate resolution of all claims. There is no precise method for subsequently evaluating the impact of any specific factor on the adequacy of the reserves because the eventual redundancy or deficiency is affected by multiple factors. Because of the inherent uncertainties in the reserving process, we cannot be certain that our reserves will be adequate to cover our actual losses and loss adjustment expenses. If our reserves for unpaid losses and loss adjustment expenses are less than actual losses and loss adjustment expenses, we will be required to increase our reserves with a corresponding reduction in our net income in the period in which the deficiency is identified. Future loss experience substantially in excess of our reserves for unpaid losses and loss adjustment expenses could substantially harm our results of operations and financial condition. We have exposure to unpredictable catastrophes that are more pronounced because a large portion of our insurance business is conducted in coastal states, which exposure can materially and adversely affect our financial results. We write insurance policies that cover homeowners, condominium owners and commercial residential buildings for losses that result from, among other things, catastrophes. We are therefore subject to losses, including claims under policies we have assumed or written, arising out of catastrophes that may have a significant effect on our business, results of operations and financial condition. A significant catastrophe, or a series of catastrophes, could also have an adverse effect on our reinsurers. Catastrophes can be caused by various events, including hurricanes, severe convective storms, tropical storms, snowstorms, tornadoes, earthquakes, hailstorms, explosions, power outages, fires and by man- made events, such as terrorist attacks. Climate change, to the extent it produces extreme changes in temperatures and changes in weather patterns, could affect the frequency or severity of weather- related catastrophes. The incidence and severity of catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected and the severity of the event. As of December 31, **2022-2023**, nearly all of our premium in force related to business in coastal states, which are especially subject to adverse weather conditions such as hurricanes, tropical storms, earthquakes, and winter storms. A single catastrophic event, or a series of such events, destructive weather patterns, general economic trend, regulatory development or other condition specifically affecting the states in which we conduct business, particularly the more densely populated areas of those states, could have a disproportionately adverse impact on our business, financial condition and results of operations. Therefore, although we attempt to manage our exposure to catastrophes through our underwriting process and the purchase of reinsurance protection, an especially severe catastrophe or series of catastrophes could exceed our reinsurance protection and may have a material adverse impact on our results of operations and financial condition. **As In the fourth- further described in Note 13 Reserve for Losses, the Company's 2017 reinsurance agreement with the FHCF was commuted during the third** quarter of **2022-2023** ~~we re-estimated our ultimate losses~~. **This commutation process resulted in a final determination of and payment for known, unknown or unreported claims relating to Hurricane Irma , which struck Florida in 2017. As a result of that re-** ~~The final amount paid by the FHCF could vary from the Company's future estimation , Heritage has exhausted the private layers of losses reinsurance specific to~~ **have been recovered from Hurricane Irma but has a 45 % participation in the FHCF . limit remaining** Accordingly, should future re- estimations to Hurricane Irma losses increase the expected loss reserves, **all a portion** of the increase ~~will~~ **will** be retained ~~and a portion will be ceded to the FHCF~~. In total, for the period from June 1, 2022 through May 31, 2023, we have purchased an aggregate limit of \$ ~~3-2~~ **.9** billion of catastrophe reinsurance coverage for

Heritage P & C, Zephyr, and NBIC, for multiple catastrophic events. Our ability to access this coverage, however, is subject to the severity and frequency of such events. We may experience significant losses and loss adjustment expenses in excess of our retention or experience multiple retentions for a series of catastrophic events in a single season, which could materially and adversely affect our financial results. Our success depends on our ability to adequately assess risk and set premiums accordingly, and our failure to do so could affect the growth of our business and adversely impact our financial results. Our results of operations and financial condition depend on our ability to underwrite and set premium rates accurately for a wide variety of risks. Rate adequacy is necessary to generate sufficient premiums to pay losses, loss adjustment expenses, reinsurance costs and underwriting expenses and to earn a profit. In order to price our products accurately, we must collect and properly analyze a substantial amount of data; develop, test and apply appropriate rating formulas; closely monitor and timely recognize changes in trends; and project both severity and frequency of losses with reasonable accuracy. Our ability to successfully perform these tasks, and as a result price our products accurately, is subject to a number of risks and uncertainties, some of which are outside our control, including: • the availability of sufficient reliable data and our ability to properly analyze available data; • regulatory delays in approving filed rate changes; • the uncertainties that inherently characterize estimates and assumptions; • **inflationary pressures on labor and materials, including supply chain disruptions; • our ability to stay competitive as evolving competitive technologies emerge such as artificial intelligence (“ AI ”) and machine learning to make pricing, underwriting, or other decisions; • our selection and application of appropriate rating and pricing techniques ; • the effect of climate change on frequency and severity of insured events from severe weather**; • changes in legal standards, claim resolution practices, and restoration costs; and • legislatively imposed consumer initiatives –In addition, we could underprice risks, which would negatively affect our profit margins. We could also overprice risks, which could reduce the number of policies we write and our competitiveness. In either event, our profitability could be materially and adversely affected. Our results of operations may fluctuate significantly based on industry factors. The insurance business historically has been a cyclical industry characterized by periods of intense price competition due to excess underwriting capacity, as well as periods when shortages of capacity permitted an increase in pricing. As premium levels increase, there may be new entrants to the market, which could then lead to increased competition, a significant reduction in premium rates, less favorable policy terms and fewer opportunities to underwrite insurance risks, which could have a material adverse effect on our results of operations and cash flows. In addition to these considerations, changes in the frequency and severity of losses suffered by insureds and insurers, including changes resulting from multiple and / or catastrophic weather events, may affect the cycles of the insurance business significantly. We cannot predict whether market conditions will improve, remain constant or deteriorate. Negative market conditions may impair our ability to write insurance at rates that we consider appropriate relative to the risk assumed. If we cannot write insurance at appropriate rates, our business would be materially and adversely affected. In addition, the uncertainties inherent in the reserving process, together with the potential for unforeseen developments, including changes in laws and the prevailing interpretation of policy terms, may result in losses and loss adjustment expenses materially different from the reserves initially established. Changes to prior year reserves will affect current underwriting results by increasing net income if the prior year reserves prove to be redundant or by decreasing net income if the prior year reserves prove to be insufficient. We may not record contingency reserves to account for expected future losses. As a result, we expect volatility in operating results in periods in which significant loss events occur because generally accepted accounting principles do not permit insurers or reinsurers to reserve for loss events until they have occurred and are expected to give rise to a claim. We anticipate that claims arising from future events may require the establishment of substantial reserves from time to time. Reinsurance coverage may not be available to us in the future at commercially reasonable rates or at all. The cost of reinsurance is subject to prevailing market conditions beyond our control such as the amount of capital in the reinsurance market, **public policy decisions and the expiration of time- limited governmental programs such as the RAP program**, as well as the frequency and magnitude of natural and man- made catastrophes. Our total cost of obtaining reinsurance over the last few years has increased, both on an absolute basis and as a percentage of premiums- in- force, and is expected to continue to increase in the future. We cannot be assured that reinsurance will remain continuously available to us in the amounts we consider sufficient and at prices acceptable to us. As a result, we may determine to increase the amount of risk we retain or look for other alternatives to reinsurance, which could in turn have a material adverse effect on our financial position, results of operations and cash flows. We may not be able to collect reinsurance amounts due to us from the reinsurers with which we have contracted. Reinsurance is a method of transferring part of an insurance company’ s risk under an insurance policy to another insurance company. To the extent that our reinsurers are unable to meet the obligations they assume under our reinsurance agreements, we remain liable for the entire insured loss. We use reinsurance arrangements to significantly limit and manage the amount of risk we retain, to stabilize our underwriting results, and to increase our underwriting capacity. Our ability to recover amounts due from reinsurers under the reinsurance treaties we currently have in effect is subject to the reinsurance company’ s ability and willingness to pay and to meet its obligations to us. We attempt to select financially strong reinsurers with an A. M. Best or S & P rating of “ A- ” or better or we require the reinsurer to fully collateralize its exposure. While we monitor from time to time their financial condition, we also rely on our reinsurance broker and rating agencies in evaluating our reinsurers’ ability to meet their obligations to us. Our reinsurance coverage in any given year may be concentrated with one or a limited group of reinsurers. No single private market reinsurer represented more than 10 % of the overall limit purchased from our total reinsurance coverage. Any failure on the part of any one reinsurance company to meet its obligations to us could have a material adverse effect on our financial condition or results of operations. All residential insurance companies that write admitted business in Florida, including Heritage P & C, are required to obtain reinsurance through the FHCF, and this coverage comprises a substantial portion of the Heritage P & C reinsurance program for our Florida insured properties. The limit and retention of the FHCF coverage is subject to upward or downward adjustment based on, among other things, submitted exposures to FHCF by all participants. We have purchased private reinsurance alongside our FHCF layer to fill in gaps in coverage that may result from the adjustment of the

limit or retention of our FHCF coverage; however, such reinsurance would not cover any losses we may incur as a result of FHCF's inability to pay the full amount of our claims. If a catastrophic event occurs in Florida, the FHCF may not have sufficient funds to pay all of its claims from insurance companies in full or in a timely manner. This could result in significant financial, legal and operational challenges to our Company. In the event of a catastrophic loss, the FHCF's ability to pay may be dependent upon its ability to issue bonds in amounts that would be required to meet its reinsurance obligations. There can be no assurance that FHCF will be able to do this. While we believe FHCF currently has adequate capital and financing capacity to meet its reinsurance obligations, there can be no assurance that it will be able to meet its obligations in the future, and any failure to do so could have a material adverse effect on our liquidity, financial condition and results of operations. We carry a significant amount of intangible assets on our consolidated balance sheets. Earnings for future periods may be impacted by impairment charges for intangible assets. We have a significant amount of intangible assets that could be subject to impairment. If we determine that a significant impairment has occurred in the value of our unamortized intangible assets, we could be required to write off a portion of our assets, which could adversely affect our consolidated financial condition or our reported results of operations. The inherent uncertainty of models and our reliance on such models as a tool to evaluate risk may have an adverse effect on our financial results. **We Along with other insurers in the industry, we** license analytic and modeling software from third parties to facilitate our pricing, assess our risk exposure and determine our reinsurance needs. Given the inherent uncertainty of modeling techniques and the application of such techniques, these models **have limitations with respect to their usefulness in predicting losses in any reporting period. Examples of these limitations include significant variations in estimates between models and databases modelers and material increases and decreases in model results due to changes and refinements of the underlying data elements and assumptions, including with respect to the risks arising from climate change, social inflation or other factors. Such limitations may lead to questionable predictive capability and post- event measurements that have not accurately address been well understood or proven to be sufficiently reliable. In addition, the emergence models are not necessarily reflective of a variety of company or state- specific policy language, demand surge for labor and matters- materials , consumer behavior, prevailing or changing claims, legal and litigation environments, or loss settlement expenses, all of which are subject to wide variation by catastrophe. Further, in accordance with laws and regulatory requirements in various states in which we conduct business, we may be required to use a model that has been reviewed and deemed acceptable by a particular state in accordance with standards over which we have no control and that** might impact our exposure to losses. If these models understate the exposures we are assuming, we may not **align with** properly assess the risk and we may make poor decisions relating to pricing, underwriting, and the related amount of reinsurance we purchase. As a result, our **business** financial results may be adversely impacted, perhaps significantly. Increased competition, competitive pressures, industry developments and market conditions could affect the growth of our business and adversely impact our financial results. The property and casualty insurance industry in the states in which we do business is cyclical and, during times of increased capacity, highly competitive. We compete not only with other public and private insurance companies, but also with state governmental insurance entities, mutual companies, other underwriting organizations and alternative risk sharing mechanisms. Our principal lines of business are also written by numerous other insurance companies. Competition for any one account may come from very large, well- established national companies, smaller regional companies, other specialty insurers in our field and other companies that write insurance. Some of these competitors have greater financial resources, larger agency networks and greater name recognition than we do. We compete for business not only on the basis of price, but also on the basis of financial strength, types of coverages offered, and availability of coverage desired by customers, commission structure and quality of service. We may have difficulty continuing to compete successfully on any of these bases in the future. Competitive pressures coupled with market conditions may affect our rate of premium growth and financial results. In addition, industry developments could further increase competition in our industry. These developments could include: • an influx of new capital in the marketplace as existing companies attempt to expand their businesses and new companies attempt to enter the insurance business as a result of better premium pricing and / or policy terms; • an increase in programs in which state- sponsored entities provide property insurance in catastrophe- prone areas; • changes in state regulatory climates; and • the passage of federal proposals for an optional federal charter that would allow some competing insurers to operate under regulations different or less stringent than those applicable to us. **• technological changes also present competitive risks. For example, our competitive position could be impacted if we are unable to effectively deploy technology such as AI and machine learning that collects and analyzes a wide variety of data points to make underwriting or other decisions, or if our competitors collect and use data we do not have the ability to access or use. In addition, telematics and other usage- based methods of determining premiums can impact product design and pricing and are becoming an increasingly important competitive factor. Furthermore, state insurance regulators could have input on usage of AI and machine learning.** These developments and others could make the property and casualty insurance marketplace more competitive by increasing the supply of insurance available. If competition limits our ability to write new business at adequate rates, our future results of operations would be adversely affected. We may not be able to effectively integrate newly acquired businesses or achieve expected profitability from acquisitions. We have in the past and may in the future expand through the acquisition of complementary businesses. This could occur through an acquisition of a company or a portion of a company's business. Any future acquisitions may entail a number of risks that could adversely affect our business and the market price of our common stock, including the integration of the acquired operations and information systems, diversion of management's attention, risks of entering new market regions in which we have limited experience, adverse short- term effects on our reported operating results, the potential loss of key employees of acquired businesses, changes for impairment of long- terms assets or goodwill and risks associated with unanticipated liabilities In connection with an acquisition, we could incur debt, recognize amortization expenses related to intangible assets, have to take large and immediate write- offs, including but not limited to goodwill impairment, and assume liabilities. We may also use our common stock to pay

for acquisitions. If the owners of potential acquisition candidates are not willing to accept our common stock in exchange for their businesses, our acquisition prospects could be limited. Future acquisitions could also result in accounting charges, potentially dilutive issuances of equity securities and increased debt and contingent liabilities, including liabilities related to unknown or undisclosed circumstances, any of which could have a material adverse effect on our business and the market price of our common stock. We may not be able to effectively execute our business diversification strategy. We have and intend to continue to invest significant time and resources to employ our business strategies, including the rebalancing of our portfolio toward products and geographies that maximize long-term returns to our shareholders, and we may not achieve the return on our investment that we expect. Initial timetables for optimizing and diversifying our portfolio of policies may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting customer preferences may also impact the successful implementation of our business plan. Such external factors and requirements may increase our costs and potentially affect the speed with which we will be able to re-allocate capital among our portfolio of policies. There can be no assurance that we will be successful in deploying this strategy. Additionally, to the extent our business strategies include any geographic expansion, new line of business and / or new product or service, such expansion or new products or services could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks could have a material adverse effect on our business, results of operations and financial condition. We rely on independent agents to write insurance policies for us, and if we are not able to attract and retain independent agents, our revenues would be negatively affected. We write personal and commercial insurance policies through a network of independent agents. Our southeastern personal residential insurance policies are written through a network of more than 2,000 independent agents. Approximately ~~28~~**22.0** % of our voluntary personal lines policies are written by agents that are affiliated with eight large agency networks with which we have entered into master agency agreements. We market and write commercial residential policies through a network of approximately 400 independent agents in Florida. Of our network of approximately 500 retail independent agents for business in the northeastern U. S., our three largest relationships represent approximately **16 % of \$79.0 million in** annualized premiums. Of our network of approximately 70 Hawaiian independent agencies, approximately 50 ~~6~~ % are affiliated with three large multi-producer agencies. Our strategic focus is to improve the underwriting performance of our policies throughout the states in which we are licensed, which will further increase our reliance on our network of independent agents. If any of our independent agents cease writing policies for us, or if any of our master agency agreements are terminated, we may suffer a reduction in the number of products we are able to sell, which would negatively impact our results of operations. Many of our competitors also rely on independent agents. As a result, we must compete with other insurers for independent agents' business. Our competitors may offer a greater variety of insurance products, lower premiums for insurance coverage, or higher commissions to their agents. If our products, pricing and commissions do not remain competitive, we may find it more difficult to attract business from independent agents to sell our products. The failure of our claims department to effectively manage or remediate claims could adversely affect our insurance business, financial results and capital requirements. We rely on our claims department and any outsourced claims resources to facilitate and oversee the claims adjustment process for our policyholders. Many factors could affect the ability of our claims department to effectively manage claims by our policyholders, including: • the accuracy of our adjusters as they make their assessments and submit their estimates of damages; • the training, background and experience of our claim's representatives; • the ability of our claims department to ensure consistent claims handling; • the ability of our claims department to translate the information provided by adjusters into acceptable claims resolutions; **• the availability and timing of information from, and the overall degree of cooperation or lack thereof by, policyholders and their representatives;** and • the ability of our claims department to maintain and update its claims handling procedures and systems as they evolve over time based on claims and geographical trends in claims reporting. Any failure to effectively manage the claims adjustment process, including failure to pay claims accurately, could lead to material litigation, undermine our reputation in the marketplace, impair our corporate image and negatively affect our financial results. Additionally, as a component of the claims process, we leverage CAN's vendor network to provide repair and remediation services to the policyholder. If such services are not performed properly, we may face liability. Although we maintain professional liability insurance to cover losses arising from our repair and remediation services, there can be no assurances that such coverage is adequate. In addition, our failure to timely and properly remediate claims, or the perception of such failure, may damage our reputation and adversely affect our ability to renew existing policies or write new policies. If actual renewals of our existing contracts do not meet expectations, our premiums written in future years and our future results of operations could be materially adversely affected. Our insurance policies are written for a one-year term. We make assumptions about the renewal of our prior year's contracts, including for purposes of determining the amount of reinsurance we purchase. If actual renewals do not meet expectations or if we choose not to write on a renewal basis because of pricing conditions, our premiums written in future years and our future operations would be materially adversely affected, and we may purchase reinsurance beyond what we believe is the most appropriate level. Our inability to maintain our financial stability rating may have a material adverse effect on our competitive position, the marketability of our product offerings, and our liquidity, operating results and financial condition. Financial stability ratings are important factors in establishing the competitive position of insurance companies and can have a significant effect on an insurance company's business. Many insurance buyers, agents, brokers and secured lenders use the ratings assigned by rating agencies to assist them in assessing the financial stability and overall quality of the companies from which they are considering purchasing insurance or in determining the financial stability of the company that provides insurance. Each of our insurance company affiliates currently maintain a Demotech rating of "A" ("Exceptional") or higher. Our insurance company subsidiaries and the Company is also rated BBB- or better by KBRA. These financial stability ratings provide an objective baseline for assessing solvency and should not be interpreted as (and are not intended to serve as) an assessment of a recommendation to buy, sell, or hold, any securities of an insurance company or its parent holding company, including shares of our common stock. On an ongoing basis, rating agencies

review the financial performance and condition of insurers and can downgrade or change the outlook on an insurer's ratings due to, for example, a change in an insurer's statutory capital, a reduced confidence in management or a host of other considerations that may or may not be under the insurer's control. All ratings are subject to continuous review; therefore, the retention of these ratings cannot be assured. A downgrade in any of these ratings could have a material adverse effect on our competitive position, the marketability of our product offerings and our ability to grow in the marketplace. If we are unable to expand our business because our capital must be used to pay greater than anticipated claims, our financial results may suffer. Further, we may require additional capital in the future which may not be available or may only be available on unfavorable terms. Our future growth and future capital requirements will depend on the number of insurance policies we write, the kinds of insurance products we offer, the geographic markets in which we do business and, to the extent part of our business strategy in the future, policy and / or geographic expansion, all balanced by the business risks we choose to assume and cede. Growth initiatives require capital. Our existing sources of funds include possible sales of common or preferred stock, incurring debt and our earnings from operations and investments. Unexpected catastrophic events in our coverage areas, such as hurricanes, may result in greater claims losses than anticipated, which could require us to limit or halt our growth while we redeploy our capital to pay these unanticipated claims unless we are able to raise additional capital. To the extent that our present capital is insufficient to meet future operating requirements or to cover losses, we may need to raise additional funds through financing or curtail our growth. Based on our current operating plan, we believe that our current capital together with our anticipated retained income will support our operations. However, we cannot provide any assurance in that regard, since many factors will affect the amount and timing of our capital needs, including profitability of our business, the availability and cost of reinsurance, market disruptions and other unforeseeable developments. If we require additional capital, it is possible that equity or debt financing may not be available on acceptable terms or at all. In the case of equity financings, dilution to our stockholders could result, and in any case such securities may have rights, preferences and privileges that are senior to those of existing stockholders. If we cannot obtain adequate capital on favorable terms or at all, our business, financial condition or results of operations could be materially adversely affected. Our financial results may be negatively affected by the fact that a portion of our income is generated by the investment of our company's capital, premiums and loss reserves. A portion of our income is, and likely will continue to be, generated by the investment of our capital, premiums and loss reserves. The amount of income generated is a function of our investment policy, available investment opportunities and the amount of available cash invested. We are also constrained by investment limitations required by our state insurance regulators. At December 31, ~~2022~~ **2023**, approximately ~~97~~ **98** % of our total investments was invested in fixed- maturity securities. We may, under certain circumstances, be required to liquidate our investments in securities at prices below book value, which may adversely affect our financial results. This risk could be amplified in periods of rising interest rates. We currently hold all of our cash in accounts with eight financial institutions and, as a result of this concentration, a portion of the balances in such accounts exceeds the Federal Deposit Insurance Corporation ("FDIC") insurance limits. While we monitor and adjust the balances in our accounts as appropriate, these balances could be impacted if any of these financial institutions fail and could be subject to other adverse conditions in the financial markets. We may alter our investment policy to accept higher levels of risk with the expectation of higher returns. Fluctuating interest rates and other economic factors make it impossible to estimate accurately the amount of investment income that will be realized. In fact, we may realize losses on our investments. The effects of emerging claim and coverage issues on our business are uncertain. Loss frequency and severity in the property and casualty insurance industry and multi- peril personal lines business has continued to increase in recent years, often driven by actual and social inflation. Litigation and assignment of benefits ("AOB") in the State of Florida is an example of these trends. For example, in recent years, Florida homeowners have been assigning the benefit of their insurance recovery to third parties, which has resulted in increases in the size and number of claims and the amount of litigation, interference in the adjustment of claims, the assertion of bad faith actions and one- way rights to claim attorney fees. The Florida legislature enacted several reform bills in the last ~~three~~ **several** years with the intention to limit AOB and frivolous litigation. There can be no assurance that this new legislation will reduce the future impact of AOB or litigated claims practices. Many legal actions and proceedings have been brought on behalf of classes of complainants, which can increase the size of judgments. The propensity of policyholders and third- party claimants to litigate and the willingness of courts to expand causes of loss and the size of awards may render the loss reserves of our insurance subsidiaries inadequate for current and future losses. In addition, as industry practices and social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. In some instances, these changes may not become apparent until sometime after we have issued insurance policies that are affected by the changes. As a result, the full extent of liability under our insurance policies may not be known at the time such policies are issued or renewed, and our financial position and results of operations may be adversely affected. The failure of the risk mitigation strategies we utilize could have a material adverse effect on our financial condition or results of operations. We utilize a number of strategies to mitigate our risk exposure including: • employing proper underwriting processes; • carefully evaluating the terms and conditions of our policies; • geographic diversification; and • ceding insurance risk to reinsurance companies. However, there are inherent limitations in these strategies. No assurance can be given that an event or series of unanticipated events will not result in loss levels which could have a material adverse effect on our financial condition or results of operations. Lack of effectiveness of exclusions and other loss limitation methods in the insurance policies we assume or write could have a material adverse effect on our financial condition or our results of operations. Various provisions of our policies, such as limitations or exclusions from coverage which are designed to limit our risks, may not be enforceable in the manner we intend. In addition, the policies we issue contain conditions requiring the prompt reporting of claims to us and our right to decline coverage in the event of a violation of that condition. While our insurance product exclusions and limitations reduce the loss exposure to us and help eliminate known exposures to certain risks, it is possible that a court or regulatory authority could nullify or void an exclusion or

limitation, or legislation could be enacted modifying or barring the use of such endorsements and limitations in a way that would adversely affect our loss experience, which could have a material adverse effect on our financial condition or results of operations. Risks Related to Regulation of Our Insurance Operations We are subject to extensive regulation which may reduce our profitability or limit our growth. Moreover, if we fail to comply with these regulations, we may be subject to penalties, including fines and suspensions, which may adversely affect our financial condition and results of operations. We are subject to extensive state regulation. The NAIC and state insurance regulators regularly examine existing laws and regulations, generally focusing on modifications to holding company regulations, interpretations of existing laws and the formation of new laws. Our insurance company affiliates are subject to supervision and regulation that is primarily designed to protect our policyholders rather than our stockholders, and such regulation is imposed by the states in which we are domiciled and the states in which our insurance subsidiaries do business. These regulations relate to, among other things, the approval of policy forms and premium rates, our conduct in the marketplace, our compliance with solvency and financial reporting requirements, transactions with our affiliates, limitations on the amount of business we can write, the amount of dividends we can pay to stockholders, and the types of investments we can make. Insurance holding company regulations generally provide that transactions between an insurance company and its affiliates must be fair and reasonable and must be clearly and accurately disclosed in the records of the respective parties, with expenses and payments allocated between the parties in accordance with customary accounting practices. Many types of transactions between an insurance company and its affiliates, such as transfers of assets, loans, reinsurance agreements, service agreements, certain dividend payments by the insurance company and certain other material transactions, may be subject to prior approval by, or prior notice to, state regulatory authorities. If we are unable to obtain the requisite prior approval for a specific transaction, we would be precluded from taking the action, which could adversely affect our operations. These regulatory requirements may adversely affect or inhibit our ability to achieve some or all of our business objectives. In addition, regulatory authorities also may conduct periodic examinations into insurers' business practices. These reviews may reveal deficiencies in our insurance operations or differences between our interpretations of regulatory requirements and those of the regulators. State insurance regulations also frequently impose notice or approval requirements for the acquisition of specified levels of ownership in the insurance company or insurance holding company. Additionally, state legislation can impact our results of operations. For example, in 2007, Florida enacted legislation that led to rate levels in the private insurance market that we believe, in many instances in the past, were inadequate to cover the related underwriting risk. This same legislation required Citizens Property Insurance ("Citizens") to reduce its premium rates and begin competing against private insurers in the Florida residential property insurance market. Florida lawmakers may continue to enact or retain legislation that suppresses the rates of Citizens, further adversely impacting the private insurance market and increasing the likelihood that it must levy assessments on private insurance companies and ultimately on Florida consumers. These and other aspects of the political environment in jurisdictions where we operate may reduce our profitability, limit our growth, or otherwise adversely affect our operations. During the past several years, various regulatory and legislative bodies have adopted or proposed new laws or regulations to address the cyclical nature of the insurance industry, catastrophic events and insurance capacity and pricing. These regulations include (i) the creation of "market assistance plans" under which insurers are induced to provide certain coverages, (ii) restrictions on the ability of insurers to rescind or otherwise cancel certain policies in mid-term or to nonrenew policies at their scheduled expirations, (iii) advance notice requirements or limitations imposed for certain policy non renewals, (iv) limitations upon increases or decreases in rates permitted to be charged, (v) expansion of governmental involvement in the insurance market and (vi) increased regulation of insurers' policy administration and claims handling practices. Further, regulatory authorities have relatively broad discretion to deny or revoke licenses for various reasons, including the violation of regulations. In some instances, we follow practices based on our interpretations of regulations or practices that we believe may be generally followed by the insurance industry. These practices may turn out to be different from the interpretations of regulatory authorities. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us. This could adversely affect our ability to operate our business. We cannot predict with certainty the effect any enacted, proposed or future state or federal legislation or NAIC initiatives may have on the conduct of our business. Furthermore, there can be no assurance that the regulatory requirements applicable to our business will not become more stringent in the future or result in materially higher costs than current requirements, or that creation of a federal insurance regulatory system will not adversely affect our business or disproportionately benefit our competitors. Changes in the regulation of our business may reduce our profitability, limit our growth or otherwise adversely affect our operations. Our insurance subsidiaries are subject to minimum capital and surplus requirements, and our failure to meet these requirements could subject us to regulatory action. Our insurance subsidiaries are subject to risk-based capital standards and other minimum capital and surplus requirements imposed under applicable state laws. The risk-based capital standards, based upon the Risk-Based Capital Model Act adopted by the NAIC, require our insurance subsidiaries to report the results of risk-based capital calculations to state regulators and the NAIC. These risk-based capital standards provide for different levels of regulatory attention depending upon the ratio of an insurance company's total adjusted capital, as calculated in accordance with NAIC guidelines, to its authorized control level risk-based capital. Authorized control level risk-based capital is determined using the NAIC's risk-based capital formula, which measures the minimum amount of capital that an insurance company needs to support its overall business operations. An insurance company with total adjusted capital that is less than 200% of its authorized control level risk-based capital is at a company action level, which would require the insurance company to file a risk-based capital plan that, among other things, contains proposals of corrective actions the company intends to take that are reasonably expected to result in the elimination of the company action level event. Additional action level events occur when the insurer's total adjusted capital falls below 150%, 100%, and 70% of its authorized control level risk-based capital. The lower the percentage, the more severe the regulatory response, including, in the event of a mandatory control level event (total adjusted

capital falls below 70 % of the insurer's authorized control level risk-based capital), placing the insurance company into receivership. As of December 31, ~~2022~~ **2023**, our insurance subsidiaries each maintained a risk-based capital ratio of over 300 % and complied with the requirement of our state regulators. Our subsidiary, **HPCI-Heritage P & C**, has agreed to continue to maintain a risk-based capital ratio of at least 300 %. Our subsidiary, NBIC, has agreed to maintain a risk-based capital ratio requirement of ~~350~~ **325**%. In addition, our insurance subsidiaries are required to maintain certain minimum capital and surplus and to limit its written premiums to specified multiples of its capital and surplus. Our insurance subsidiaries could exceed these ratios if their volume increases faster than anticipated or if their surplus declines due to catastrophe or non-catastrophe losses or excessive underwriting and operational expenses. Any failure by our insurance subsidiaries to meet the applicable risk-based capital or minimum statutory capital requirements or the writings ratio limitations imposed by state law could subject our insurance subsidiaries to further examination or corrective action imposed by state regulators, including limitations on our writing of additional business, state supervision or liquidation. Any changes in existing risk-based capital requirements, minimum statutory capital requirements, or applicable writings ratios may require us to increase our statutory capital levels, which we may be unable to do. Litigation or regulatory actions could have a material adverse impact on us. From time to time, we are subject to civil or administrative actions and litigation. Civil litigation frequently results when we do not pay insurance claims in the amounts or at the times demanded by policyholders or their representatives. We also may be subject to litigation or administrative actions arising from the conduct of our business and the regulatory authority of state insurance departments. Further, we are subject to other types of litigation inherent in operating our businesses, employing personnel, contracting with vendors and otherwise carrying out our affairs. As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may arise, including judicial expansion of policy coverage and the impact of new theories of liability, plaintiffs targeting property and casualty insurers in purported class-action litigation relating to claims-handling and other practices, and adverse changes in loss cost trends, including inflationary pressures in home repair costs. Multiparty or class action claims may present additional exposure to substantial economic, non-economic or punitive damage awards. Current and future litigation or regulatory matters may negatively affect us by resulting in the payment of substantial awards or settlements, increasing legal and compliance costs, requiring us to change certain aspects of our business operations, diverting management attention from other business issues, harming our reputation with agents and customers or making it more difficult to retain current customers and to recruit and retain employees or agents. Regulation limiting rate increases and requiring us to participate in loss sharing may decrease our profitability. From time to time, political dispositions affect the insurance market, including efforts to effectively suppress rates at a level that may not allow us to reach targeted levels of profitability. Despite efforts to remove politics from insurance regulation, facts and history demonstrate that public policymakers, when faced with untoward events and adverse public sentiment, can act in ways that impede a satisfactory correlation between rates and risk. Such acts may affect our ability to obtain approval for rate changes that may be required to attain rate adequacy along with targeted levels of profitability and returns on equity. **Additionally, because we often must obtain regulatory approval prior to changing rates, delays in the filing, review or implementation of rate changes can adversely affect our ability to attain rate adequacy.** Our ability to afford reinsurance required to reduce our catastrophe risk may be dependent upon the ability to adjust rates for our cost. **Moreover, when state regulations allow us to implement rate changes while filings are pending, we risk having to refund premiums if the implemented changes are greater than those ultimately approved.** Additionally, we are required to participate in guaranty funds for insolvent insurance companies. The funds periodically assess losses against all insurance companies doing business in the state. Our operating results and financial condition could be adversely affected by any of these factors. Our revenues and operating performance will fluctuate due to statutorily approved assessments that support property and casualty insurance pools and associations. We operate in a regulatory environment where certain entities and organizations have the authority to require us to participate in assessments. Currently these entities and organizations include, but are not limited to, state guaranty funds, state joint underwriting associations, fair plans, wind pools, or the FHCF. Insurance companies currently pass these assessments on to holders of insurance policies in the form of a policy surcharge and reflect the collection of these assessments as fully earned credits to operations in the period collected. The collection of these fees, however, may adversely affect our overall marketing strategy due to the competitive landscape of our business. As a result, the impact of possible future assessments on our balance sheet, results of operations or cash flow are indeterminable at this time. Risks Relating to Financing Our variable rate indebtedness subjects us to interest rate risk, which could cause our annual debt service obligations to increase significantly. Borrowings under our credit facilities are at variable rates of interest and expose us to interest rate risk. If the rates on which our borrowings are based were to increase from current levels, our debt service obligations on our variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash available to service our other obligations would decrease. Due to inflationary pressures on the U. S. economy and governmental action to combat inflation, interest rates **have been above recent historical levels** increased during 2022 and it appears likely that interest rates will continue to increase during 2023, which may decrease our net income and cash flows. Our credit agreement contains restrictions that can limit our flexibility in operating our business. The agreement governing our credit facilities contains various covenants that limit our ability to engage in certain transactions. These covenants limit our and our subsidiaries' ability to, among other things: • incur additional indebtedness; • declare or make any restricted payments, including dividends; • make investments, including the contribution of capital to our insurance subsidiaries; • create liens on any of our current or future assets; • consolidate, merge, sell, or otherwise dispose of all or substantially all of our current or future assets; and • enter into certain transactions with our affiliates. These covenants could place us at a disadvantage compared to some of our competitors that may have fewer restrictive covenants and may not be required to operate under these restrictions. Further, these covenants could have an adverse effect on our business by limiting our ability to take advantage of financing and business opportunities. If we fail to comply with these covenants, it could result in an event of default under our credit facilities. If any default occurs, all amounts outstanding under our credit facilities may

become immediately due and payable. Dividend payments on our common stock in the future are uncertain. Although we have paid dividends on our common stock in the past, the declaration and payment of dividends will be at the discretion of our board of directors and will depend on our profits, financial requirements and other factors, such as restrictions under our credit facilities, which limit our ability to pay dividends, and other legal and regulatory restrictions on the payment of dividends, our overall business condition and other elements our board of directors considers relevant. Therefore, investors who purchase our common stock may only realize a return on their investment if the value of our common stock appreciates. We depend on the ability of our subsidiaries to generate and transfer funds to meet debt obligations and to make dividend payments. We do not have significant revenue generating operations of our own at the parent company. As such, our ability to make scheduled payments on our debt obligations and pay dividends depends on the financial condition and operating performance of our subsidiaries. If the funds we receive from our subsidiaries, some of which are subject to regulatory restrictions on the payment of distributions, are insufficient to meet our debt obligations, we may be required to raise funds through the issuance of additional debt or equity securities, reduce or suspend dividend payments, or sell assets. Risks Relating to Ownership of Our Common Stock Certain provisions of our certificate of incorporation and our bylaws may make it difficult for stockholders to change the composition of our board of directors and may discourage hostile takeover attempts that some of our stockholders may consider to be beneficial. Certain provisions of our certificate of incorporation and bylaws may have the effect of delaying or preventing changes in control if our board of directors determines that such changes in control are not in the best interests of us and our stockholders. The provisions in such certificate of incorporation and bylaws include, among other things, the following: • the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms, including preferences and voting rights, of those shares without stockholder approval; • stockholder action can only be taken at a special or regular meeting and not by written consent; • advance notice procedures for nominating candidates to our board of directors or presenting matters at stockholder meetings; and • allowing only our board of directors to fill vacancies on our board of directors. We have elected in our certificate of incorporation not to be subject to Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15 % or more of the corporation's voting stock for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Accordingly, we will not be subject to any anti-takeover effects of Section 203. While these provisions have the effect of encouraging persons seeking to acquire control of our company to negotiate with our board of directors, they could enable the board of directors to hinder or frustrate a transaction that some, or a majority, of the stockholders might believe to be in their best interests, including an acquisition that would result in a price per share at a premium over the market price, and, in that case, may prevent or discourage attempts to remove and replace incumbent directors. These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. Applicable insurance laws may make it difficult to effect a change of control of our company. State insurance holding company laws require prior approval by the state insurance department of any change of control of an insurer that is domiciled in that respective state. "Control" is generally defined as the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a company, whether through the ownership of voting securities, by contract or otherwise. Control is generally presumed to exist through the direct or indirect ownership of 10 % or more of the voting securities of a domestic insurance company or any entity that controls a domestic insurance company. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change of control of us, including through transactions, and in particular unsolicited transactions, that some or all of our stockholders might consider to be desirable. Our stock price in recent years has been volatile and is likely to continue to be volatile, which may impact the value of stock held by investors. The market price of our common stock has experienced, and may continue to experience, significant volatility from time to time. Such volatility may be affected by various factors and events, such as: our operating results, including a shortfall in revenues or operating performance from that expected by securities analysts and investors; recognition of large unanticipated accounting charges, such as impairment charges; changes in securities analysts' estimates of our financial performance or the financial performance of our competitors or companies in our industry generally; a downgrade of our Demotech or KBRA rating; the announcement of a material event or anticipated event involving us or our industry or the markets in which we operate; and other risk factors described in this Annual Report. In recent years, the U. S. stock market has experienced extreme price and volume fluctuations, which have sometimes affected the market price of the securities issued by a particular company in a manner unrelated to our operational performance. This type of market effect could impact the price of our common stock as well. This volatility means that the price of our common stock may have declined substantially at such time as our stockholders may look to sell shares of our common stock, which reduces the value of their investment. General Risk Factors Our information technology systems, or those of our key service providers, may fail or suffer a loss of security which could adversely affect our business. Our insurance business is highly dependent upon the successful and uninterrupted functioning of our computer and data processing systems. We rely on these systems to perform actuarial and other modeling functions necessary for writing business, as well as to handle our policy and claims administration process (i. e., handling and adjusting claims, the billing, printing and mailing of our policies, endorsements, renewal notices, etc.). The successful operation of our systems depends on a continuous supply of electricity. The failure of these systems or disruption in the supply of electricity could interrupt our operations and result in a material adverse effect on our business. The development and expansion of our insurance business is dependent upon the successful development and implementation of advanced technology, including modeling, underwriting and information technology systems. We have engaged service providers to provide us with policy and other administration services for certain policies and we intend to continue to utilize third party systems. The failure of any of these systems to function as planned could adversely affect our future business volume



service levels and results of operations. In addition, we have licensed certain systems and data from third parties. We cannot be certain that we will have access to these, or comparable systems, or that our technology or applications will continue to operate as intended. Moreover, we cannot be certain that we would be able to replace these systems without slowing our underwriting or claims handling response time. A major defect or failure in our internal controls or information technology systems could result in management distraction, harm to our reputation, a loss or delay of revenues or increased expense. We may be subject to information technology failures, including data protection breaches and cyber- attacks, that could disrupt our operations, damage our reputation and adversely affect our business, operations, and financial results. We rely on our information technology systems for the effective operation of our business and for the secure maintenance and storage of confidential data relating to our business and for our policyholders. **Cybersecurity risks could include breaches of systems resulting in compromised data including personally identifiable customer information or other proprietary or confidential information. We could also be subject to attacks that include denial of service attacks, or the deployment of malware intended to compromise the functionality of our information systems. Our third- party providers of products, services and support are subject to similar cybersecurity risks. Any of these breaches could impact our policyholders and our business, resulting in a loss of customers, suppliers, or revenue, including interruptions to our operations or damage to our reputation, regulatory enforcement actions, substantial fines and penalties, litigation or other liability or actions which could have a material adverse effect on our business, cash flows, financial condition and results of operations.** We have implemented security controls to protect our information technology systems, but experienced programmers or hackers may be able to penetrate our security controls, and develop and deploy viruses, worms and other malicious software programs that compromise our confidential information or that of third parties and cause a disruption or failure of our information technology systems. For example, during the first quarter of 2021, we experienced a cyber intrusion on certain of our information technology systems. In addition, we have in the past and may in the future be subject to " phishing" attacks in which third parties send emails purporting to be from reputable companies in order to obtain personal information and infiltrate our systems to initiate wire transfers or otherwise obtain proprietary or confidential information. Our customers provide personal information that we store and maintain in our data warehouse and policy and claims systems. We have implemented systems and processes to protect against unauthorized access to or use of such personal information, but there is no guarantee that these procedures **can prevent any** are adequate to safeguard against all security breaches or misuse of the information. Furthermore, we rely on encryption and authentication technology to provide security and authentication to effectively secure transmission of confidential information, including customer bank account, credit card information and other personal information. However, there is no guarantee that these systems or processes will address all of the cyber threats that continue to evolve. In addition, many of the third parties who provide products, services, or support to us could also experience any of the above cyber risks or security breaches, which could impact our policyholders and our business and could result in a loss of customers, suppliers or revenue. Any compromise of our information technology systems could result in the unauthorized publication of our confidential business or proprietary information, result in the unauthorized release of customer, supplier or employee data, result in a violation of privacy or other laws, expose us to a risk of litigation, cause us to incur direct losses if attackers access our actuarial and other models, bank or investment accounts. Any breach in our information systems could result in interruptions to our operations and damage to our reputation, and the misappropriation of confidential information could result in regulatory enforcement actions, substantial fines and penalties, litigation or other liability or actions which could have a material adverse effect on our business, cash flows, financial condition and results of operations. Any interruption to the use or access of our information systems at critical points in time could adversely affect the timely and efficient operation of our business. Any delay in our business growth, significant costs or lost policyholders resulting from such information technology failures could adversely affect our business, operations and financial results. The cost and operational consequences of implementing additional data protection measures either as a response to specific breaches or as a result of evolving changes in technology or risks, could be significant and negatively affect our business. The development and implementation of new technologies will require an additional investment of our capital resources in the future. Frequent technological changes, new products and services and evolving industry standards are all influencing the insurance business. We believe that the development and implementation of new technologies will require additional investment of our capital resources in the future. We have not determined, however, the amount of resources and the time that this development and implementation may require, which may result in short- term, unexpected interruptions to our business, or may result in a competitive disadvantage in price and / or efficiency, as we endeavor to develop or implement new technologies. **In addition, changes in technology typically outpace corresponding regulations, which may lead to periods of uncertainty in the permissible uses of certain technology and to differences or even inconsistencies in the regulatory approaches across jurisdictions. The absence of regulations or conflicts in regulations may further limit our ability to implement new technology in an effective and timely manner.** We do not have significant redundancy in our operations. Despite system redundancy, our security measures and disaster recovery plan for our internal information technology may not be effective. Our systems are vulnerable to damage from a number of sources, including energy blackouts, natural disasters and other catastrophic events, terrorism, war, telecommunication failures and malicious software programs or cyber security attacks. We conduct our business primarily from offices located in Florida, Hawaii, and Rhode Island where catastrophic weather events could damage our facilities or interrupt our power supply. The loss or significant impairment of functionality in these facilities for any reason could have a material adverse effect on our business, as we do not have significant redundancies to replace our facilities if functionality is impaired. We contract with a third- party vendor to maintain complete daily backups of our systems; however, we have not fully tested our plan to recover data in the event of a disaster. Furthermore, our disaster recovery and business continuity plans involve arrangements with our off- site, secure data centers. In the event of a catastrophic weather event or cyber security attack, we cannot assure that we will be able to access our systems from these facilities in the event that our primary systems are unavailable. While we have established

infrastructure and geographic redundancy for our critical systems, our ability to utilize these redundant systems requires further testing and we cannot be assured that such systems are fully functional. We are dependent on our executives, key employees and the ability to hire and retain a qualified workforce. Our future success depends on the efforts of our leadership team and workforce. If any other member of senior management dies or becomes incapacitated, or leaves the company to pursue employment opportunities elsewhere, we would be solely responsible for locating an adequate replacement for such senior management and for bearing any related cost. To the extent that we are unable to locate an adequate replacement or are unable to do so within a reasonable period of time, our business may be significantly and negatively affected. Additionally, our future success is also based on our ability to develop the talent and skills of our human resources and attract and retain experienced and qualified employees. For example, if the quality of our underwriters, claims or other personnel decreases, we may be unable to maintain our current competitive position in the specialized markets in which we operate, which could adversely affect our results. There is strong competition within the insurance industry and from businesses outside the insurance industry for qualified employees. The unexpected loss of key employees in any of our could have a material adverse impact on our business because of the loss of such skills, knowledge of our products and years of industry experience.