

# Earnings Presentation

**3<sup>rd</sup> Quarter 2024**

November 6<sup>th</sup>, 2024

*American Coastal*<sup>▲</sup>  
INSURANCE CORPORATION™

# Company Overview

*ACIC is a specialty underwriter of catastrophe exposed property insurance.*

American Coastal Insurance Corp. (Nasdaq: ACIC) is the insurance holding company for two P&C carriers: **American Coastal Insurance Company** (AmCoastal) and **Interboro Insurance Company** (IIC) <sup>1</sup> along with other operating affiliates.

AmCoastal has the **#1 market share of commercial residential** property insurance (commercial lines) **in Florida** with roughly 4,000 policies and \$646.0 million of premium in-force.

IIC's homeowners & fire insurance products (personal lines) are written exclusively **in New York** with approximately 18,800 policies and \$38.7 million of premium in-force. <sup>1</sup>

## ACIC as of September 30, 2024

Total Assets:	\$1.14 billion
Total Equity:	\$259.6 million
Annualized Revenue:	\$289.9 million
Employees:	64
Headquarters:	St. Petersburg, FL
Credit Rating:	BB+ (Kroll)

### Specialty Commercial Property



### Specialty Homeowners <sup>1</sup>



<sup>1</sup> IIC's results are classified as discontinued operations.

# Executive Summary

- **Q3-24 Results**

- **Non-GAAP Core Income of \$26.9m (\$0.54)** increased \$11.4m (+73.6%) from \$15.5m (\$0.35) y/y on lower ceded earned premiums resulting from the step down of the 40% gross CAT quota share effective 6.1.2023 to 20% effective 6.1.2024.
- **Net premiums earned grew \$24.2m (+48.2%)** to \$74.5m y/y.
- Our **combined ratio of 57.7%** was better than our **65.0% target** and a decrease of **5.0 points** from 62.7% in the same period last year.
- Current year **net catastrophe losses in the quarter were \$5.0m before tax (Hurricanes Debby & Helene) and we had \$1.4m of favorable prior year reserve development.**
- **Stockholders' equity attributable to ACIC, increased to \$259.6m or \$5.38 per share and \$5.63 per share excluding unrealized losses in accumulated other comprehensive income.**

- **Other Highlights**

- We have received 154 claims from Hurricane Milton and expect about 200 claims in total with an estimated ultimate gross loss between \$150 - \$200 million and a net loss incurred of \$20.5m before income tax during the fourth quarter.
- Reinstatement premiums are expected to increase ceded premiums earned by approximately \$13 million which is amortized over the 8-month period from October 2024 to May 2025. This results in AmCoastal having its full reinsurance tower in place for potential subsequent hurricane events with our net retention now reduced to \$10.3 million net of income tax for the next two potential hurricane occurrences.
- Completed an assumption from Citizens on October 29, 2024, adding 88 new risks with roughly \$9.7m of expiring premium.

# 2H-2024 Hurricane Estimates

*Despite an active hurricane season, ACIC is expected to remain profitable.*

	<b>% of 9.30.24</b>						
<u>Hurricane</u>	<u>Gross</u>	<u>Ceded</u>	<u>Net</u>	<u>Tax benefit</u>	<u>After tax</u>	<u>GAAP Equity</u>	
Debby	\$ 1.0	\$ (0.2)	\$ 0.8	\$ (0.2)	\$ 0.6	0.24%	
Helene	\$ 5.0	\$ (1.0)	\$ 4.0	\$ (0.8)	\$ 3.2	1.22%	
<b>Sub-Total (3Q)</b>	<b>\$ 6.0</b>	<b>\$ (1.2)</b>	<b>\$ 4.8</b>	<b>\$ (1.0)</b>	<b>\$ 3.8</b>	<b>1.46%</b>	
Milton (4Q)	\$ 200.0	\$ (179.5)	\$ 20.5	\$ (4.3)	\$ 16.2	6.24%	
<b>Total 2H-2024</b>	<b>\$ 206.0</b>	<b>\$ (180.7)</b>	<b>\$ 25.3</b>	<b>\$ (5.3)</b>	<b>\$ 20.0</b>	<b>7.70%</b>	

**AmCoastal still has over \$1.2 billion of catastrophe reinsurance in place for any potential subsequent hurricane events with a lower net retention of \$10.3 million after tax (~4% of equity at 9.30.24) per occurrence for 2<sup>nd</sup> and 3<sup>rd</sup> event, if incurred.**

# 3Q-24 Financial Scorecard

*Key results all compare favorably to Raymond James' estimates for the current period.*

## Core Earnings per Share (CEPS)

**3Q-24 = \$0.54**  
vs.  
Analyst's Est. = \$0.15

## Combined Ratio (CR)

**3Q-24 = 57.7%**  
vs.  
Analyst's Est. = 89.3%

## Book Value per Share (BVPS)

**3Q-24 = \$5.38**  
vs.  
Analyst's Est. = \$4.71

## Core Return on Equity (CROE)

**3Q-24 = 53.8%**  
vs.  
Analyst's Est. = 13.5%

# 3Q-24 Summary of Key Results

Combined ratio decreased 5.0 points and core income grew \$11.4m (\$0.19) due to higher net premiums.

*\$ in thousands, except per share amounts*

	<u>Q3-24</u>	<u>Q3-23</u>	<u>Change</u>	<u>2024</u>	<u>2023</u>	<u>Change</u>
<b>Net income (loss)</b>	\$ 28,119	\$ 10,568	166.1%	\$ 70,772	\$ 295,627	n/m
<i>per diluted share (EPS)</i>	\$ 0.57	\$ 0.24		\$ 1.44	\$ 6.73	
<b>Reconciliation to core income (loss), net of tax:</b>						
<i>Investment gains (losses)</i>	\$ 1,216	\$ 143		\$ 1,120	\$ (4,736)	
<i>Amortization of intangible assets</i>	\$ (481)	\$ (641)		\$ (1,604)	\$ (1,924)	
<i>Gain (loss) from discontinued operations</i>	\$ 450	\$ (4,447)		\$ 321	\$ 227,803	
<i>Total adjustments</i>	\$ 1,185	\$ (4,945)		\$ (163)	\$ 221,143	
<b>Core income (loss)</b>	\$ 26,934	\$ 15,513	73.6%	\$ 70,935	\$ 74,484	-4.8%
<i>per diluted share (CEPS)</i>	\$ 0.54	\$ 0.35		\$ 1.44	\$ 1.70	
Net loss & LAE ratio	15.8%	19.5%		19.7%	18.8%	
Net expense ratio	41.9%	43.2%		38.9%	42.4%	
<b>Combined ratio</b>	<b>57.7%</b>	<b>62.7%</b>	<b>(5.0) pts</b>	<b>58.6%</b>	<b>61.2%</b>	<b>(2.6) pts</b>
<i>Less: Net current year catastrophe loss &amp; LAE</i>	6.6%	9.7%		2.6%	6.2%	
<i>Less: Net (favorable) unfavorable reserve development</i>	-1.8%	-6.2%		-1.2%	-5.2%	
<b>Underlying combined ratio</b>	<b>52.9%</b>	<b>59.2%</b>	<b>(6.3) pts</b>	<b>57.2%</b>	<b>60.2%</b>	<b>(3.0) pts</b>

# 3Q-24 Operating Overview

Earnings before income tax improved +101.7% driven by our reduced quota share cession rate.

*\$ in millions*

	<b>Q3-24</b>	<b>Q3-23</b>	<b>Change</b>	<b>% Chg</b>
Gross Premiums Earned	\$ 160.2	\$ 157.8	2.4	1.5%
Ceded Premiums Earned	(85.7)	(107.5)	21.8	-20.3%
Net Premiums Earned	74.5	50.3	24.2	48.1%
Investment & Other Income	6.1	2.1	4.0	190.5%
Unrealized G(L) on Equities	1.5	0.1	1.4	1400.0%
<b>Total Revenue</b>	<b>82.1</b>	<b>52.5</b>	<b>29.6</b>	<b>56.4%</b>
Underlying Loss & LAE	8.2	8.0	0.2	2.5%
Current year CAT Loss & LAE	5.0	4.9	0.1	2.0%
Prior year development (F)/U	(1.4)	(3.1)	1.7	-54.8%
Net Loss & LAE	11.8	9.8	2.0	20.4%
Operating Expense	31.2	21.7	9.5	43.8%
Interest Expense	3.1	2.7	0.4	14.8%
<b>Total Expenses</b>	<b>46.1</b>	<b>34.2</b>	<b>11.9</b>	<b>34.8%</b>
Other income (expense)	0.5	(0.2)	0.7	-350.0%
<b>Earnings from continuing operations before tax</b>	<b>\$ 36.5</b>	<b>\$ 18.1</b>	<b>\$ 18.4</b>	<b>101.7%</b>
Provision (benefit) for income tax	8.8	3.1	5.7	183.9%
<b>Net income from continuing operations</b>	<b>\$ 27.7</b>	<b>\$ 15.0</b>	<b>\$ 12.7</b>	<b>84.7%</b>

The impact of the quota share step down from 40% to 20% effective June 1, 2024, had a significant impact on ceded premiums earned and operating expense (policy acquisition costs) y/y.

# 2024 Full Year & 4Q-24 Guidance

We expect to be profitable in the fourth quarter, despite the impact of Hurricane Milton.

## Estimated range of Net Income from Continuing Operations <sup>1</sup>

	Low	High
<b>FY-24 E</b>	<b>\$ 75.0</b>	<b>\$ 80.0</b>
FY-23 A	\$85.2	
<i>Y/Y Change</i>	<i>\$ (10.2)</i>	<i>\$ (5.2)</i>
<i>% Change</i>	<i>-11.9%</i>	<i>-6.1%</i>

<b>4Q-24 E</b>	<b>\$ 4.6</b>	<b>\$ 9.6</b>
4Q-23 A	\$14.7	
<i>Y/Y Change</i>	<i>\$ (10.1)</i>	<i>\$ (5.1)</i>
<i>% Change</i>	<i>-68.9%</i>	<i>-34.7%</i>

## Estimated range of Net Premiums Earned <sup>1</sup>

	Low	High
<b>FY-24 E</b>	<b>\$ 270.0</b>	<b>\$ 280.0</b>
FY-23 A	\$262.1	
<i>Y/Y Change</i>	<i>\$ 7.9</i>	<i>\$ 17.9</i>
<i>% Change</i>	<i>3.0%</i>	<i>6.8%</i>

<b>4Q-24 E</b>	<b>\$ 69.5</b>	<b>\$ 79.5</b>
4Q-23 A	\$59.6	
<i>Y/Y Change</i>	<i>\$ 9.9</i>	<i>\$ 19.9</i>
<i>% Change</i>	<i>16.6%</i>	<i>33.3%</i>

<sup>1</sup> Estimates include net incurred losses of \$16.2 million, net of tax impacts, from Hurricane Milton impacting current year earnings and approximately \$5 million of additional ceded premiums earned impacting current year net premiums earned, whereas ACIC did not incur any hurricane losses or reinsurance reinstatement premiums in 2023.



# Balance Sheet Highlights

(\$ in thousands, except per share amounts)	Sep 30, 2024	Dec. 31, 2023	YTD % Change
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## Selected Balance Sheet Data

Cash & investments	\$ 630,867	\$ 311,874	102.3%
Accumulated other comprehensive income (loss)	\$ (11,617)	\$ (17,137)	-32.2%
Unpaid loss & LAE reserves	\$ 194,678	\$ 347,738	-44.0%
Reinsurance recoverable	\$ 147,325	\$ 340,820	-56.8%
<i>Net Loss &amp; LAE reserves</i>	<i>\$ 47,353</i>	<i>\$ 6,918</i>	<i>584.5%</i>
Financial debt	\$ 148,937	\$ 148,688	0.2%
<b>Stockholders' equity attributable to ACIC</b>	<b>\$ 259,582</b>	<b>\$ 168,765</b>	<b>53.8%</b>
Total capital	\$ 408,519	\$ 317,453	28.7%

Liquidity & Equity have improved significantly since year-end driven by strong underwriting results.

## Leverage Ratios

Debt-to-total capital	36.5%	46.8%	-22.2%
Net premiums earned-to-stockholders' equity (annualized)	103.0%	158.4%	-35.0%

## Per Share Data

Common shares outstanding	48,204,962	46,777,006	3.1%
<b>Book value per common share</b>	<b>\$ 5.38</b>	<b>\$ 3.61</b>	<b>49.3%</b>
Underlying book value per common share	\$ 5.63	\$ 3.97	41.6%
Tangible book value per common share	\$ 4.00	\$ 2.14	87.2%
Underlying tangible book value per common share	\$ 4.24	\$ 2.50	69.4%

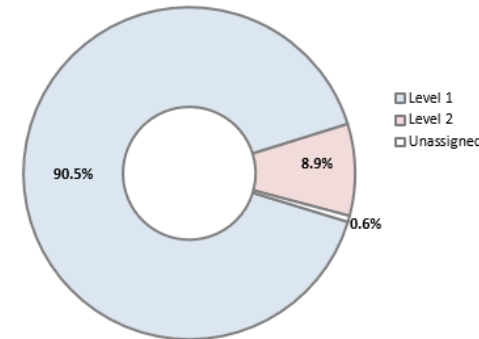
# Investment Portfolio Overview

- The Company continues to add to its investment positions in anticipation of future cash yields decreasing.

(\$ in thousands)	Sep. 30, 2024	Jun. 30, 2024	Q/Q % Change
<b>Investments, at fair value:</b>			
Fixed Income	\$302,806	\$293,603	3.1%
Equity Securities	\$25,950	\$15,429	68.2%
Alternatives	\$1,959	\$1,959	0.0%
<b>Total Investments</b>	<b>\$330,715</b>	<b>\$310,991</b>	<b>6.3%</b>
Total Cash	\$240,399	\$261,589	-8.1%
<b>Total Cash &amp; Investments</b>	<b>\$571,114</b>	<b>\$572,580</b>	<b>-0.3%</b>

- Focusing on a resilient and high-quality portfolio considerate of current market conditions and risks.

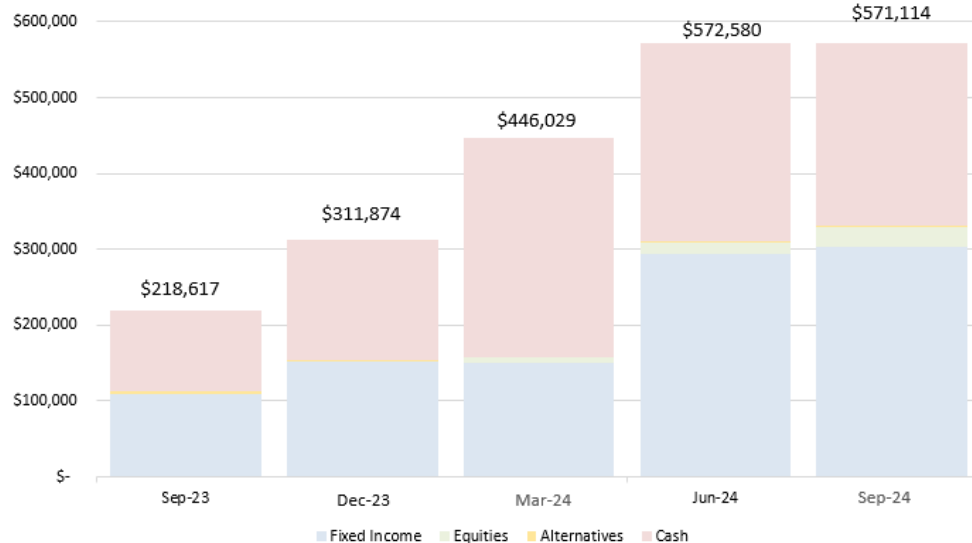
Portfolio Composition by NAIC Level



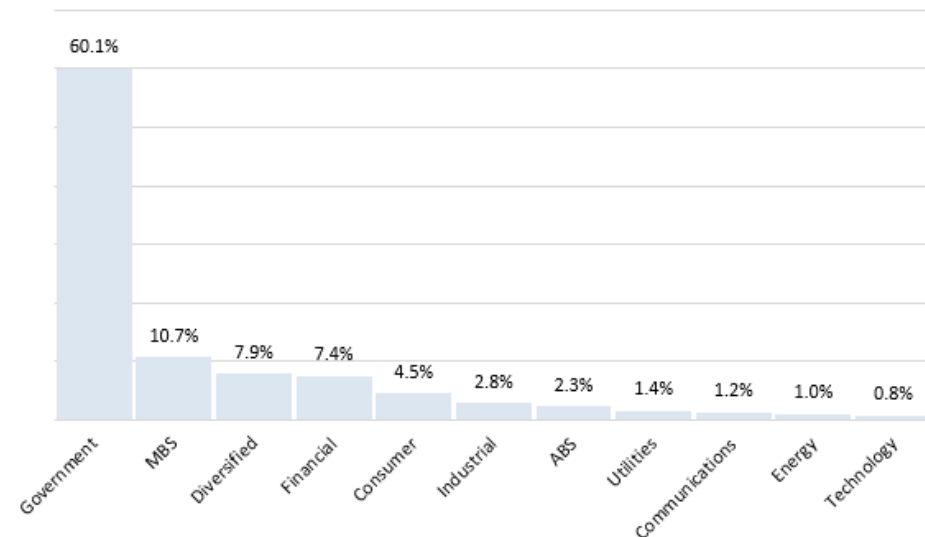
Fixed Income Metrics: Q3-24

Portfolio duration	2.2 years
Weighted Avg Coupon	3.98%
Book Yield	3.65%
% A-or Higher	89.1%
Composite Rating	AA-

Cash & Investments

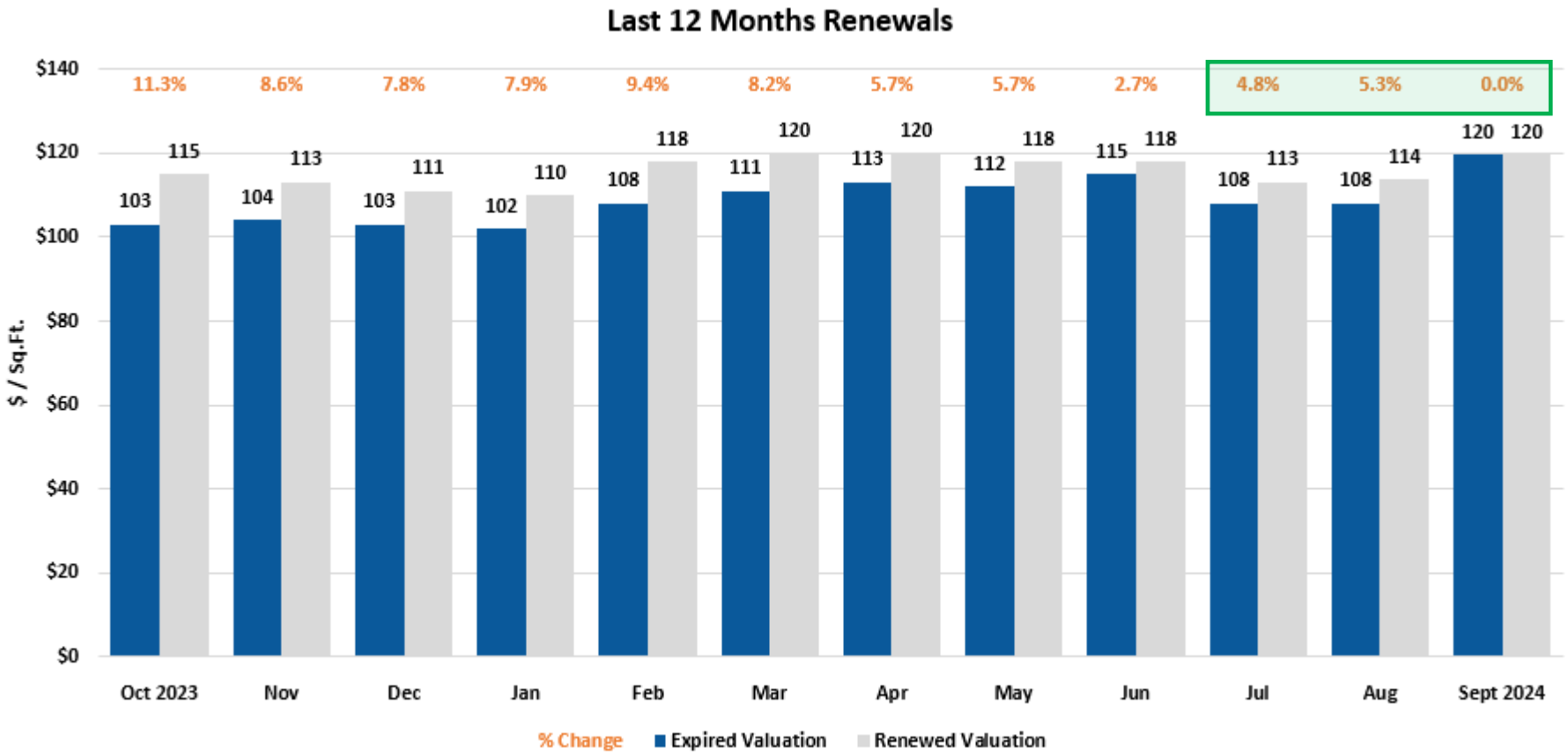


Portfolio Composition by Industry Sector



# Commercial Property Valuation Trends

*Valuation changes are slowing down as inflationary pressure moderates.*



# Cautionary Statements

This presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward looking statements include expectations regarding our diversification, growth opportunities, retention rates, liquidity, investment returns and our ability to meet our investment objectives and to manage and mitigate market risk with respect to our investments. These statements are based on current expectations, estimates and projections about the industry and market in which we operate, and management's beliefs and assumptions. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "endeavor," "project," "believe," "anticipate," "intend," "could," "would," "estimate," or "continue" or the negative variations thereof, or comparable terminology, are intended to identify forward-looking statements. Forward-looking statements are not guarantees of future performance and involve certain known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. The risks and uncertainties include, without limitation: the regulatory, economic and weather conditions in the states in which we operate; the impact of new federal or state regulations that affect the property and casualty insurance market; the cost, variability and availability of reinsurance; assessments charged by various governmental agencies; pricing competition and other initiatives by competitors; our ability to attract and retain the services of senior management; the outcome of litigation pending against us, including the terms of any settlements; dependence on investment income and the composition of our investment portfolio and related market risks; our exposure to catastrophic events and severe weather conditions; downgrades in our financial strength ratings; risks and uncertainties relating to our acquisitions including our ability to successfully integrate the acquired companies; and other risks and uncertainties described in the section entitled "Risk Factors" and elsewhere in our filings with the Securities and Exchange Commission (the "SEC"), including our Annual Report in Form 10-K for the year ended December 31, 2022 and 2023 and our Form 10-Q for the periods ending March 31, 2023 (Form 10-Q/A), June 30, 2023, September 30, 2023, March 31, 2024, June 30, 2024 and September 30, 2024, including amendments and recast results. We caution you not to place undue reliance on these forward looking statements, which are valid only as of the date they were made. Except as may be required by applicable law, we undertake no obligation to update or revise any forward-looking statements to reflect new information, the occurrence of unanticipated events, or otherwise.

This presentation contains certain non-GAAP financial measures. See our earnings release, Form 10-K , Form 10-Q, and Form 10-Q/A for further information regarding these non-GAAP financial measures.