

Heritage Insurance Announces Completion of 2016-2017 Reinsurance Program

CLEARWATER, Fla., June 8, 2016 /PRNewswire/ -- Heritage Insurance Holdings, Inc. (NYSE: HRTG) ("Heritage" or the "Company"), a property and casualty insurance holding company, today announced that its insurance subsidiaries, Heritage Property & Casualty Insurance Company ("Heritage P&C") and Zephyr Insurance Company ("Zephyr") completed the placement of their 2016-2017 reinsurance programs. The programs are incorporated into one reinsurance structure and are allocated amongst traditional reinsurers, catastrophe bonds issued by Citrus Re and the Florida Hurricane Catastrophe Fund (FHCF). The program provides approximately \$3.0 billion in reinsurance protection for catastrophic losses and exceeds the requirements established by the Company's rating agency, Demotech, Inc., the Florida Office of Insurance Regulation and the Hawaii Insurance Department.

Bruce Lucas, Chairman and CEO of Heritage, said, "We are pleased to have secured \$3.0 billion in reinsurance coverage. This level of catastrophe reinsurance reflects the Company's conservative approach to risk management and our focus on protecting both our policyholders and our stockholders against the peril of a hurricane. Our mix of business has changed from last year with the addition of the wind-only book of business from Zephyr, the wind-only policies assumed from Citizens and the growth we have experienced in our commercial residential business, all of which have higher reinsurance costs and lower attritional loss ratios. The addition of the Zephyr policies allowed us to recognize significant synergies, while further diversifying our reinsurer panel by adding several new reinsurers to our program. We are pleased with our rate, the significant level of coverage we have from our partners and the positive shift in business toward lower attritional losses."

The 2016-2017 reinsurance program provides first event coverage up to \$1.9 billion in Florida, first event coverage up to \$1.1 billion in Hawaii, and multiple event coverage up to \$3.0 billion. Heritage P&C has a first event primary retention of \$20 million and Osprey Re, Heritage's captive reinsurance company, has an additional \$20 million first event primary retention. Heritage P&C has a \$15 million second event primary retention and a \$5 million primary retention for third and subsequent events. If the first event happens in Hawaii, Zephyr and Osprey Re have a \$15 million and a \$20 million primary retention, respectively. Zephyr has a \$5 million primary retention for second and subsequent events.

The Company's estimated total cost for the 2016-2017 catastrophe reinsurance program is approximately \$240 million, which represents an estimated 37% cost of reinsurance or ceded premium ratio. The cost as a percentage of gross premiums earned is an increase of approximately 2.6 percentage points over last year's program. The primary factor causing the increase is the shift in the mix of business to include wind only business and a greater number of commercial residential policies that have lower non-wind (all other peril) losses.

The Company also renewed its property per risk treaty, which limits losses to \$1 million, at a rate decrease.

About Heritage

Heritage Insurance Holdings, Inc. is a property and casualty insurance holding company headquartered in Clearwater, Florida. Its insurance subsidiaries, Heritage Property & Casualty Insurance Company and Zephyr Insurance Company, write over \$600 million and \$60 million, respectively, of personal and commercial residential premium through a large network of experienced agents. The Company is currently writing property and casualty insurance policies in Florida, Hawaii and North Carolina. Heritage Insurance Holdings, Inc. is led by a seasoned senior management team with an average of 31 years of insurance industry experience.

Forward-Looking Statements

Statements in this press release 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," "intend," "could," "would," "estimate," "or" "continue" or the other negative variations thereof or comparable terminology are intended to identify forward-looking statements. The risks and uncertainties that could cause our actual results to differ from those expressed or implied herein include, without limitation: the success of the Company's marketing initiatives; inflation and other changes in economic conditions (including changes in interest rates and financial markets); the impact of new federal and state regulations that affect the property and casualty insurance market; the costs of reinsurance and the collectability of reinsurance; assessments charged by various governmental agencies; pricing competition and other initiatives by competitors; our ability to obtain regulatory approval for requested rate changes, and the timing thereof; legislative and regulatory developments; the outcome of litigation pending against us, including the terms of any settlements; risks related to the nature of our business; dependence on investment income and the composition of our investment portfolio; the adequacy of our liability for losses and loss adjustment expense; our ability to build and maintain relationships with insurance agents; claims experience; ratings by industry services; catastrophe losses; reliance on key personnel; weather conditions (including the severity and frequency of storms, hurricanes, tornadoes and hail); changes in loss trends; acts of war and terrorist activities; court decisions and trends in litigation; and other matters described from time to time by us in our filings with the Securities and Exchange Commission, including, but not limited to, the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange

Commission on March 8, 2016. 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 .

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