

HCI Group, Inc.
Form DEF 14A
April 25, 2014

SCHEDULE 14A

(Rule 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

HCI GROUP, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on the table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**NOTICE OF ANNUAL MEETING
AND PROXY STATEMENT
2014**

April 29, 2014

TO OUR SHAREHOLDERS:

You are cordially invited to attend our 2014 Annual Shareholders Meeting, which will be held at our headquarters, Cypress Commons, 5300 West Cypress Street, Suite 105, Tampa, Florida 33607, on Thursday, May 22, 2014, at 3 p.m., local time. Shareholders will be admitted beginning at 2:30 p.m.

We look forward to reporting to you and discussing with you our achievements during the past year.

Your vote is very important. Please sign and return the accompanying proxy card, or follow the instructions on the card for voting by telephone or Internet. That way, your shares will be voted as you direct.

Paresh Patel

Chairman of the Board

Chief Executive Officer

5300 WEST CYPRESS STREET, SUITE 100

TAMPA, FLORIDA 33607

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF HCI GROUP, INC.:

TIME: 3 p.m., local time, on Thursday, May 22, 2014. Shareholders will be admitted beginning at 2:30 p.m.

PLACE: Cypress Commons
5300 West Cypress Street, Suite 105
Tampa, Florida 33607

ITEMS OF

BUSINESS:

1. To elect Class C directors;
2. To ratify the appointment of Dixon Hughes Goodman, LLP as the company's independent registered public accounting firm for the year ending December 31, 2014;
3. To transact such other business that may properly come before the meeting or any adjournments or postponements thereof.

RECORD DATE You can vote only if you were a shareholder of record on April 14, 2014.

ANNUAL REPORT Our 2013 Annual Report to Shareholders, which is not a part of this proxy statement, is enclosed.

PROXY VOTING It is important that your shares be represented at the annual meeting and voted in accordance with your instructions. Please indicate your instructions by promptly signing and dating the enclosed proxy card and mailing it in the enclosed postage paid, pre-addressed envelope or by following the instructions on the proxy card for telephone or Internet voting.

By Order of the Board of Directors,

Andrew L. Graham

Secretary and General Counsel

5300 WEST CYPRESS STREET, SUITE 100

TAMPA, FLORIDA 33607

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 22, 2014

TO THE SHAREHOLDERS OF

April 29, 2014

HCI GROUP, INC.:

This proxy statement and the form of proxy (first sent to shareholders on the approximate date set forth above) are delivered in connection with the solicitation by directors of HCI Group, Inc. (the company, we, or us), a Florida corporation, of proxies to be voted at our 2014 Annual Meeting of Shareholders and at any adjournments or postponements thereof.

You are invited to attend our Annual Meeting of Shareholders on Thursday, May 22, 2014, beginning at 3 p.m., local time. The Annual Meeting will be held at our headquarters, Cypress Commons, 5300 West Cypress Street, Suite 105, Tampa, Florida 33607. Shareholders will be admitted beginning at 2:30 p.m.

It is important that your proxy be returned promptly to avoid unnecessary expense to the company. Therefore, whether you plan to attend the Annual Meeting or not and regardless of the number of shares you own, please date, sign and return the enclosed proxy card promptly or follow the instructions on the card for voting by telephone or Internet.

At the meeting, the use of cameras, audio or video recording equipment, communications devices or similar equipment will be prohibited.

Important Notice Regarding the Availability of Proxy Materials

for the Shareholder Meeting to be Held on May 22, 2014:

This proxy statement and the 2013 Annual Report to Shareholders are available at

<http://www.hcigroup.com/2014proxymaterials>

Upon your written request, we will provide you with a copy of our 2013 annual report on Form 10-K, including exhibits, free of charge. Send your request to HCI Group, Inc., c/o Kevin Mitchell, Vice President of Investor Relations, 5300 West Cypress Street, Suite 100, Tampa, Florida 33607.

5300 WEST CYPRESS STREET, SUITE 100

TAMPA, FLORIDA 33607

ABOUT THE ANNUAL MEETING

What is the purpose of the meeting?

The principal purposes of the Annual Meeting are to elect three directors to the company's Board of Directors and to ratify the appointment of Dixon Hughes Goodman, LLP as the company's independent registered public accounting firm for the year ending December 31, 2014. In addition, our management will report on our performance during 2013, discuss challenges ahead and respond to questions from shareholders.

When were these materials mailed?

We began mailing this proxy statement on or about April 29, 2014.

Who is entitled to vote?

Shareholders of record at the close of business on the record date, April 14, 2014, are entitled to vote in person or by proxy at the Annual Meeting. In general, shareholders are entitled to one vote per share on each matter voted upon. In an election for directors, however, shareholders are entitled to vote the number of shares they own for as many director candidates as there are directors to be elected. The Board of Directors has determined that the Board of Directors should include three Class C directorships. Accordingly, since three directors are to be elected at this Annual Meeting, in electing directors, each share will entitle the shareholder to three votes, one per director. Shareholders may not cumulate their votes. As of April 14, 2014 there were 10,710,188 common shares outstanding.

What constitutes a quorum?

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares outstanding will constitute a quorum, permitting us to conduct the business of the meeting. Proxies received but marked as **WITHHOLD AUTHORITY** and broker non-votes will be included in the calculation of the number of shares considered to be present at the Annual Meeting, but will not be counted for any other purpose. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular proposal and has not received instructions as to that proposal from the beneficial owner.

What is the difference between a shareholder of record and a beneficial owner?

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, then you are a shareholder of record. This Notice of Meeting and proxy statement has been provided directly to you by HCI Group, Inc. You may vote by ballot at the meeting or vote by proxy. To vote by proxy, sign, date and return the enclosed proxy card or follow the instructions on the proxy card for voting by telephone or Internet.

If your shares are held for you in a brokerage, bank or other institutional account (that is, held in street name), then you are not a shareholder of record. Rather, the institution is the shareholder of record and you are the beneficial owner of the shares. The accompanying Notice of Meeting and this proxy statement have been forwarded to you by that institution. If you complete and properly sign the accompanying proxy card and return it in the enclosed envelope, or follow the instructions on the proxy card for voting by telephone or Internet, the institution will cause your shares to be voted in accordance with your instructions. If you are a beneficial owner of shares and wish to vote in person at the Annual Meeting, then you must obtain a proxy, executed in your favor, from the holder of record (the institution).

How do I vote?

By Ballot at the Meeting. If you are a shareholder of record and attend the Annual Meeting, you may vote in person by ballot at the Annual Meeting. To vote by ballot, you must register and confirm your shareholder status at the meeting. If the shareholder of record is a corporation, partnership, limited liability company or other

entity of which you are an officer or other authorized person, then you should bring evidence of your authority to vote the shares on behalf of the entity. If your shares are held for you in a brokerage, bank or other institutional account (that is, in street name), you must obtain a proxy, executed in your favor, from that institution (the holder of record) to vote your beneficially-owned shares by ballot at the Annual Meeting. In the election of directors (Matter No. 1), each share held by a shareholder of record will be entitled to three votes, one for each director to be elected. Your option with respect to each director will be to vote FOR the director or to abstain from voting. In the vote to ratify the appointment of Dixon Hughes Goodman, LLP as the company's independent registered public accounting firm for the year ending December 31, 2014 (Matter No. 2), each share held by a shareholder of record will be entitled to one vote. Your options will be to vote FOR or AGAINST or to ABSTAIN. **By Proxy.** If you complete, sign and return the accompanying proxy card or follow the instructions on the proxy card for voting by telephone or Internet, then your shares will be voted as you direct. In the election of directors (Matter No. 1), your options with respect to each director are to direct a vote FOR or to WITHHOLD AUTHORITY. In the proposal to ratify the appointment of Dixon Hughes Goodman, LLP as the company's independent registered public accounting firm for the year ending December 31, 2014 (Matter No. 2), your options will be to direct votes FOR or AGAINST or to direct the proxy to ABSTAIN from voting on that proposal.

If you are a shareholder of record, then you may opt to deliver your completed proxy card in person at the Annual Meeting.

Can I vote by telephone or Internet?

Yes. If you follow the instructions on the proxy card for voting by telephone or Internet, your shares will be voted as you direct.

What does it mean if I receive more than one proxy card?

You will receive separate proxy cards when you own shares in different ways. For example, you may own shares individually, as a joint tenant, in an individual retirement account, in trust or in one or more brokerage accounts. You should complete, sign and return each proxy card you receive or follow the telephone or Internet instructions on each card. The instructions on each proxy card may differ. Be sure to follow the instructions on each card.

Can I change my vote or instruction?

Yes. You may follow the instructions on the proxy card to change your votes or instructions any time before midnight the day before the meeting.

In addition, if you are a shareholder of record, you may revoke your proxy any time before your shares are voted by filing with the secretary of the company a written notice of revocation or submitting a duly executed proxy bearing a later date. If you file a notice of revocation, you may then vote (or abstain from voting) your shares in person at the Annual Meeting. If you submit a later dated proxy, then your shares will be voted in accordance with that later dated proxy. No such notice of revocation or later dated proxy, however, will be effective unless received by us at or before the Annual Meeting and before your shares have been voted. Unless the proxy is revoked, the shares represented thereby will be voted at the Annual Meeting or any adjournment thereof as indicated on the proxy card. Sending in a proxy does not affect your right to vote in person if you attend the meeting, although attendance at the meeting will not by itself revoke a previously granted proxy.

If I submit a proxy card, how will my shares be voted?

Your shares will be voted as you instruct on the proxy card.

What happens if I submit a proxy card and do not give specific voting instructions?

If you are a shareholder of record and sign and return the proxy card without indicating your instructions, your shares will be voted in accordance with the recommendations of the Board of Directors. With respect to any

other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion. As of the date this proxy statement went to print, we did not know of any other matter to be raised at the Annual Meeting.

If you are a beneficial owner and you sign and return your proxy card without indicating your instructions, then your broker or nominee will vote, or not vote, in accordance with the rules of the New York Stock Exchange (provided the broker or nominee is a member of the New York Stock Exchange). If a voting matter is designated by the New York Stock Exchange as routine then your broker or nominee may vote or not vote in its own discretion. If a voting matter is designated non-routine by the New York Stock Exchange, then your broker or nominee cannot vote without your instructions.

Which voting matters are considered routine or non-routine?

In general, uncontested matters and matters not involving a merger or consolidation or affecting substantially the rights or privileges of the stock are considered routine under the rules of the New York Stock Exchange. Accordingly we expect the New York Stock Exchange will designate as routine the proposal to ratify the appointment of Dixon Hughes Goodman, LLP as the company's independent registered public accounting firm for the year ending December 31, 2014 (Matter No. 2) and brokers and other nominees will be permitted to vote on that matter. On the other hand, the New York Stock Exchange views matters involving the election of directors to be non-routine. Accordingly, the election of directors (Matter No. 1) will be designated by the New York Stock Exchange as non-routine and brokers and other nominees will not be permitted to vote on this matter without instructions from the beneficial owner.

What happens if I do not submit a proxy card and do not vote by telephone or Internet?

If you are a shareholder of record and you neither designate a proxy nor attend the Annual Meeting, your shares will not be represented at the meeting. If you are the beneficial owner of shares held in the name of a member of the New York Stock Exchange, that member may vote in its discretion on matters deemed routine by the New York Stock Exchange. The member may not vote on matters considered non-routine.

What are the Board's recommendations?

The Board's recommendations are set forth elsewhere in this proxy statement. In summary, the Board recommends votes

- Ø FOR election of the following nominees for director positions:

Wayne Burks

Sanjay Madhu

Anthony Saravanos

- Ø FOR ratification of the appointment of Dixon Hughes Goodman, LLP as the company's independent registered public accounting firm for the year ending December 31, 2014.

What vote is required to approve each item?

Election of directors. In the election of directors, the three highest recipients of FOR votes will be elected. A properly executed proxy card marked WITHHOLD AUTHORITY with respect to the election of one or more director

nominees will not be voted with respect to the director or directors indicated, even though it will be counted for purposes of determining whether there is a quorum present at the Annual Meeting.

Ratification of appointment of independent registered public accounting firm. The proposal to ratify the appointment of Dixon Hughes Goodman, LLP as the company's independent registered public accounting firm for the year ending December 31, 2014 will be approved if the number of votes for the proposal exceeds the number of votes against the proposal.

Other Matters. We do not anticipate other matters coming to a vote at the Annual Meeting. Should any other matter be brought to a vote, the matter will be approved if the number of votes favoring the matter exceeds the number of votes opposing the matter.

How will votes be counted?

All votes will be tabulated by the secretary of the company. We have engaged Broadridge Financial Solutions, Inc. to collect and tabulate proxy instructions. Although abstentions and broker non-votes are each included in the determination of the number of shares present, they are not counted on any matters brought before the meeting.

Who is paying for the preparation and mailing of the proxy materials and how will solicitations be made?

We will pay the expenses of soliciting proxies. Proxies may be solicited on our behalf by directors, officers or employees in person or by mail, telephone, facsimile or electronic transmission. We have requested brokerage houses and other custodians, nominees and fiduciaries to forward soliciting material to beneficial owners and have agreed to reimburse those institutions for their out-of-pocket expenses.

RULES OF CONDUCT

To ensure fair, orderly and constructive meetings, the Board of Directors has adopted the following rules of conduct for shareholder meetings.

1. All attendees must register before entering the meeting room.
2. The meeting will follow the schedule set forth on the agenda.
3. Only shareholders of record as of the record date or their duly authorized representatives are entitled to vote or address the meeting.
4. No business will come before the meeting except in compliance with Article II, Section 10 of our bylaws and its prior notice requirements.
5. No one may address the meeting unless recognized by the presiding officer of the meeting.
6. Each speaker will be limited to 3 minutes and 3 questions. Questions and comments must be directly relevant to the company's business or operations. Questions or comments that are repetitious, relate to pending or threatened litigation, or deal with general economics, politics or public policy are prohibited.
7. Rude or disruptive behavior is prohibited.
8. The use of cameras, audio or video recording equipment, communications devices or similar equipment is prohibited.
9. Attendees who violate these rules may be removed.
10. The decisions of the presiding officer in interpreting and enforcing these rules of conduct will be final.

MATTER NO. 1

ELECTION OF DIRECTORS

Three directors are to be elected at the Annual Meeting. In accordance with the company's articles of incorporation, the Board of Directors is divided into three classes. Each class consists of three directors. All directors within a class have the same three-year terms of office. The class terms expire at successive annual meetings so that each year a class of directors is elected. The current terms of director classes expire in 2014 (Class C directors), 2015 (Class A directors), and 2016 (Class B directors). Each of the Class C directors elected at the 2014 Annual Meeting will be elected to serve a three-year term.

With the recommendation of the Governance and Nominating Committee, the Board of Directors has nominated the following persons to stand for election as Class C directors at the 2014 Annual Meeting of Shareholders, with terms expiring in 2017:

Wayne Burks

Sanjay Madhu

Anthony Saravanos

Each of the nominees for election as a director has consented to serve if elected. If, as a result of circumstances not now known or foreseen, one or more of the nominees should be unavailable or unwilling to serve as a director, proxies may be voted for the election of such other persons as the Board of Directors may select. The Board of Directors has no reason to believe that any of the nominees will be unable or unwilling to serve.

The persons named in the enclosed proxy card intend, unless otherwise directed, to vote such proxy FOR the election of Wayne Burks, Sanjay Madhu and Anthony Saravanos as Class C directors of HCI Group, Inc. The nominees receiving the three highest FOR vote totals will be elected as directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** ELECTION OF EACH OF THE NOMINEES AS DIRECTORS OF THE COMPANY ITEM 1 ON YOUR PROXY CARD.

DIRECTORS

Directors Standing for Election (Class C)

Wayne Burks, age 66, has served on our board since June 20, 2013. Mr. Burks has since April 2012 served as a director and the chief financial officer of WRB Enterprises, Inc., a Tampa, Florida based holding company with investments in Caribbean electric utilities, renewable energy development, cable television, real estate and financial institutions. From July 2010 to April 2012, he was a principal of Sterling Financial Consulting where he provided financial and operational consulting services for privately held and pre-initial public offering stage companies. From December 2008 to June 2010, Mr. Burks served as chief financial officer of Prepared Holdings, LLC, a Florida-based insurance holding company. Mr. Burks is a certified public accountant. He is a former audit partner of Coopers & Lybrand, where he performed auditing services approximately 23 years.

Mr. Burks brings considerable business and management experience to the Board of Directors. We expect Mr. Burks's business and management experience will enhance oversight of the company's business performance. His former partnership in a global public accounting firm and his subsequent executive financial management roles will allow him to add value and expertise to the company's financial oversight functions. In addition, Mr. Burks serves as

chairman of our audit committee and a member of our governance and nominating committee.

Sanjay Madhu, age 47, has been a director of our company since May 2007 and he currently serves as a director for Homeowners Choice Property & Casualty Insurance Company, Inc. Mr. Madhu formerly served as president of our real estate division, and vice president of investor relations, positions he held from June 2011 and February 2008, respectively, until his employment with us ended effective June 30, 2013. He also served as our vice president of marketing from 2008 to 2011. Since 2013, Mr. Madhu has been chief executive officer of Oxbridge Re Holdings Ltd., a publicly held reinsurance holding company based in the Cayman Islands, and he

and other capital partners manage Moksha Re SPC Ltd., a Bermuda based reinsurance company. (See Transactions with Related Persons.) Since 2012, Mr. Madhu has served on the Board of Directors of Wheeler Real Estate Investment Trust, Inc., a publicly held real estate investment trust. As an owner and manager of commercial properties, Mr. Madhu has been president of 5th Avenue Group LC since 2002 and President of Forrest Terrace LC since 1999. He has also been president of The Mortgage Corporation Network (correspondent lenders) since 1996. Prior to that, Mr. Madhu was vice president, mortgage division, First Trust Mortgage & Finance, from 1994 to 1996; vice president, residential first mortgage division, Continental Management Associates Limited, Inc., from 1993 to 1994; and president, S&S Development, Inc. from 1991 to 1993. None of the foregoing companies is an affiliate of HCI Group, Inc. He attended Northwest Missouri State University, where he studied marketing and management.

Mr. Madhu brings considerable business, marketing, real estate and mortgage finance experience to the Board of Directors. Real estate experience has become increasingly important to the company as it makes and considers significant real estate investments. In addition, Mr. Madhu has a substantial personal investment in the company.

Anthony Saravanos, age 43, has been a director of the company since May 2007 and currently serves as president of our real estate division, a position he has held since August 26, 2013, and he currently serves as a director for Homeowners Choice Property & Casualty Insurance Company, Inc. From 2005 through August 2013, Mr. Saravanos was vice president of The Boardwalk Company, a full-service real estate company located in Palm Harbor, Florida. The Boardwalk Company is not affiliated with HCI Group, Inc. Since 2001, he has been managing partner of several commercial property entities with a combined total of 13 properties in Florida and New York. Since 2011, Mr. Saravanos has served as a director of First Home Bank in Seminole, Florida. From 1997 to 2001, he served as district manager, marketing and sales, for DaimlerChrysler Motors Corporation, Malvern, Pennsylvania. Mr. Saravanos graduated from Ursinus College, Collegeville, Pennsylvania, with a double major in Economics and Spanish. He earned a master's degree in Business Administration with an emphasis in marketing from Villanova University. At Villanova he was inducted into the Beta Gamma Sigma Honor Society. Mr. Saravanos also attended Quanaouac Institute, Cuernavaca, Mexico, for intensive Spanish studies and a cultural immersion program. A licensed real estate broker, Mr. Saravanos is a Certified Commercial Investment Member. He was named #1 Top Producer for 2010 by the Florida Gulfcoast Commercial Association of Realtors in the General Brokerage Category. Mr. Saravanos also serves as Vice President, Greek Children's Fund at All Children's Hospital Foundation.

Mr. Saravanos brings considerable business, management, finance, marketing and real estate experience and business education to the Board of Directors. Real estate experience has become increasingly important to the company as it makes and considers significant real estate investments and as such, we believe Mr. Saravanos is well qualified to lead our real estate division. His financial sophistication is evidenced by his business education and his work experiences. For example, as a district manager for DaimlerChrysler Motors Corporation he was required to read, understand and analyze financial information. His ability to analyze financial information is considered of importance in enhancing oversight of the company's performance, monitoring its financial disclosure and evaluating growth opportunities. Important also, Mr. Saravanos has a substantial personal investment in the company and he played a large role in bringing initial investors to the company.

Directors Continuing in Office

Directors whose present terms continue until 2015 (Class A):

James Macchiarola, age 62, has served on our board since November 12, 2013. Since 1999, Mr. Macchiarola served in various positions for the Clearwater, Florida office of Orange Business Services (formerly Equant), a global information technology and communications services provider and subsidiary of Orange S.A. (formerly France Telecom S.A.). Since 2009, he has served as its vice president and head of North American equipment resales and integration services. From 2007 to 2009, he was that company's area sales vice president for the U.S. east coast and Canada. From 2003 to 2007, he was head of its integration services sales.

From 2002 to 2003, he served as head of service operations for the Americas. From 1999 to 2003, he served as head of managed services. From 1994 to 1999, Mr. Macchiarola served as chief operating officer for Techforce, a U.S. based systems integrator. Before that he also did stints for Racal Datacom and Syncordia (1990 to 1994), AT&T Paradyne (1984 to 1990) and IBM Corp. (1969 to 1984).

Mr. Macchiarola brings considerable business, management, marketing, and systems experience to the Board of Directors. Information technology and systems knowledge has become increasingly important to the company as the growth of technology in the market becomes more and more sophisticated. In addition, the company expects Mr. Macchiarola will provide guidance and oversight in the direction of the company's own information technology division. The marketing and sales experience gained by Mr. Macchiarola, for example, as vice president and head of North American equipment resales and integration services, will prove valuable as the company continues to grow and expand into new products and territories.

Harish M. Patel, age 57, has served on our Board of Directors since 2011. Since 2006, Mr. Patel has served as a director for Medenet, Inc., a medical software company based in St. Petersburg, Florida. From 1976 to 1987, Mr. Patel served in various capacities, including as director of sales, director of operations and director at large, for Colorama Photo Processing Laboratories, a family-owned photo processing business located in London, England which pioneered the provision of next day and same day photo processing services to retail outlets in Central London and later provided those services to other regions of the United Kingdom. From 1987 to 1992, Mr. Patel served in various capacities, including as director at large, for Colorama Pharmaceuticals Ltd., a family-owned start-up venture which distributed pharmaceuticals to the client base of the photo processing company. From 1992 to 2005, he served as director for Kwik Photo Retail Stores, a London-based, operator of stand-alone and in-store retail photo processing labs. During his tenure, that company expanded from 23 company-owned stores to over 100 outlets. In addition he established and managed a United States-based data processing subsidiary for that company. None of the foregoing companies are affiliated with our company. Mr. Patel holds a Bachelor's Degree in Business Administration from South Bank Polytechnic. He has no familial relationship to Paresh Patel, our chief executive officer and chairman of the Board.

Mr. Patel brings a wide range of business and management experience to the Board of Directors. We expect Mr. Patel's business and management experience will enhance oversight of the company's business performance and financial disclosure. We believe also the knowledge he has gained from his experiences, in particular his knowledge of software systems and health care, will be valuable as the company considers and seeks growth opportunities. Also important, Mr. Patel has a substantial personal investment in the company. Mr. Patel serves on our audit and compensation committees.

Martin A. Traber, age 68, is a founder of the company and has been a director since inception. In addition, Mr. Traber currently serves as a director for Homeowners Choice Property & Casualty Insurance Company, Inc. Since 1994 Mr. Traber has been a partner of Foley & Lardner LLP, in Tampa, Florida, representing clients in securities law matters and corporate transactions. Mr. Traber is a founder of NorthStar Bank in Tampa, Florida and from 2007 to 2011 served as a member of the Board of Directors of that institution. Mr. Traber serves on the Board of Directors of JHS Capital Holdings, Tampa, Florida and on the Advisory Board of Platinum Bank, Tampa, Florida. From 2012 to 2013, he served on the Board of Directors of Exeter Trust Company, Portsmouth, New Hampshire. Mr. Traber holds a Bachelor of Arts and a Juris Doctor from Indiana University.

Mr. Traber brings considerable legal, financial and business experience to the Board of Directors. He has counseled and observed numerous businesses in a wide range of industries. The knowledge gained from his observations and his knowledge and experience in business transactions and securities law are considered of importance in monitoring the company's performance and when we consider and pursue business acquisitions and financial transactions. Mr. Traber also serves on the governance and nominating committee and our compensation committee. As a corporate and securities lawyer he has a fundamental understanding of governance principles and business ethics. His knowledge of

other businesses and industries is useful in determining management and director compensation. Important also, Mr. Traber has a substantial personal investment in the company.

Directors whose present terms continue until 2016 (Class B):

George Apostolou, age 63, has been a director of the company since May 2007. Born in Erithri-Attikis, Greece, Mr. Apostolou moved to the United States in 1971 and earned his State of Florida Contractors License in 1983. In 1987, he established George Apostolou Construction Corporation and has since built more than 200 commercial buildings, including government services buildings, churches, office buildings and retail centers. George Apostolou Construction Corporation is not affiliated with HCI Group, Inc. In addition to contracting, Mr. Apostolou has been involved in the development and investment of many commercial projects and now owns more than 20 properties in the Tampa Bay area.

Mr. Apostolou brings considerable business, management and real estate experience to the Board of Directors. We expect Mr. Apostolou's business and management experience will enhance oversight of the company's business performance. Moreover, real estate experience has become increasingly important to the company as it makes and considers significant real estate investments. Mr. Apostolou also serves on our audit committee and our compensation committee. His business experience gives him a fundamental understanding of financial statements and business operations. Important also, Mr. Apostolou has a substantial personal investment in the company and he played a large role in bringing initial investors to the company.

Pareesh Patel, age 51, is a founder of the company and currently serves as executive chairman of the Board of Directors and chief executive officer of the company. He has been a director of the company since its inception and has served as the chairman of our Board of Directors since May 2007. He has served as chief executive officer since 2011. From 2011 to 2012, Mr. Patel served as president of our insurance subsidiary, Homeowners Choice Property & Casualty Insurance Company, Inc., and he currently serves as executive chairman of the Board of Directors of this company. Mr. Patel has broad experience in technology and finance. He developed and continues to oversee development of the company's policy administration systems. From 2006 to 2011, Mr. Patel served as president of Scorpio Systems, Inc., a software development company, and since 2011, has served as chairman of the board of First Home Bancorp, Inc., a bank holding company in Seminole, Florida. Mr. Patel also serves as chairman of the Board of Directors for Oxbridge Re Holdings Ltd. a publicly held reinsurance holding company based in the Cayman Islands, and he and other capital partners manage Moksha Re SPC Ltd. a reinsurance company located in Bermuda. (See Transactions with Related Persons.) He is a founder of NorthStar Bank in Tampa, Florida and from 2006 to 2010 served on the Board of Directors of its parent company, NorthStar Holding Company. As a private investor from 2000 to 2006, Mr. Patel developed and implemented his own money management system based upon statistical and probability techniques. Before that, from 1998 to 2000, he was director of customer care and billing with Global Crossing. In that position, Mr. Patel defined business processes and systems, hired and trained department staff and led the merger of the customer care and billing systems with the systems of companies that Global Crossing acquired. As an independent software and systems consultant from 1991 to 1998, Mr. Patel worked with large international telephone companies. Mr. Patel holds a Bachelor's and a Master's degree in Electronic Engineering from the University of Cambridge in United Kingdom. He has no familial relationship to Harish Patel, another member of the Board of Directors.

Mr. Patel brings to the Board of Directors considerable experience in business, management, systems and technology, and because of those experiences and his education, he possesses analytical and technology skills which are considered of importance to the operations of the company, the oversight of its performance and the evaluation of its future growth opportunities. Furthermore, his performance as chief executive officer has indicated an in-depth understanding of the company's insurance business. He is a founder of the company and has a substantial personal investment in the company.

Gregory Politis, age 61, is a founder of the company and has been an HCI director since its inception. In addition, Mr. Politis currently serves as a director for Homeowners Choice Property & Casualty Insurance Company, Inc. Mr. Politis has been in the real estate business since 1974 and is president of Xenia Management Corporation, a real

estate portfolio management company he established in 1988. Mr. Politis has interests in over 40 real estate developments in the Miami-Dade County, Orlando, Greater Tampa Bay and Montreal, Canada areas. Xenia Management Corporation is not affiliated with HCI Group, Inc. During his career, Mr. Politis has

developed and retained ownership of retail, office and industrial spaces, with a primary focus on buildings housing federal and state government agencies. He was a founding member of Hellenic American Board of Entrepreneurs and a recipient of the Building Owners and Managers Association (BOMA) Building of the Year Award. Mr. Politis has served as a director of NorthStar Bank and Florida Bank.

Mr. Politis brings considerable business, management and real estate experience to the Board of Directors. We expect his business and management experience will enhance oversight of the company's business performance. Moreover, real estate experience has become increasingly important to the company as it makes and considers significant real estate investments. Mr. Politis serves on the company's compensation committee and our governance and nominating committee. His business experience gives him a fundamental understanding of business operations. Important also, Mr. Politis has a substantial personal investment in the company.

Arrangements as to Selection and Nomination of Directors

We are aware of no arrangements as to the selection and nomination of directors.

Independent Directors

Based upon recommendations of our governance and nominating committee, our Board of Directors has determined that current directors George Apostolou, Wayne Burks, James Macchiarola, Harish M. Patel, Gregory Politis, and Martin A. Traber are independent directors meeting the independence tests set forth in Section 303A.02 of the New York Stock Exchange Listing Manual, including having no material relationship with the company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). In the case of Mr. Traber, the Committee considered his role as a partner of Foley & Lardner LLP, which provides legal services to the company, and determined that the fees received by the law firm from us amount to less than 1% of the firm's total revenue and considered also Mr. Traber's personal financial substance, his other sources of income and his lack of dependence upon legal fees from the company.

DIRECTOR COMPENSATION

The compensation of our non-employee directors is determined by the compensation committee. Typically, directors who are employees of the company do not receive compensation for their service as directors.

We have a very active board. Individual members of the board communicate regularly with management and often prepare proposals for consideration by management and the other members. The members spend considerable time consulting with management and reviewing proposals by management and the other members. This collaborative effort among management and the board is considered to be of importance to the success of the company.

The compensation committee has sought to align compensation of the non-employee directors with the success of the company and shareholder returns.

During 2013, the company compensated the non-employee directors with a combination of cash payments and single, one-time grants of restricted stock having market based vesting requirements. The cash payments included quarterly fees of \$18,750, a single payment of \$70,000 in January to each non-employee director then serving and a single payment of \$140,000 in December to each non-employee director then serving, except that our newest directors, Wayne Burks and James Macchiarola, received \$35,000 each. The restricted stock grants included the issuance on May 16, 2013 of 24,000 shares of restricted common stock to each director then serving, except our chief executive officer, and the issuance on November 12, 2013 of 24,000 shares of restricted common stock to each of the new directors, Burks and Macchiarola. In each grant, vesting of the shares depends upon the market price of the company's common stock meeting certain price targets. The restricted shares cannot be sold or transferred until they are vested.

Any shares not vested within six years of the grant date will be forfeited. In the earlier grants, the shares will vest in 6,000 share increments only one year after the market price of the company's common stock equals or exceeds price targets of \$35, \$50, \$65 and \$80 for a period of 20 consecutive trading days. Thus far none of the shares has vested. However, the \$35 price target has been met and

that increment will vest in 2014 if the service requirements are met. In the later grants to the new directors, the shares will vest in 6,000 share increments only one year after the market price of the company's common stock equals or exceeds the price targets of \$50, \$65, \$80 and \$95 for a period of 20 consecutive trading days. None of these price targets has been met and no vesting has occurred.

Although not one of the foregoing restricted shares has yet vested and by their own terms could not have vested in 2013, Securities and Exchange Commission rules require us to report the grant-date fair value of the entire award in the year of the grant rather than reporting this expense over the service period as we do for financial reporting purposes. Fair value of these market based awards is estimated using a methodology that includes expected price volatility, expected dividends, estimated cost of capital and other factors in accordance with Accounting Standards Codification Topic 718. Hence, in the table below, each amount appearing under "Stock Awards" is an estimate of the award's fair value at the grant date in 2013 even though no vesting has yet occurred. These estimated values are based in part upon predictions of future events. The actual values on the vesting date will almost certainly differ from the estimated values. The company does not anticipate any further restricted stock grants to the current non-employee directors.

In addition to their director compensation, non-employee directors are reimbursed for travel and other reasonable out-of-pocket expenses related to attendance at board or committee meetings.

In December 2013, the compensation committee engaged Frederic W. Cook & Co, Inc., a nationally recognized, compensation consulting firm to review the company's non-employee director compensation program. As a result of that consultation, the compensation committee established a new compensation program for our non-employee directors. During 2014, each non-employee director will receive an annual cash retainer for his board service. No other cash compensation (except dividends on restricted shares which are reported as compensation) is anticipated. For 2014 each non-employee director will receive a total of \$93,725, which will be paid over the year in quarterly installments. The one-time equity awards provided to current non-employee directors in 2013 are expected to serve as the sole equity component of their director compensation for the foreseeable future. Frederic W. Cook & Co. provided no other services to the committee.

The following table sets forth information with respect to compensation earned by each of our directors (other than named executive officers) during the year ended December 31, 2013.

Name	Fees		Change in Pension Value and Nonqualified Deferred Non-Equity Incentive Compensation		Total
	Earned or Paid in Cash	Stock Awards ⁽⁵⁾	Option Plan Awards ⁽⁶⁾	All Other Compensation ⁽⁴⁾	
George Apostolou	\$285,000 ⁽¹⁾	\$637,800 ⁽⁹⁾		\$17,400	\$940,200

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Wayne Burks	\$ 72,500 ⁽⁶⁾	\$816,900 ⁽³⁾	\$ 6,600	\$896,000
Sanjay Madhu ⁽²⁾	\$177,500 ⁽⁷⁾	\$637,800 ⁽⁹⁾	\$12,000	\$827,300
James Macchiarola	\$ 47,500 ⁽⁸⁾	\$816,900 ⁽³⁾	\$ 6,600	\$871,000
Harish Patel	\$285,000 ⁽¹⁾	\$637,800 ⁽⁹⁾	\$17,400	\$940,200
Gregory Politis	\$285,000 ⁽¹⁾	\$637,800 ⁽⁹⁾	\$17,400	\$940,200
Martin A. Traber	\$285,000 ⁽¹⁾	\$637,800 ⁽⁹⁾	\$17,400	\$940,200

- (1) In January 2013 and December 2013, the director received cash bonus payments of \$70,000 and \$140,000, respectively. In January, April, July and October, the director received cash payments of \$18,750 for his service as a director of the company, which includes attendance at board and committee meetings held during 2013.
- (2) Mr. Madhu was a named executive officer of the company through June 30, 2013 when his employment with the company ended. Mr. Madhu continues to serve on the Board of Directors. Amounts in this table represent amounts earned by Mr. Madhu while serving as a non-employee director after his employment ended. Amounts earned as a named executive officer before June 30, 2013 are reported in the Summary Compensation Table.

- (3) On November 11, 2013, the director received a restricted stock grant of 24,000 common shares. See description, table and footnotes to the aggregate number of stock awards outstanding for each non-employee director as of December 31, 2013 table below for further detail on the grants.
- (4) Other compensation included dividends paid on unvested restricted shares. Mr. Apostolou, Mr. Patel, Mr. Politis and Mr. Traber each received cash dividend payments of \$5,400, \$5,400, and \$6,600 in June, September and December, respectively. Mr. Madhu received cash dividend payments of \$5,400 and \$6,600 in September and December, respectively, and Messrs. Burks and Macchiarola each received cash dividend payments of \$6,600 in December.
- (5) In accordance with SEC reporting requirements, the amounts reported in this column represent the grant-date fair value of the entire award and were calculated utilizing the fair value recognition provisions of Accounting Standards Codification Topic 718 Compensation Stock Compensation, which requires the measurement and recognition of compensation for all stock-based awards made to employees and directors, including stock options and restricted stock issuances, based on estimated fair values. The assumptions used in calculating this amount are discussed in Note 16 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission on March 12, 2014.
- (6) In December 2013, Mr. Burks received a cash bonus payment of \$35,000. In July and October Mr. Burks received cash payments of \$18,750 for his service as a director of the company, which includes attendance at board and committee meetings held during 2013.
- (7) In December 2013, Mr. Madhu, whose employment ended with the company on June 30, 2013, received a cash bonus payment of \$140,000. In July and October Mr. Madhu received cash payments of \$18,750 for his service as a director of the company, which includes attendance at board and committee meetings held during 2013 (see footnote 2 for further information regarding Mr. Madhu's compensation disclosed in this table).
- (8) In December 2013, Mr. Macchiarola received a cash bonus payment of \$35,000. In October Mr. Macchiarola received a cash payment of \$12,500 for his service as a director of the company, which includes attendance at board and committee meetings held during 2013.
- (9) On May 16, 2013, the director received restricted stock grants of 24,000 shares each. See description, table and footnotes to the aggregate number of stock awards outstanding for each non-employee director as of December 31, 2013 table below for further detail on the grants.

The aggregate number of stock awards outstanding for each non-employee director as of December 31, 2013 was as follows:

Name	Number of	
	Options	Restricted Shares
George Apostolou		24,000 ⁽²⁾
Wayne Burks		24,000 ⁽³⁾
Sanjay Madhu		24,000 ⁽²⁾
James Macchiarola		24,000 ⁽³⁾
Gregory Politis	90,000 ⁽¹⁾	24,000 ⁽²⁾
Martin A. Traber		24,000 ⁽²⁾
Harish Patel	30,000 ⁽⁴⁾	24,000 ⁽²⁾

- (1) On June 1, 2007 Mr. Politis received options to purchase 160,000 shares at \$2.50 per share, which vested monthly in equal increments through and including January 1, 2010 and expire May 31, 2017. As of December 31, 2013, 90,000 options are unexercised.
- (2) On May 16, 2013, the directors received restricted stock grants of 24,000 shares each. Restrictions on 6,000 shares will lapse one year after the closing price of HCI common shares equals or exceeds each of the following target prices for 20 consecutive trading days; \$35, \$50, \$65 and \$80. Each grantee has all the rights of a shareholder in connection with the restricted shares including the right to receive dividends at the same rate applicable to all common shareholders. During 2013 the \$35 price target with respect to this grant was met on October 8, 2013.

- (3) On November 11, 2013, the directors received restricted stock grants of 24,000 shares each. Restrictions on 6,000 shares will lapse one year after the closing price of HCI common shares equals or exceeds each of the following target prices for 20 consecutive trading days; \$50, \$65, \$80 and \$95. Each grantee has all the rights of a shareholder in connection with the restricted shares including the right to receive dividends at the same rate applicable to all common shareholders.
- (4) On August 26, 2011, newly elected director Harish Patel was awarded the right to purchase 30,000 shares at \$6.30 per share. His options vest in three equal annual installments beginning April 20, 2012 and expire on August 25, 2021.

COMPENSATION POLICIES RELATING TO RISK MANAGEMENT

The Board of Directors has considered risks associated with the company's compensation policies and practices and identified no compensation policies or practices that are reasonably likely to have a material adverse effect on the company.

TRANSACTIONS WITH RELATED PERSONS

Transactions

Reinsurance Agreements

On June 1, 2013, Claddaugh Casualty Insurance Company, Ltd. (Claddaugh), our Bermuda-based captive reinsurer, entered into a reinsurance treaty with Moksha Re SPC Ltd. and multiple capital partners (Moksha) whereby a portion of the business assumed from Homeowners Choice Property & Casualty Insurance Company, Inc. is ceded by Claddaugh to Moksha. With respect to the period from June 1, 2013 through May 31, 2014, Moksha assumed approximately \$15,400,000 of the total covered exposure for approximately \$4,300,000 in premiums, a rate which management believes to be competitive with market rates available to Claddaugh. The \$4,300,000 premium was fully paid by Claddaugh on June 27, 2013. With respect to the period from June 1, 2012 through May 31, 2013, Moksha assumed \$13,800,000 of the total covered exposure for approximately \$4,000,000 in premiums. Moksha has deposited funds into a trust account to fully collateralize Moksha's exposure. Trust assets may be withdrawn by Homeowners Choice Property & Casualty Insurance Company, Inc., the trust beneficiary, in the event amounts are due under the current Moksha reinsurance agreement. Among the Moksha capital partner participants are the company's chief executive officer, Paresh Patel, and certain of his immediate family members and Sanjay Madhu, one of the company's non-employee directors.

Claddaugh also has reinsurance treaties with Oxbridge Reinsurance Limited (Oxbridge) whereby a portion of the business assumed from Homeowners Choice Property & Casualty Insurance Company, Inc. is ceded by Claddaugh to Oxbridge. With respect to the period from June 1, 2013 through May 31, 2014, Oxbridge assumed \$10,100,000 of the total covered exposure for approximately \$4,900,000 in premiums, a rate which management believes to be competitive with market rates available to Claddaugh. The \$4,900,000 premium was fully paid by Claddaugh on July 9, 2013. Oxbridge has deposited funds into a trust account to fully collateralize Oxbridge's exposure. Trust assets may be withdrawn by Homeowners Choice Property & Casualty Insurance Company, Inc., the trust beneficiary, in the event amounts are due under the current Oxbridge reinsurance agreement. Among the Oxbridge capital partner participants are Paresh Patel, our chief executive officer who is also chairman of the Board of Directors for Oxbridge, and members of his immediate family and Anthony Saravanos, president of the Company's real estate division. In addition, two of the Company's non-employee directors, including Sanjay Madhu who serves as Oxbridge's president and chief executive officer, are investors in Oxbridge.

Legal Services

One of our directors, Martin A. Traber, is a partner at the law firm of Foley & Lardner LLP, and since our inception in 2007, the firm has provided legal representation to us. During 2013, Foley & Lardner LLP billed us approximately \$450,000. Such amount includes fees billed in connection with our debt offerings and represents

less than 1% of Foley's fee revenue. These services were provided on an arm's-length basis, and paid for at fair market value. We believe that such services were performed on terms at least as favorable to us as those that would have been realized in transactions with unaffiliated entities or individuals.

Policies for Approval or Ratification of Transactions with Related Persons

Our policy for approval or ratification of transactions with related persons is for those transactions to be reviewed and approved by the Audit Committee. That policy is set forth in the Audit Committee Charter. Our practice is that such transactions are approved by a majority of disinterested directors. The policy sets forth no standards for approval. Directors apply their own individual judgment and discretion in deciding such matters.

ADVERSE INTERESTS

We are not aware of any material proceedings in which an executive officer or director is a party adverse to the company or has a material interest adverse to the company.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon a review of Forms 3, 4, and 5 filed for the year 2013, we believe that all of our directors, officers, and 10% beneficial owners complied with all Section 16(a) filing requirements applicable to them. In addition all such forms were filed timely.

CODE OF ETHICS

We have adopted a code of ethics applicable to all employees and directors, includi