

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-39252

Clover Health Investments, Corp.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

98-1515192

(I.R.S. Employer
Identification No.)

3401 Mallory Lane, Suite 210

Franklin, Tennessee

(Address of principal executive offices)

37067

(Zip Code)

Registrant's telephone number, including area code: (201) 432-2133

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.0001 per share	CLOV	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 2, 2022, the registrant had 383,548,896 shares of Class A Common Stock, \$0.0001 par value per share, and 94,394,852 shares of Class B Common Stock, \$0.0001 par value per share, issued and outstanding.

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As used in this report, "Company," "Clover," "Clover Health," "we," "us," "our," and similar terms refer to Clover Health Investments, Corp. and its consolidated subsidiaries, unless otherwise noted or the context otherwise requires.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements contained in this document other than statements of historical fact, including statements regarding our future results of operations, financial position, market size and opportunity, our business strategy and plans, the factors affecting our performance and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "could," "should," "would," "can," "expect," "project," "outlook," "forecast," "objective," "plan," "potential," "seek," "grow," "target," "if," and the negative or plural of these words and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including the risk factors described in our filings with the Securities and Exchange Commission (the "SEC"). Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this document may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Forward-looking statements contained in this document involve a number of judgments, risks and uncertainties, including, without limitation, risks related to:

- our expectations regarding results of operations, financial condition, and cash flows;
- our expectations regarding the development and expansion of our Insurance and Non-Insurance businesses;
- our ability to successfully enter new service markets and manage our operations;
- anticipated trends and challenges in our business and in the markets in which we operate;
- our ability to expand our beneficiary base and provider network;
- our ability to maintain and increase adoption and use of Clover Assistant;
- the anticipated benefits associated with the use of Clover Assistant, including our ability to utilize the platform to manage our medical care ratios;
- our ability to develop new features and functionality that meet market needs and achieve market acceptance;
- our ability to retain and hire necessary employees and staff our operations appropriately;
- the timing and amount of certain investments in growth;
- the effect of uncertainties related to the global COVID-19 pandemic on our business, results of operations, and financial condition;
- the outcome of any known and unknown litigation and regulatory proceedings;
- any current, pending, or future legislation, regulations or policies that could have a negative effect on our revenue and businesses, including rules, regulations, and policies relating to healthcare and Medicare;
- our ability to maintain or improve our Star Ratings or otherwise continue to improve the financial performance of our business;
- our ability to maintain, protect, and enhance our intellectual property; and
- general economic conditions and uncertainty, including the societal and economic impact of the COVID-19 pandemic and its variants, inflation, and geopolitical uncertainty and instability.

We caution you that the foregoing list of judgments, risks, and uncertainties that may cause actual results to differ materially from those in the forward-looking statements may not be complete. You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur or may be materially different from what we expect. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by law, we undertake no obligation to update any of these forward-looking statements after the date of this document or to conform these statements to actual results or revised expectations.

This document contains estimates, projections, and other information concerning our industry, our business, and the markets for our products. We obtained the industry, market, and similar data set forth in this document from our own internal estimates and research and from industry research, publications, surveys, and studies conducted by third parties, including governmental agencies, and such information is inherently subject to uncertainties. Actual events or circumstances may differ materially from events and circumstances that are assumed in this information. You are cautioned not to give undue weight to any such information, projections, or estimates.

As a result of a number of known and unknown risks and uncertainties, including without limitation, the important factors described in our reports filed with the SEC, including the discussion under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements.

Additional Information

Our website address is www.cloverhealth.com. Our filings with the SEC are posted on our website and available free of charge as soon as reasonably practical after they are electronically filed with, or furnished to, the SEC. The content on our website or on any other website referred to in this document is not incorporated by reference in this document. Further, the Company's references to website URLs are intended to be inactive textual references only.

Channels for Disclosure of Information

Investors and others should note that we routinely announce material information to investors and the marketplace using filings with the SEC, press releases, public conference calls, presentations, webcasts, and the investor relations page of our website. We use the investor relations page of our website for purposes of compliance with Regulation FD and as a routine channel for distribution of important information, including news releases, analyst presentations, financial information, and corporate governance practices. We also use certain social media channels as a means of disclosing information about the Company and our products to our customers, investors, and the public, including @CloverHealth and #CloverHealth on Twitter, and the LinkedIn account of our President, Andrew Toy. The information posted on social media channels is not incorporated by reference in this report or in any other report or document we file with the SEC. While not all of the information that we post to the investor relations page of our website or to social media accounts is of a material nature, some information could be deemed to be material. Accordingly, we encourage investors, the media, and others interested in the Company to review the information that we share at the "Investors" link located on our webpage at <https://investors.cloverhealth.com/investor-relations> and to sign up for and regularly follow our social media accounts. Users may automatically receive email alerts and other information about the Company when enrolling an email address by visiting "Email Alerts" in the "Investor Resources" section of our website at <https://investors.cloverhealth.com/investor-relations>.

Part I

Item 1. Financial Statements and Supplementary Data

CLOVER HEALTH INVESTMENTS, CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share amounts)

	September 30, 2022 (Unaudited)	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 382,869	\$ 299,968
Short-term investments	153,799	293,851
Investment securities, available-for-sale (Amortized cost: 2022: \$179,774; 2021: \$21,142)	175,116	21,131
Investment securities, held-to-maturity (Fair value: 2022: \$0; 2021: \$307)	—	305
Accrued retrospective premiums	13,894	34,923
Other receivables	23,085	14,282
Healthcare receivable	58,886	48,042
Non-Insurance performance year receivable	585,901	—
Surety bonds and deposits	11,844	12,613
Prepaid expenses	17,816	9,409
Other assets, current	36,782	18,022
Total current assets	<u>1,459,992</u>	<u>752,546</u>
Investment securities, available-for-sale (Amortized cost: 2022: \$76,339; 2021: \$177,527)	70,237	175,604
Investment securities, held-to-maturity (Fair value: 2022: \$596; 2021: \$364)	700	335
Equity method investment	970	—
Property and equipment, net	2,526	2,287
Operating lease right-of-use assets	4,259	5,367
Goodwill and other intangible assets	4,233	4,233
Other assets, non-current	14,762	10,432
Total assets	<u>\$ 1,557,679</u>	<u>\$ 950,804</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

CLOVER HEALTH INVESTMENTS, CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share amounts)

	September 30, 2022 (Unaudited)	December 31, 2021
Liabilities and Stockholders' Equity		
Current liabilities		
Unpaid claims	\$ 140,276	\$ 138,604
Due to related parties, net	1,661	2,320
Non-Insurance performance year obligation, current	655,849	36,891
Non-Insurance payable	147,132	37,773
Accounts payable and accrued expenses	37,735	28,129
Accrued salaries and benefits	19,636	15,147
Deferred revenue	96,358	—
Operating lease liabilities	2,000	3,059
Premium deficiency reserve	27,657	110,628
Other liabilities, current	42	73
Total current liabilities	<u>1,128,346</u>	<u>372,624</u>
Notes and securities payable, net of discounts and deferred issuance costs	19,965	19,938
Long-term operating lease liabilities	4,267	4,830
Other liabilities, non-current	13,121	14,095
Total liabilities	<u>1,165,699</u>	<u>411,487</u>
Commitments and Contingencies (Note 15)		
Stockholders' equity		
Class A Common Stock, \$0.0001 par value; 2,500,000,000 shares authorized as of September 30, 2022, and December 31, 2021; 383,526,634 and 352,645,626 issued and outstanding as of September 30, 2022, and December 31, 2021, respectively	37	34
Class B Common Stock, \$0.0001 par value; 500,000,000 shares authorized as of September 30, 2022, and December 31, 2021; 94,394,852 and 118,206,768 issued and outstanding as of September 30, 2022, and December 31, 2021, respectively	9	12
Additional paid-in capital	2,280,697	2,154,187
Accumulated other comprehensive loss	(10,760)	(1,934)
Accumulated deficit	(1,871,536)	(1,616,738)
Less: Treasury stock, at cost; 2,041,948 and 14,730 shares held as of September 30, 2022, and December 31, 2021, respectively	(6,467)	(147)
Clover stockholders' equity	<u>391,980</u>	<u>535,414</u>
Noncontrolling interest	—	3,903
Total stockholders' equity	<u>391,980</u>	<u>539,317</u>
Total liabilities and stockholders' equity	<u>\$ 1,557,679</u>	<u>\$ 950,804</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

CLOVER HEALTH INVESTMENTS, CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)
(Dollars in thousands, except per share and share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues:				
Premiums earned, net (Net of ceded premiums of \$116 and \$120 for the three months ended September 30, 2022 and 2021, respectively; net of ceded premiums of \$354 and \$370 for the nine months ended September 30, 2022 and 2021, respectively)	\$ 267,892	\$ 203,657	\$ 814,566	\$ 598,390
Non-Insurance revenue	585,311	222,647	1,757,579	439,020
Other income	3,614	859	5,751	2,550
Total revenues	<u>856,817</u>	<u>427,163</u>	<u>2,577,896</u>	<u>1,039,960</u>
Operating expenses:				
Net medical claims incurred	839,799	436,325	2,560,307	1,109,248
Salaries and benefits	70,142	73,364	209,724	201,555
General and administrative expenses	47,832	45,846	152,569	130,110
Premium deficiency reserve (benefit) expense	(27,657)	20,761	(82,971)	48,661
Depreciation and amortization	616	120	2,028	398
Other expense	—	—	—	191
Total operating expenses	<u>930,732</u>	<u>576,416</u>	<u>2,841,657</u>	<u>1,490,163</u>
Loss from operations	<u>(73,915)</u>	<u>(149,253)</u>	<u>(263,761)</u>	<u>(450,203)</u>
Change in fair value of warrants payable	—	(115,152)	—	(66,146)
Interest expense	404	404	1,197	2,790
Amortization of notes and securities discounts	9	22	27	13,708
Loss (gain) on investment	980	—	(10,187)	—
Net loss	<u>\$ (75,308)</u>	<u>\$ (34,527)</u>	<u>\$ (254,798)</u>	<u>\$ (400,555)</u>
Per share data:				
Net loss per share attributable to Class A and Class B common stockholders – basic and diluted ⁽¹⁾	\$ (0.16)	\$ (0.08)	\$ (0.54)	\$ (0.98)
Weighted average number of common shares outstanding				
Basic and diluted weighted average number of Class A and Class B common shares and common share equivalents outstanding ⁽¹⁾	477,690,204	414,572,706	475,609,571	410,417,493
Net unrealized loss on available-for-sale investments	<u>\$ (2,407)</u>	<u>\$ (197)</u>	<u>\$ (8,826)</u>	<u>\$ (620)</u>
Comprehensive loss	<u>\$ (77,715)</u>	<u>\$ (34,724)</u>	<u>\$ (263,624)</u>	<u>\$ (401,175)</u>

⁽¹⁾ Because the Company had a net loss during the three and nine months ended September 30, 2022 and 2021, the Company's potentially dilutive securities, which include stock options, restricted stock, preferred stock, and warrants to purchase shares of common stock and preferred stock, have been excluded from the computation of diluted net loss per share, as the effect would be anti-dilutive.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Common Stock to Class A Common Stock	—	—	117,425,763	12	(117,425,763)	(12)	—	—	—	—	—	—	—
Issuance of common stock related to exercises of public and private placement warrants	—	—	9,408,264	1	—	—	—	—	81,672	—	—	—	81,673
Treasury Stock	—	—	(14,730)	—	—	—	14,730	(147)	—	—	—	—	(147)
Net loss	—	—	—	—	—	—	—	—	—	(34,527)	—	—	(34,527)
Balance, September 30, 2021	—	\$ —	278,308,964	\$ 28	142,318,711	\$ 14	14,730	\$ (147)	\$ 1,838,639	\$ (1,429,537)	\$ (610)	\$ 3,903	\$ 412,290

	Convertible Preferred stock		Class A Common Stock ⁽¹⁾		Class B Common Stock ⁽¹⁾		Treasury Stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Noncontrolling interest	Total stockholders' equity (deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, December 31, 2021	—	\$ —	352,645,626	\$ 34	118,206,768	\$ 12	14,730	\$ (147)	\$ 2,154,187	\$ (1,616,738)	\$ (1,934)	\$ 3,903	\$ 539,317
Stock issuance for exercise of stock options, net of early exercise liability	—	—	151,620	—	—	—	—	—	331	—	—	—	331
Stock-based compensation	—	—	—	—	—	—	—	—	40,640	—	—	—	40,640
Vested restricted stock units	—	—	2,275,946	—	1,677,873	—	—	—	—	—	—	—	—
Vested performance restricted stock units	—	—	8,951	—	—	—	—	—	—	—	—	—	—
Unrealized holdings loss on investment securities, available-for-sale	—	—	—	—	—	—	—	—	—	—	(5,324)	—	(5,324)
Conversion from Class A Common Stock to Class B Common Stock	—	—	25,436,433	3	(25,436,433)	(3)	—	—	—	—	—	—	—
Treasury stock acquired	—	—	(1,879,063)	—	—	—	1,879,063	(5,939)	—	—	—	—	(5,939)
Issuance of common stock under Employee Stock Purchase Plan	—	—	214,797	—	—	—	—	—	—	—	—	—	—
Derecognition of noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	(3,903)	(3,903)
Net loss	—	—	—	—	—	—	—	—	—	(75,309)	—	—	(75,309)
Balance, March 31, 2022	—	\$ —	378,854,310	\$ 37	94,448,208	\$ 9	1,893,793	\$ (6,086)	\$ 2,195,158	\$ (1,692,047)	\$ (7,258)	\$ —	\$ 489,813
Stock issuance for exercise of stock options, net of early exercise liability	—	—	4,016,336	—	—	—	—	—	563	—	—	—	563
Stock-based compensation	—	—	—	—	—	—	—	—	41,927	—	—	—	41,927
Vested restricted stock units	—	—	122,672	—	—	—	—	—	—	—	—	—	—
Treasury stock acquired	—	—	(37,744)	—	—	—	37,744	(105)	—	—	—	—	(105)
Unrealized holdings gain on investment securities, available-for-sale	—	—	—	—	—	—	—	—	—	—	(1,095)	—	(1,095)
Conversion from Class A Common Stock to Class B Common Stock	—	—	53,040	—	(53,040)	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	(104,181)	—	—	(104,181)
Balance, June 30, 2022	—	\$ —	383,008,614	\$ 37	94,395,168	\$ 9	1,931,537	\$ (6,191)	\$ 2,237,648	\$ (1,796,228)	\$ (8,353)	\$ —	\$ 426,922
Stock issuance for exercise of stock options, net of early exercise liability	—	—	190,052	—	—	—	—	—	408	—	—	—	408
Stock-based compensation	—	—	—	—	—	—	—	—	42,641	—	—	—	42,641
Vested restricted stock units	—	—	438,063	—	—	—	—	—	—	—	—	—	—
Treasury stock acquired	—	—	(110,411)	—	—	—	110,411	(276)	—	—	—	—	(276)
Unrealized holdings gain on investment securities, available-for-sale	—	—	—	—	—	—	—	—	—	—	(2,407)	—	(2,407)
Conversion from Class A Common Stock to Class B Common Stock	—	—	316	—	(316)	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	(75,308)	—	—	(75,308)
Balance, September 30, 2022	—	\$ —	383,526,634	\$ 37	94,394,852	\$ 9	2,041,948	\$ (6,467)	\$ 2,280,697	\$ (1,871,536)	\$ (10,760)	\$ —	\$ 391,980

⁽¹⁾ The presentation of Common Stock has been updated to separately disclose the changes in Class A and Class B common stock in all periods.

The accompanying notes are an integral part of these condensed consolidated financial statements.

CLOVER HEALTH INVESTMENTS, CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Dollars in thousands)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (254,798)	\$ (400,555)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	2,028	398
Amortization of notes and securities discounts and debt issuance costs	27	13,708
Stock-based compensation expense	125,211	132,542
Change in fair value of warrants payable and amortization of warrants	—	(66,146)
Accretion, net of amortization	(730)	142
Net realized losses on investment securities	18	55
Gain on investment	(10,187)	—
Premium deficiency reserve	(82,971)	48,661
Changes in operating assets and liabilities:		
Accrued retrospective premiums	21,029	4,645
Other receivables	(8,803)	(9,759)
Surety bonds and deposits	769	(13,165)
Prepaid expenses	(8,407)	(4,347)
Other assets	(19,263)	(10,291)
Healthcare receivables	(10,844)	4,089
Operating lease right-of-use assets	1,750	2,636
Unpaid claims	1,013	36,465
Accounts payable and accrued expenses	9,606	1,386
Accrued salaries and benefits	4,489	9,458
Deferred revenue	96,358	—
Other liabilities	(1,005)	1,013
Performance year obligation	33,057	23,861
Non-Insurance payable	109,359	26,233
Operating lease liabilities	(2,264)	(3,179)
Net cash provided by (used in) operating activities	5,442	(202,150)
Cash flows from investing activities:		
Purchases of short-term investments, available-for-sale, and held-to-maturity securities	(276,848)	(705,598)
Proceeds from sales of short-term investments and available-for-sale securities	9,710	126,862
Proceeds from maturities of short-term investments, available-for-sale, and held-to-maturity securities	350,455	250,265
Purchases of property and equipment	(590)	(485)
Acquisition of Character Biosciences, Inc. Series A preferred shares	(250)	—
Net cash provided by (used in) investing activities	82,477	(328,956)
Cash flows from financing activities:		
Payment of notes payable principal	—	(30,925)
Issuance of common stock, net of early exercise liability	1,302	5,547
Proceeds from reverse recapitalization, net of transaction costs	—	666,242
Proceeds received for the exercise of public and private warrants	—	390
Payment for the redemptions of public warrants	—	(85)
Treasury stock acquired	(6,320)	(147)
Net cash (used in) provided by financing activities	(5,018)	641,022
Net increase in cash and cash equivalents	82,901	109,916
Cash and cash equivalents, beginning of period	299,968	92,348
Cash and cash equivalents, end of period	\$ 382,869	\$ 202,264
Supplemental cash flow disclosures		
Supplemental disclosure of non-cash activities		
Performance year receivable	\$ (585,901)	\$ (220,738)
Performance year obligation	585,901	220,738
Conversion of preferred stock to common stock	—	447,747
Issuance of common stock related to convertible debt	—	16,059
Capital contribution for extinguishment of debt	—	126,795
Issuance of common stock related to warrants exercised	—	97,782
Acquisition of public and private warrants	—	147,582
Right-of-use assets obtained in exchange for lease liabilities	642	582
Recognition of equity method investments and preferred stock	8,644	—
Derecognition of noncontrolling interest	3,903	—
Conversion of Character Biosciences, Inc. convertible note to preferred stock	250	—

The accompanying notes are an integral part of these consolidated financial statements.

CLOVER HEALTH INVESTMENTS, CORP. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization and Operations

Clover Health Investments, Corp. (collectively with its affiliates and subsidiaries, "Clover" or the "Company") is singularly focused on creating great, sustainable healthcare to improve every life. Clover has centered its strategy on building and deploying technology through its flagship software platform, Clover Assistant, to help America's seniors receive better care at lower costs.

Clover provides affordable, high-quality Medicare Advantage ("MA") plans, including Preferred Provider Organization ("PPO") and Health Maintenance Organization ("HMO") plans, through its regulated insurance subsidiaries. The Company's regulated insurance subsidiaries consist of Clover Insurance Company and Clover HMO of New Jersey Inc., which operate the Company's PPO and HMO health plans, respectively. On April 1, 2021, the Company's subsidiary, Clover Health Partners, LLC, began participating as a Direct Contracting Entity ("DCE") in the Global and Professional Direct Contracting Model ("DC Model") of the Centers for Medicare and Medicaid Services ("CMS"), an agency of the United States Department of Health and Human Services, through which the Company provides care to aligned Original Medicare beneficiaries (the "Non-Insurance Beneficiaries"). Medical Service Professionals of NJ, LLC, houses Clover's employed physicians and the related support staff for Clover's in-home care program. Clover's administrative functions and insurance operations are primarily operated by its Clover Health, LLC and Clover Health Labs, LLC subsidiaries.

Clover's approach is to combine technology, data analytics, and preventive care to lower costs and increase the quality of health and life of Medicare beneficiaries. Clover's technology platform is designed to use machine learning-powered systems to deliver data and insights to physicians at the point of care in order to improve outcomes for beneficiaries and drive down costs. Clover's MA plans generally provide access to a wide network of primary care providers, specialists, and hospitals, enabling its members to see any doctor participating in Medicare willing to accept them. Clover focuses on minimizing members' out-of-pocket costs and offers many plans that allow members to pay the same co-pays for primary care provider visits regardless of whether their physician is in- or out-of-network. Through its Non-Insurance operations, the Company assumes full risk (i.e., 100.0% shared savings and shared losses) for the total cost of care of aligned Non-Insurance Beneficiaries, empowers providers with Clover Assistant, and offers a variety of programs aimed at reducing expenditures and preserving or enhancing the quality of care for Non-Insurance Beneficiaries. For additional information related to the Company's Non-Insurance operations, see Note 16 in this report.

The Company was originally incorporated as a Cayman Islands exempted company on October 18, 2019, as a special purpose acquisition company under the name Social Capital Hedosophia Holdings Corp. III ("SCH"). On October 5, 2020, SCH entered into a Merger Agreement (the "Merger Agreement") with Clover Health Investments, Corp., a corporation originally incorporated on July 17, 2014, in the state of Delaware ("Legacy Clover"). Pursuant to the Merger Agreement, and a favorable vote of SCH's stockholders at an extraordinary general meeting on January 6, 2021 (the "Special Meeting"), on January 7, 2021, Asclepius Merger Sub Inc., a Delaware corporation and a newly formed, wholly-owned subsidiary of SCH ("Merger Sub"), merged with and into Legacy Clover. The separate corporate existence of Merger Sub ceased, Legacy Clover survived and merged with and into SCH, with SCH as the surviving corporation, and SCH was redomesticated as a Delaware corporation and renamed Clover Health Investments, Corp. (the "Business Combination"). The Business Combination was accounted for as a reverse recapitalization in accordance with generally accepted accounting principles in the United States ("GAAP"). Under the guidance in Accounting Standards Codification ("ASC") 805, Legacy Clover is treated as the "acquirer" for financial reporting purposes, Legacy Clover is deemed the accounting predecessor of the combined business, and Clover Health Investments, Corp., as the parent company of the combined business, is the successor Securities and Exchange Commission ("SEC") registrant, meaning that Legacy Clover's financial statements for previous periods are disclosed in periodic reports filed with the SEC.

The Business Combination has had a significant impact on the Company's reported financial position and results as a consequence of the reverse recapitalization. The Business Combination closed on January 7, 2021, and on the following day the Company's Class A Common Stock and then outstanding public warrants were listed on the Nasdaq Global Select Market ("Nasdaq") under the symbols "CLOV" and "CLOVW," respectively, for trading in the public market.

For additional information, see Note 1 (Organization and Operations) and Note 3 (Business Combination) included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Form 10-K").

2. Summary of Significant Accounting Policies

Basis of presentation

The Company's interim condensed consolidated financial statements have been prepared in conformity with GAAP and include the accounts of the Company and its wholly-owned subsidiaries. In the opinion of management, the Company has made all necessary adjustments, which include normal recurring adjustments necessary for a fair presentation of its financial position and its results of operations for the interim periods presented. All material intercompany balances and transactions have been eliminated in consolidating these financial statements. Investments over which we exercise significant influence, but do not control, are accounted for using the applicable accounting treatment based on the nature of the investment. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes to the financial statements included in the 2021 Form 10-K.

Use of estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that impact the amounts reported in the condensed consolidated financial statements and the accompanying notes.

The areas involving the most significant use of estimates are the amounts of incurred but not reported claims. Many factors can cause actual outcomes to deviate from these assumptions and estimates, such as changes in economic conditions, changes in government healthcare policy, advances in medical technology, changes in treatment patterns, and changes in average lifespan. Accordingly, the Company cannot determine with precision the ultimate amounts that it will pay for, or the timing of payment of actual claims, or whether the assets supporting the liabilities will grow to the level the Company assumes prior to payment of claims. If the Company's actual experience is different from its assumptions or estimates, the Company's reserves may prove inadequate. As a result, the Company would incur a charge to operations in the period in which it determines such a shortfall exists, which could have a material adverse effect on the Company's business, results of operations, and financial condition. Other areas involving significant estimates include risk adjustment provisions related to Medicare contracts and the valuation of the Company's investment securities, goodwill and other intangible assets, reinsurance, premium deficiency reserve, warrants, embedded derivative related to convertible securities, stock-based compensation, recoveries from third parties for coordination of benefits, Direct Contracting benchmark, specifically cost trend and risk score estimates that can develop over time, and final determination of medical cost adjustment pools.

Deferred revenue

Premiums earned, net is recognized as income in the period members are entitled to receive services, risk adjustment revenue, and other ancillary income. Premiums received in advance of the service period are reported as deferred revenue on the Condensed Consolidated Balance Sheets and recognized within Premiums earned, net once earned. Premiums anticipated to be received within twelve months based on the documented diagnostic criteria of the Company's members are estimated and included in revenue for the period including the member months for which the payment is designated by CMS.

Equity method of accounting and variable interest entities

Investments in entities in which the Company does not have control but its ownership falls between 20.0% and 50.0%, or it has the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method of accounting.

The Company continuously assesses its partially-owned entities to determine if these entities are variable interest entities ("VIEs") and, if so, whether the Company is the primary beneficiary and, therefore, required to consolidate the VIE. To make this determination, the Company applies a qualitative approach to determine whether the Company has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of, or the rights to receive benefits from, the VIE that could potentially be significant to that VIE. If the Company has an interest in a VIE but is determined to not be the primary beneficiary, the Company accounts for the interest under the equity method of accounting.

Segment information

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company has two reporting segments: Insurance and Non-Insurance.

Performance guarantees

Certain of the Company's arrangements with third-party providers require it to guarantee the performance of its care network to CMS. As a result of the Company's participation in the DC Model, the Company determined that it was making a performance guarantee with respect to providers under the Non-Insurance arrangement that should be recognized in the financial statements. The performance guarantee identified relates to the Company guaranteeing the performance of the third-party medical providers. Thus, the contract with CMS is accounted for as a performance guarantee under ASC 460-Guarantees. Accordingly, a liability for the performance guarantee was recorded on the Condensed Consolidated Balance Sheet. Each month, as the performance guarantee is fulfilled, the guarantee is amortized on a straight-line basis for the amount that represents the completed performance. With respect to each performance year in which the DCE is a participant, the final consideration due to the DCE from CMS ("shared savings") or the consideration due to CMS from the DCE ("shared loss") is reconciled in the subsequent years following the performance year. The shared savings or loss is measured periodically and will be applied to the Non-Insurance performance obligation or Non-Insurance performance receivable if the Company is in a probable loss position or probable savings position, respectively. The DCE has entered into a surety bond agreement with CMS and a third-party surety to cover the financial threshold determined by CMS. The surety bond is partially collateralized by a cash deposit from the Company.

Capitalized software development costs - cloud computing arrangements

The Company's cloud computing arrangements are mostly comprised of hosting arrangements that are service contracts, whereby the Company gains remote access to use enterprise software hosted by the vendor or another third party on an as-needed basis for a period of time in exchange for a subscription fee. Implementation costs for cloud computing arrangements are capitalized if certain criteria are met and consist of internal and external costs directly attributable to developing and configuring cloud computing software for its intended use. These capitalized implementation costs are presented in the Condensed Consolidated Balance Sheets in other assets, and are generally amortized over the fixed, non-cancelable term of the associated hosting arrangement on a straight-line basis.

Deferred acquisition costs

Acquisition costs directly related to the successful acquisition of new business, which are primarily made up of commissions costs, are deferred and subsequently amortized. Deferred acquisition costs are recorded as other assets on the Condensed Consolidated Balance Sheet and are amortized over the estimated life of the related contracts. The amortization of deferred acquisition costs is recorded in general and administrative expenses in the Condensed Consolidated Statement of Operations and Comprehensive Loss. As of September 30, 2022, and December 31, 2021, there were no deferred acquisition costs as a result of the acceleration of amortization for deferred acquisition costs due to the recognition of a premium deficiency reserve. For the three and nine months ended September 30, 2022, charges related to deferred acquisition costs of \$1.9 million and \$15.6 million, respectively, were recognized in general and administrative expenses. For the three and nine months ended September 30, 2021, charges related to deferred acquisition costs of \$1.1 million and \$9.6 million, respectively, were recognized in general and administrative expenses.

COVID-19

The societal and economic impact of the Coronavirus Disease 2019 ("COVID-19") pandemic and its variants are continuing to evolve, and the ultimate impact on the Company's business, results of operations, financial condition, and cash flows is uncertain and difficult to predict. The global pandemic has severely impacted businesses worldwide, including many in the health insurance sector. In response to the pandemic, the Company has implemented additional steps related to its care delivery, member support, and internal policies and operations.

Recent accounting pronouncements

Accounting pronouncements effective in future periods

In August 2018, the FASB issued ASU 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, which was subsequently amended by ASU 2019-09, *Financial Services—Insurance (Topic 944): Effective Date* and ASU 2020-11, *Financial Services—Insurance (Topic 944): Effective Date and Early Application*. ASU 2020-11 was issued in consideration of the implications of COVID-19 and to provide transition relief and additional time for implementation by deferring the effective date by one year. The amendments in ASU 2018-12 make changes to a variety of areas to simplify or improve the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The amendments require insurers to annually review the assumptions they make about their policyholders and update the liabilities for future policy benefits if the assumptions change. The amendments also simplify the amortization of deferred acquisition costs and add new disclosure requirements about the assumptions used to measure liabilities and the potential impact to future cash flows. The amendments related to the liability for future policy benefits for traditional and limited-payment contracts and deferred acquisition costs are to be applied to contracts in force as of the beginning of the earliest period

presented, with an option to apply such amendments retrospectively with a cumulative-effect adjustment to the opening balance of retained earnings as of the earliest period presented. The amendments for market risk benefits are to be applied retrospectively. ASU 2020-11 is effective for public entities for periods beginning after December 15, 2022. The Company is currently evaluating the effects the adoption of ASU 2018-12 and ASU 2020-11 will have on its financial statements.

3. Investment Securities

The following tables present amortized cost and fair values of investments as of September 30, 2022, and December 31, 2021, respectively:

September 30, 2022	Amortized cost	Accumulated unrealized gains	Accumulated unrealized losses	Fair value
(in thousands)				
Investment securities, held-to-maturity				
U.S. government and government agencies and authorities	\$ 700	\$ —	\$ (104)	\$ 596
Investment securities, available-for-sale				
U.S. government and government agencies and authorities	232,189	18	(10,539)	221,668
Corporate debt securities	23,924	4	(243)	23,685
Total investment securities	<u>\$ 256,813</u>	<u>\$ 22</u>	<u>\$ (10,886)</u>	<u>\$ 245,949</u>

December 31, 2021	Amortized cost	Accumulated unrealized gains	Accumulated unrealized losses	Fair value
(in thousands)				
Investment securities, held-to-maturity				
U.S. government and government agencies and authorities	\$ 640	\$ 40	\$ (9)	\$ 671
Investment securities, available-for-sale				
U.S. government and government agencies and authorities	198,669	10	(1,944)	196,735
Total investment securities	<u>\$ 199,309</u>	<u>\$ 50</u>	<u>\$ (1,953)</u>	<u>\$ 197,406</u>

The following table presents the amortized cost and fair value of debt securities as of September 30, 2022, by contractual maturity:

September 30, 2022	Held-to-maturity		Available-for-sale	
	Amortized cost	Fair value	Amortized cost	Fair value
(in thousands)				
Due within one year	\$ —	\$ —	\$ 179,774	\$ 175,116
Due after one year through five years	590	502	76,339	70,237
Due after five years through ten years	—	—	—	—
Due after ten years	110	94	—	—
Total	<u>\$ 700</u>	<u>\$ 596</u>	<u>\$ 256,113</u>	<u>\$ 245,353</u>

For the three and nine months ended September 30, 2022 and 2021, respectively, net investment income, which is included within other income in the Condensed Consolidated Statements of Operations and Comprehensive Loss, was derived from the following sources:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)			
Cash and cash equivalents	\$ 1,428	\$ —	\$ 1,567	\$ —
Short-term investments	879	62	1,001	139
Investment securities	543	117	1,057	201
Investment income, net	\$ 2,850	\$ 179	\$ 3,625	\$ 340

Gross unrealized losses and fair values aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position were as follows at September 30, 2022, and December 31, 2021:

September 30, 2022	Less than 12 months		Greater than 12 months		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
	(in thousands, except number of positions)					
U.S. government and government agencies and authorities	\$ 141,377	\$ (4,723)	\$ 65,926	\$ (5,920)	\$ 207,303	\$ (10,643)
Corporate debt securities	19,624	(243)	—	—	6,997	(243)
Total	\$ 161,001	\$ (4,966)	\$ 65,926	\$ (5,920)	\$ 214,300	\$ (10,886)
Number of positions	36		18		54	

December 31, 2021	Less than 12 months		Greater than 12 months		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
	(in thousands, except number of positions)					
U.S. government and government agencies and authorities	\$ 187,251	\$ (1,555)	\$ 7,902	\$ (398)	\$ 195,153	\$ (1,953)
Total	\$ 187,251	\$ (1,555)	\$ 7,902	\$ (398)	\$ 195,153	\$ (1,953)
Number of positions	18		4		22	

The Company did not record any credit allowances for debt securities that were in an unrealized loss position as of September 30, 2022, and December 31, 2021.

As of September 30, 2022, all securities were investment grade, with credit ratings of BBB+ or higher by S&P Global or as determined by other credit rating agencies within the Company's investment policy. Unrealized losses on investment grade securities are principally related to changes in interest rates or changes in issuer or sector related credit spreads since the securities were acquired. The gross unrealized investment losses as of September 30, 2022, were assessed, based on, among other things:

- The relative magnitude to which fair values of these securities have been below their amortized cost was not indicative of an impairment loss;
- The absence of compelling evidence that would cause the Company to call into question the financial condition or near-term prospects of the issuer of the applicable security; and
- The Company's ability and intent to hold the applicable security for a period of time sufficient to allow for any anticipated recovery.

Proceeds from sales and maturities of investment securities, inclusive of short-term investments, and related gross realized gains (losses) which are included within other income in the Condensed Consolidated Statements of Operations and Comprehensive Loss, were as follows for the three and nine months ended September 30, 2022 and 2021, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)			
Proceeds from sales of investment securities	\$ 3,829	\$ 89,997	\$ 9,710	\$ 126,862
Proceeds from maturities of investment securities	60,000	50,000	350,455	250,265
Gross realized gains	—	8	5	25
Gross realized losses	(2)	—	(23)	(80)
Net realized losses	<u>\$ (2)</u>	<u>\$ 8</u>	<u>\$ (18)</u>	<u>\$ (55)</u>

As of September 30, 2022, and December 31, 2021, the Company had \$14.2 million and \$11.1 million, respectively, in deposits with various states and regulatory bodies that are included as part of the Company's investment balances.

4. Fair Value Measurements

The following tables present a summary of fair value measurements for financial instruments as of September 30, 2022, and December 31, 2021, respectively:

September 30, 2022	Level 1	Level 2	Level 3	Total fair value
	(in thousands)			
U.S. government and government agencies	\$ —	\$ 221,668	\$ —	\$ 221,668
Corporate debt securities	—	23,685	—	23,685
Total assets at fair value	<u>\$ —</u>	<u>\$ 245,353</u>	<u>\$ —</u>	<u>\$ 245,353</u>

December 31, 2021	Level 1	Level 2	Level 3	Total fair value
	(in thousands)			
U.S. government and government agencies	\$ —	\$ 196,735	\$ —	\$ 196,735
Total assets at fair value	<u>\$ —</u>	<u>\$ 196,735</u>	<u>\$ —</u>	<u>\$ 196,735</u>

The fair value of Legacy Clover's convertible securities was based on Level 3 inputs, which were unobservable and reflected management's best estimate of what market participants would use when pricing the asset or liability, including assumptions about risk. There was no fair value associated with convertible securities at September 30, 2022, due to the conversion of the securities to shares of the Company's common stock upon the completion of the Business Combination.

There were no changes in balances of Legacy Clover's Level 3 financial liabilities during the nine months ended September 30, 2022. The changes in balances of Legacy Clover's Level 3 financial liabilities during the nine months ended September 30, 2021, were as follows:

	Convertible securities	Derivative liabilities	Warrants payable	Total
	(in thousands)			
Balance, December 31, 2020	\$ 949,553	\$ 44,810	\$ 97,782	\$ 1,092,145
Issuances	—	—	—	—
Settlements	(949,553)	(44,810)	(97,782)	(1,092,145)
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total realized losses (gains)	—	—	—	—
Balance, September 30, 2021	\$ —	\$ —	\$ —	\$ —

In addition to the Level 3 financial liabilities in the table above, on September 25, 2020, Seek Insurance Services, Inc. ("Seek"), a field marketing organization and an indirect wholly-owned subsidiary of the Company, entered into a note purchase agreement with a third-party investor and issued a note (the "Seek Convertible Note") in the principal amount of \$20.0 million, for which the carrying value is approximately the same as the fair value. For additional information, see Note 8 (Notes and Securities Payable). As of September 30, 2022, and December 31, 2021, both the carrying value, which includes accrued interest, and the fair value of the Seek Convertible Note were \$23.2 million and \$22.0 million, respectively, and these were considered Level 3 financial liabilities. Seek is currently in the process of winding down its operations.

There were no transfers in or out of Level 3 financial assets or liabilities for the nine months ended September 30, 2022 or 2021.

Warrants

Warrants were accounted for as liabilities in accordance with ASC 815-40 and are presented within warrants payable on the Condensed Consolidated Balance Sheet. The warrant liabilities were measured at fair value at inception and measured on a recurring basis, with changes in fair value presented within change in fair value of warrants payable in the Condensed Consolidated Statement of Operations and Comprehensive Loss. The Company determined that the public warrants assumed in connection with the Business Combination were classified within Level 1 of the fair value hierarchy as the fair value was equal to the publicly traded price of the public warrants, and the private placement warrants, also assumed in connection with the Business Combination, were classified within Level 2 of the fair value hierarchy as the fair value was estimated using the price of the public warrants. On July 22, 2021, the Company issued a press release stating that it would redeem all of its public and private placement warrants. In connection with the redemption, effective August 24, 2021, the public warrants were delisted and classified within Level 2 of the fair value hierarchy as the fair value of the public warrants was based on proportional changes in the price of the Company's common stock. The end of the redemption period was September 9, 2021, at which time the Company redeemed all unexercised public and private placement warrants at a price of \$0.10 per warrant. Following the redemption, no public or private placement warrants were outstanding. For additional information, see Note 5 (Fair Value Measurements) and Note 13 (Warrants Payable) in the 2021 Form 10-K.

5. Healthcare Receivables

Healthcare receivables include pharmaceutical rebates which are accrued as they are earned and estimated based on contracted rebate rates, eligible amounts submitted to the manufacturers by the Company's pharmacy manager, pharmacy utilization volume, and historical collection patterns. Also included in healthcare receivables are Medicare Part D settlement receivables, member premium receivables, and other CMS receivables. The Company reported \$58.9 million and \$48.0 million of healthcare receivables at September 30, 2022, and December 31, 2021, respectively.

6. Related Party Transactions

Related party agreements

The Company has various contracts with IJKG Opco LLC (d/b/a CarePoint Health - Bayonne Medical Center), Hudson Hospital Opco, LLC (d/b/a CarePoint Health - Christ Hospital) and Hoboken University Medical Center Opco LLC (d/b/a CarePoint Health - Hoboken University Medical Center), which collectively do business as the CarePoint Health System ("CarePoint Health"), for the provision of inpatient and hospital-based outpatient services. CarePoint Health was ultimately held and controlled by Vivek Garipalli, the Company's Chief Executive Officer and a significant stockholder of the Company. In May 2022, Mr. Garipalli and his family completed a donation of their interest in CarePoint Health to a non-profit organization called CarePoint Health Systems, Inc.

Following the donation, Mr. Garipalli has remained a Manager of Hudson Hospital Propco, LLC, an affiliate of Hudson Hospital Opco, LLC. Additionally, certain affiliates of Mr. Garipalli are owed certain money from CarePoint Health for prior obligations, and Mr. Garipalli has an indirect interest in Sequoia Healthcare Services, LLC, which provides healthcare services to CarePoint Health. Expenses and fees incurred related to Clover's contracts with CarePoint Health, recorded in net medical claims incurred, were \$3.2 million and \$1.7 million for the three months ended September 30, 2022 and 2021, respectively, and \$8.9 million and \$9.2 million for the nine months ended September 30, 2022 and 2021, respectively. Additionally, \$1.7 million and \$2.3 million were payable to CarePoint Health as of September 30, 2022, and December 31, 2021, respectively.

The Company has contracted with Rogue Trading, LLC ("Rogue"), a marketing services provider. The Company's President, Andrew Toy, is related to the Chief Executive Officer of Rogue. There were no expenses and fees related to these contracts for the three and nine months ended September 30, 2022. Expenses and fees incurred related to these contracts were \$0.3 million for the three and nine months ended September 30, 2021.

The Company has a contract with Medical Records Exchange, LLC (d/b/a ChartFast) pursuant to which the Company receives administrative services related to medical records via ChartFast's electronic applications and web portal platform. ChartFast is ultimately owned and controlled by Mr. Garipalli. Expenses and fees incurred related to this agreement were \$0.1 million for the three months ended September 30, 2022 and 2021, and \$0.2 million and \$0.1 million for the nine months ended September 30, 2022 and 2021, respectively.

On July 2, 2021, the Company entered into a contract with Thyme Care, Inc. ("Thyme Care"), an oncology benefit management company, through which Thyme Care was engaged to provide concierge cancer coordination services to the Company's Insurance members in New Jersey and develop a provider network to help ensure member access to high-value oncology care. Mr. Garipalli is a member of the board of directors of Thyme Care and holds an equity interest of less than five percent (5%) of that entity. Expenses and fees incurred related to this agreement were \$0.5 million and \$1.3 million for the three and nine months ended September 30, 2022, respectively. Additionally, \$0.3 million and \$0.1 million were payable to Thyme Care as of September 30, 2022, and December 31, 2021, respectively.

7. Unpaid Claims

Activity in the liability for unpaid claims, including claims adjustment expenses, for the nine months ended September 30, 2022 and 2021, is summarized as follows:

Nine Months Ended September 30,	2022	2021
	(in thousands)	
Gross and net balance, beginning of period ⁽¹⁾	\$ 136,317	\$ 103,976
Incurred related to:		
Current year	773,530	617,035
Prior years	(36,149)	17,095
Total incurred	737,381	634,130
Paid related to:		
Current year	649,223	494,045
Prior years	89,055	109,362
Total paid	738,278	603,407
Gross and net balance, end of period ⁽¹⁾⁽²⁾	\$ 135,420	\$ 134,699

⁽¹⁾ Includes amounts due to related parties.

⁽²⁾ Differs from the total unpaid claims amount reported on the Condensed Consolidated Balance Sheets due to the fact the figure here excludes unpaid claims for the Company's Non-Insurance operations of \$6.5 million and \$4.6 million as of September 30, 2022 and December 31, 2021, respectively.

Unpaid Claims for Insurance Operations

Unpaid claims for Insurance operations were \$135.4 million as of September 30, 2022. During the nine months ended September 30, 2022, \$89.1 million was paid for incurred claims attributable to insured events of prior years. A favorable development of \$36.1 million was recognized during the nine months ended September 30, 2022, resulting from the Company's actual experience with claims developing differently as compared to the Company's estimates as of December 31, 2021. An unfavorable development of \$17.1 million was recognized during the nine months ended September 30, 2021, resulting from the Company's actual experience with claims developing differently as compared to the Company's estimates as of December 31, 2020. Original estimates are increased or

decreased, as additional information becomes known regarding individual claims. The ratio of current year medical claims paid as a percentage of current year net medical claims incurred was 83.9% for the nine months ended September 30, 2022, and 80.1% for the nine months ended September 30, 2021. This ratio serves as an indicator of claims processing speed, indicating that claims were processed at a faster rate during the nine months ended September 30, 2022, than during the nine months ended September 30, 2021.

The Company uses a variety of standard actuarial techniques to establish unpaid claims reserves. Management estimates are supported by the Company's actuarial analysis. The Company utilizes an internal actuarial team to review the adequacy of unpaid claim and unpaid claim adjustment expense. The estimation of claim costs is inherently difficult and requires significant judgment. The estimation has considerable inherent variability and can fluctuate significantly depending upon several factors, including medical cost trends and claim payment patterns, general economic conditions, and regulatory changes. The time value of money is not taken into account for the purposes of calculating the liability for unpaid claims. Management believes that the current reserves are adequate based on currently available information.

8. Notes and Securities Payable

Seek Convertible Note

On September 25, 2020, Seek issued the Seek Convertible Note in the principal amount of \$20.0 million. The note bears simple interest at an annual rate of 8.0% and matures on September 25, 2023, unless earlier accelerated, converted, or paid in full. The outstanding principal and any accrued but unpaid interest will become immediately due and payable at the election of the note holder upon the occurrence of any event of default as defined in the note. The outstanding principal and accrued but unpaid interest will convert into an equity interest in Seek if prior to maturity, repayment, or conversion of the note: (1) the note holder elects to convert the note, (2) upon the closing of Seek's next equity financing; or (3) upon consummation of an initial public offering of Seek's common stock or a SPAC or reverse merger transaction with Seek. The Seek Convertible Note is not guaranteed by Clover Health Investments, Corp. or any of its subsidiaries, other than Seek.

The Company analyzed the embedded features for derivative accounting consideration and determined that the features are clearly and closely related to the debt host and do not require separate accounting as a derivative.

The carrying amount of the note was \$20.0 million and \$19.9 million at September 30, 2022, and December 31, 2021, respectively. The Company capitalized \$0.1 million of issuance costs which are being amortized using the effective interest method over the term of the note. Unamortized debt issuance costs were less than \$0.1 million and \$0.1 million at September 30, 2022, and December 31, 2021. Amortization of the debt issuance costs and interest expense on the note was \$0.4 million and \$0.4 million during the three months ended September 30, 2022 and 2021, respectively, and \$0.8 million and \$1.2 million during the nine months ended September 30, 2022 and 2021, respectively.

The effective interest rate was 8.2% during the three months ended September 30, 2022 and 2021, respectively, and 8.2% during the nine months ended September 30, 2022 and 2021, respectively.

The below table summarizes maturities of the Company's securities payable over the next five years as of September 30, 2022:

	(in thousands)	
2023	\$	20,000
2024		—
2025		—
2026		—
2027		—
Total	\$	<u>20,000</u>

Seek is currently in the process of winding down its operations. Upon the dissolution of Seek, the Seek Convertible Note will be deemed waived and all outstanding amounts thereunder will be cancelled and forgiven and all other rights, covenants and obligations shall terminate.

9. Letter of Credit

On April 19, 2018, the Company entered into a secured letter of credit agreement (the "Letter") required for its subsidiary, Clover HMO of New Jersey, Inc., for an aggregate amount of up to \$2.5 million with a commercial lender that renews on an annual basis. The

Letter bears interest at a rate of 0.75%. There was an unused balance of \$2.5 million at both September 30, 2022, and December 31, 2021.

10. Stockholders' Equity and Convertible Preferred Stock

Stockholders' Equity

The Company was authorized to issue up to 2,500,000,000 shares of Class A common stock as of September 30, 2022, and December 31, 2021, and up to 500,000,000 shares of Class B common stock as of September 30, 2022, and December 31, 2021. As of September 30, 2022, and December 31, 2021, there were 383,526,634 and 352,645,626 shares of Class A common stock issued and outstanding, respectively. There were 94,394,852 and 118,206,768 shares of Class B common stock issued and outstanding as of September 30, 2022, and December 31, 2021, respectively. Class B common stock has 10 votes per share, and Class A common stock has one vote per share. The Company had 2,041,948 and 14,730 shares held in treasury as of September 30, 2022, and December 31, 2021, respectively. These amounts represent shares withheld to cover taxes upon vesting of employee stock-based awards.

The Company is authorized to issue 25,000,000 shares of preferred stock having a par value of \$0.0001 per share, and the Company's board of directors (the "Board") has the authority to determine the rights, preferences, privileges, and restrictions, including voting rights, of those shares. As of September 30, 2022, there were no shares of preferred stock issued and outstanding.

Issuance of Common Stock

In November 2021, the Company sold 52,173,913 shares of Class A common stock at a public offering price of \$5.75 per share for gross proceeds of approximately \$300.0 million, before deducting underwriting discounts and commissions and other expenses payable by the Company, of \$16.2 million.

Convertible Preferred Stock

Each share of Legacy Clover's preferred stock was convertible at the option of the holder, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into fully paid and non-assessable shares of common stock.

Pursuant to the Merger Agreement, all outstanding shares of Legacy Clover's preferred stock automatically converted into 139,444,346 shares of Class B Common Stock upon the closing of the Business Combination. For additional information, see Note 3 (Business Combination) in the 2021 Form 10-K.

11. Variable Interest Entity and Equity Method of Accounting

On February 4, 2022, Character Biosciences, Inc. (f/k/a Clover Therapeutics Company) ("Character Biosciences"), a subsidiary of the Company, completed a private capital transaction in which it raised \$17.9 million from the issuance of 16,210,602 shares of its preferred stock. Upon completion of the transaction, the Company owned approximately 25.46% of Character Biosciences. As a result, the Company reassessed its interest in Character Biosciences and determined that while Character Biosciences is a VIE, the Company is not considered as the primary beneficiary of the VIE because it does not have the power, through voting or similar rights and the license agreements, to direct the activities of Character Biosciences that most significantly impact Character Biosciences' economic performance.

The Company determined that it does have a significant influence over Character Biosciences and, therefore, it began accounting for its common stock investment in Character Biosciences using the equity method on February 4, 2022. The Company derecognized all of Character Biosciences' assets and liabilities from its balance sheet and its noncontrolling interest related to Character Biosciences, and recognized the retained common stock and preferred stock equity interests at fair values of \$3.7 million and \$4.9 million, respectively, which are included in equity method investment and other assets on the Condensed Consolidated Balance Sheets, and recognized a loss of \$1.0 million and gain of \$10.2 million, respectively, which is included in loss (gain) on investment on the Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended September 30, 2022.

As the Company applies the equity method to account for its common stock interest in Character Biosciences, the initial value of the investment is adjusted periodically to recognize (1) the proportionate share of the investee's net income or losses after the date of investment, (2) additional contributions made and dividends or distributions received, and (3) impairment losses resulting from adjustments to net realizable value. The Company eliminates all intercompany transactions in accounting for equity method investments and records the proportionate share of the investee's net income or loss in equity in loss on investment on the Condensed Consolidated Statements of Operations and Comprehensive Loss.

With respect to the Company's preferred stock equity interest in Character Biosciences, the Company elected the measurement alternative to value this equity investment without a readily determinable fair value in accordance with ASC 321, *Investments – Equity Securities*. The carrying amount of the investment is included in other assets in the Condensed Consolidated Balance Sheets. In accordance with ASC 321, for each reporting period, the Company completes a qualitative assessment considering impairment indicators to evaluate whether the investment is impaired.

12. Employee Benefit Plans

Employee Savings Plan

The Company has a defined contribution retirement savings plan (the "401(k) Plan") covering eligible employees, which includes safe harbor matching contributions based on the amount of employees' contributions to the 401(k) Plan. The Company contributes to the 401(k) Plan annually 100.0% of the first 4.0% compensation that is contributed by the employee up to 4.0% of eligible annual compensation after one year of service. The Company's service contributions to the 401(k) Plan amounted to approximately \$0.4 million and \$0.3 million for the three months ended September 30, 2022 and 2021, respectively, and \$1.1 million and \$0.9 million for the nine months ended September 30, 2022 and 2021, respectively, and are included in salaries and benefits on the Condensed Consolidated Statements of Operations and Comprehensive Loss. The Company's cash match is invested pursuant to the participant's contribution direction. Employer contributions are immediately 100.0% vested.

Stock-based Compensation

The Company's 2020 Equity Incentive Plan (the "2020 Plan") provides for grants of restricted stocks units ("RSUs") and options to acquire shares of the Company's common stock, par value \$0.0001 per share, to employees, directors, officers, and consultants of the Company, and the Company's 2020 Management Incentive Plan (the "2020 MIP") provides for grants of RSUs to our Chief Executive Officer and President. During the year ended December 31, 2021, the Company approved the 2020 Plan and the 2020 MIP, and the Company's 2014 Equity Incentive Plan (the "2014 Plan") was terminated. On March 9, 2022, the Board adopted the 2022 Inducement Award Plan (the "Inducement Plan" and, collectively with the 2020 Plan, the 2020 MIP, and the 2014 Plan, the "Plans") and reserved 11,000,000 shares of Class A common stock for issuance under the Inducement Plan. The Inducement Plan was adopted by the Board without stockholder approval pursuant to Rule 5635(c)(4) of the Nasdaq Listing Rules. In accordance with Rule 5635(c)(4) of the Nasdaq Listing Rules, awards under the Inducement Plan may be made only to an employee who has not previously been an employee or member of the Board, or following a bona fide period of non-employment, if he or she is granted such award in connection with his or her commencement of employment with the Company, and such grant is an inducement material to his or her entering into employment with the Company.

The maximum number of shares of the Company's common stock reserved for issuance over the term of the Plans, shares outstanding under the Plans, and shares remaining under the Plans as of September 30, 2022, and December 31, 2021, were as follows:

	Shares Authorized Under Plans	Shares Outstanding Under Plans	Shares Remaining Under Plans
September 30, 2022			
2014 Plan	54,402,264	36,662,098	N/A
2020 Plan	31,884,272	22,576,925	7,608,767
2020 MIP	33,426,983	30,084,285	—
Inducement Plan	11,000,000	11,000,000	—
	Shares Authorized Under Plans	Shares Outstanding Under Plans	Shares Remaining Under Plans
December 31, 2021			
2014 Plan	54,402,264	41,905,875	N/A
2020 Plan	30,641,401	6,690,048	23,442,323
2020 MIP	33,426,983	33,426,983	—

Effective as of the closing of the Business Combination, the 2014 Plan was terminated, at which time the outstanding awards previously granted thereunder were assumed by the Company, and no new awards are available for grant under the 2014 Plan. Shares that are expired, terminated, surrendered, or canceled under the 2014 Plan without having been fully exercised are available for awards under the 2020 Plan. Shares may be issued from authorized but unissued Company stock.

The Plans are administered by the Talent and Compensation Committee of the Board (the "Compensation Committee"). The options are subject to the terms and conditions applicable to options granted under the Plans, as described in the applicable Plan and the applicable stock option grant agreement. The exercise prices, vesting, and other restrictions applicable to the stock options are determined at the discretion of the Compensation Committee, except that the exercise price per share of incentive stock options may not be less than 100.0% of the fair value of a share of common stock on the date of grant. Stock options awarded under the Plans expire 10 years after the grant date. Incentive stock options and non-statutory options granted to employees, directors, officers, and consultants of the Company typically vest over four or five years. RSU awards are subject to the terms and conditions set forth in the Plans and the applicable RSU grant agreement. Vesting and other restrictions applicable to RSU awards are determined at the discretion of the Compensation Committee. The number of shares of common stock subject to an RSU award is determined by dividing the cash value of an RSU award by the average closing price of a share of the Company's Class A common stock over a specified period through the date of grant, and such awards typically vest over four years from the grant date. The total estimated fair value is amortized as an expense over the requisite service period as approved by the Compensation Committee.

The Company recorded stock-based compensation expense for options, RSUs, and performance restricted stock units ("PRSUs") granted under the Plans, the Inducement Plan, and discounts offered in connection with the Company's 2020 Employee Stock Purchase Plan ("ESPP") of \$42.6 million and \$46.8 million during the three months ended September 30, 2022 and 2021, respectively, and \$125.2 million and \$132.5 million during the nine months ended September 30, 2022 and 2021, respectively, and such expenses are presented in salaries and benefits in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Loss. Compensation cost presented in salaries and benefits in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Loss were as follows:

Three Months Ended September 30,	2022	2021
	<i>(in thousands)</i>	
Stock options	\$ 1,051	\$ 1,665
RSUs	19,499	17,396
PRSUs	21,903	27,675
ESPP	188	67
Total compensation cost recognized for stock-based compensation plans	<u>\$ 42,641</u>	<u>\$ 46,803</u>

Nine Months Ended September 30,	2022	2021
	<i>(in thousands)</i>	
Stock options	\$ 3,530	\$ 6,734
RSUs	54,782	45,725
PRSUs	66,461	80,016
ESPP	435	67
Total compensation cost recognized for stock-based compensation plans	<u>\$ 125,208</u>	<u>\$ 132,542</u>

As of September 30, 2022, there was approximately \$381.0 million of unrecognized stock-based compensation expense related to unvested stock options, RSUs, PRSUs, and the ESPP, estimated to be recognized over a period of 3.96 years.

Stock Options

No stock options were granted during the nine months ended September 30, 2022. The assumptions that the Company used in the Black-Scholes option-pricing model to determine the grant-date fair value of stock options granted for the nine months ended September 30, 2021, respectively, were as follows:

	Nine Months Ended September 30, 2021
Weighted-average risk-free interest rate	1.06 %
Expected term (in years)	6.06
Expected volatility	37.74 %
Expected dividend yield	—

A summary of option activity under the 2020 Plan during the nine months ended September 30, 2022, is as follows:

	Number of options	Weighted-average exercise price
Outstanding, January 1, 2022	1,753,799	\$ 8.88
Granted during 2022	—	—
Exercised	—	—
Forfeited	(295,549)	8.88
Outstanding, September 30, 2022	<u>1,458,250</u>	<u>\$ 8.88</u>

A summary of option activity under the 2014 Plan during the nine months ended September 30, 2022, is as follows:

	Number of options	Weighted-average exercise price
Outstanding, January 1, 2022	31,155,742	\$ 2.35
Granted during 2022	—	—
Exercised	(4,358,008)	0.22
Forfeited	(882,509)	2.69
Outstanding, September 30, 2022	<u>25,915,225</u>	<u>\$ 2.69</u>

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock for those stock options that had exercise prices lower than the fair value of the Company's common stock.

The weighted-average grant date fair value of stock options granted during the nine months ended September 30, 2021, was \$3.36 per share.

As of September 30, 2022, outstanding stock options, substantially all of which are expected to vest, had an aggregate intrinsic value of \$0.8 million, and a weighted-average remaining contractual term of 6.54 years. As of September 30, 2022, there were 21,039,422 options exercisable under the Plan, with an aggregate intrinsic value of \$0.8 million, a weighted-average exercise price of \$2.86 per share, and a weighted-average remaining contractual term of 6.29 years. The total value of stock options exercised during the nine months ended September 30, 2022 and 2021, was \$11.3 million and \$36.4 million, respectively. Cash received from stock option exercises during the nine months ended September 30, 2022 and 2021, totaled \$1.0 million and \$5.5 million, respectively.

Pursuant to the terms of the applicable Plan and stock option award agreement, employees may exercise options at any time after grant while maintaining the original vesting period. The proceeds from exercise of unvested options are recorded as a liability until the option vests at which time the liability is reclassified to equity. If the employee terminates or otherwise forfeits an unvested option that has been exercised, the Company must redeem those shares at the original exercise price and remit payment of the forfeited portion of shares back to the employee.

Restricted Stock Units

A summary of total RSU activity is presented below:

	<u>Number of RSUs</u>	<u>Weighted-average grant date fair value per share</u>
Outstanding, January 1, 2021	—	\$ —
Granted during 2021	21,035,614	14.77
Released	(131,766)	—
Forfeited	(35,935)	8.52
Outstanding, September 30, 2021	<u>20,867,913</u>	<u>\$ 14.78</u>
Outstanding, January 1, 2022	21,294,841	\$ 14.60
Granted during 2022	30,094,480	2.62
Released	(4,518,984)	14.31
Forfeited	(1,460,459)	5.31
Outstanding, September 30, 2022	<u>45,409,878</u>	<u>\$ 6.99</u>

Performance Restricted Stock Units

The Company has granted certain PRSUs which become eligible to vest if prior to the vesting date the average closing price of one share of the Company's common stock for 90 consecutive days equals or exceeds a specified price (the "Market PRSUs"). Additionally, the Company has granted PRSUs that vest based on pre-established milestones including Company performance. The grant date fair value of the Market PRSUs is recognized as expense over the vesting period under the accelerated attribution method and is not adjusted in future periods for the success or failure to achieve the specified market condition. The Company has also determined the requisite service period for the PRSUs with multiple performance conditions to be the longest of the explicit, implicit, or derived service period for each tranche.

There were no Market PRSUs granted prior to 2021. The grant date fair value of Market PRSUs was determined using a Monte Carlo simulation model that incorporated multiple valuation assumptions, including the probability of achieving the specified market condition and the following assumptions:

Nine months ended September 30, 2022

Expected volatility ⁽¹⁾	40.7 %
Risk-free interest rate ⁽²⁾	0.5
Dividend yield ⁽³⁾	—

⁽¹⁾ Expected volatility is based on a blend of peer group company historical data adjusted for the Company's leverage.

⁽²⁾ Risk-free interest rate based on U.S. Treasury yields with a term equal to the remaining Performance Period as of the grant date.

⁽³⁾ Dividend yield was assumed to be zero as the Company does not anticipate paying dividends.

A summary of PRSU activity is presented below:

	Number of PRSUs	Weighted-average grant date fair value per share
Non-vested, January 1, 2021	—	\$ —
Granted during 2021	27,699,171	9.65
Non-vested at September 30, 2021	27,699,171	\$ 9.65
Non-vested, January 1, 2022	27,818,524	\$ 9.58
Granted during 2022	—	—
Vested	(13,264)	8.90
Forfeited	(265,306)	9.11
Non-vested at September 30, 2022	27,539,954	\$ 9.58

As of September 30, 2022, there was \$93.9 million of unrecognized share-based compensation expense related to PRSUs, which is expected to be recognized over a period of 3.96 years.

2020 Employee Stock Purchase Plan

On January 6, 2021, stockholders approved the ESPP. The ESPP provides a means by which eligible employees and/or eligible service providers of either the Company or designated related companies and affiliates may be given an opportunity to purchase shares of Class A common stock at a 15.0% discount from the fair market value of the common stock as determined on specific dates at specified intervals. Subject to adjustments provided in the ESPP that are discussed below, the maximum number of shares of common stock that may be purchased under the ESPP is 6,312,038 shares, and the maximum number of shares that may be purchased on any single purchase date by any one participant is 5,000 shares. As of September 30, 2022, 6,097,241 shares of Class A common stock were available for issuance under the ESPP.

On the first day of each fiscal year, beginning with the 2022 fiscal year and ending on (and including) the first day of the 2030 fiscal year, the calculation of the maximum number of ESPP shares shall include automatic increases in an amount equal to the lesser of (i) 1.0% of the total number of shares of Class A common stock outstanding on the last day of the calendar month prior to the date of such automatic increase, and (ii) such number of shares of Class A common stock as determined by the administrator of the ESPP; provided that the maximum number of shares of Class A common stock reserved under the ESPP shall not exceed 10.0% of the total outstanding capital stock of the Company (inclusive of the shares reserved under the ESPP) as of January 7, 2021, on an as-converted basis.

The initial offering period for the ESPP was five months, commencing on September 1, 2021, and ending on January 31, 2022. The second offering period began on March 14, 2022, and will end on November 22, 2022, and the third offering period will begin on November 23, 2022, and end on May 21, 2023.

As of the date of this report, 214,797 shares of the Company's Class A common stock have been purchased or distributed pursuant to the ESPP.

The assumptions that the Company used in the Black-Scholes option-pricing model to determine the fair value of the purchase rights under the ESPP for the nine months ended September 30, 2022, were as follows:

Nine months ended September 30, 2022

Weighted-average risk-free interest rate	102.0 %
Expected term (in years)	0.69
Expected volatility	85.6 %

Equity warrants

In November 2016 and December 2017, the Company issued warrants to purchase 139,629 shares of the Company's common stock at an exercise price of \$2.61 per share, and 122,052 shares of the Company's common stock at an exercise price of \$3.45 per share, respectively, as part of payment to certain providers for services provided to the Company. These warrants were automatically

exercised in connection with the Business Combination. For additional information, see Note 1 (Organization and Operations), Note 3 (Business Combination), and Note 18 (Employee Benefit Plans) to the financial statements in the 2021 Form 10-K.

13. Income Taxes

The consolidated effective tax rate of the Company for the three months ended September 30, 2022 and 2021, was (0.0%) and (0.0%), respectively. The consolidated effective tax rate of the Company for the nine months ended September 30, 2022 and 2021, was (0.0%) and (0.0%), respectively. The Company continues to be in a net operating loss and net deferred tax asset position. As a result, and in accordance with accounting standards, the Company recorded a valuation allowance to reduce the value of the net deferred tax assets to zero. The Company believes that as of September 30, 2022, it had no material uncertain tax positions. Interest and penalties related to unrecognized tax expense (benefits) are recognized in income tax expense, when applicable.

There were no material liabilities for interest and penalties accrued as of September 30, 2022, and December 31, 2021.

14. Net Loss per Share

Net Loss per Share

Basic and diluted net loss per share attributable to Class A common stockholders and Class B common stockholders (collectively, "Common Stockholders") was calculated as follows:

	Three Months Ended September 30,	
	2022	2021
	(in thousands, except per share and share amounts)	
Net loss	\$ (75,308)	\$ (34,527)
Net loss attributable to Common Stockholders	(75,308)	(34,527)
Basic and diluted weighted average number of common shares and common share equivalents outstanding	477,690,204	414,572,706
Net loss per share attributable to Common Stockholders—basic and diluted	<u>\$ (0.16)</u>	<u>\$ (0.08)</u>

	Nine Months Ended September 30,	
	2022	2021
	(in thousands, except per share and share amounts)	
Net loss	\$ (254,798)	\$ (400,555)
Net loss attributable to Common Stockholders	(254,798)	(400,555)
Basic and diluted weighted average number of common shares and common share equivalents outstanding	475,609,571	410,417,493
Net loss per share attributable to Common Stockholders—basic and diluted	<u>\$ (0.54)</u>	<u>\$ (0.98)</u>

Because the Company had a net loss during the three and nine months ended September 30, 2022 and 2021, the Company's potentially dilutive securities, which include stock options, RSUs, PRSUs, preferred stock, and warrants to purchase shares of common stock and preferred stock, have been excluded from the computation of diluted net loss per share, as the effect would be anti-dilutive. Therefore, during these periods, the diluted common shares outstanding equals the average common shares outstanding. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to Common Stockholders for the periods indicated because including them would have had an anti-dilutive effect:

	Three Months Ended September 30,	
	2022	2021
Options to purchase common stock	27,373,475	33,477,833
RSUs	45,409,878	21,106,720
PRsUs	27,539,954	—
Total anti-dilutive shares excluded from computation of net loss per share	<u>100,323,307</u>	<u>54,584,553</u>

	Nine Months Ended September 30,	
	2022	2021
Options to purchase common stock	27,373,475	33,477,833
RSUs	45,409,878	21,106,720
PRsUs	27,539,954	—
Total anti-dilutive shares excluded from computation of net loss per share	<u>100,323,307</u>	<u>54,584,553</u>

15. Commitments and Contingencies

Legal Actions

Various lawsuits against the Company may arise in the ordinary course of the Company's business. Contingent liabilities arising from ordinary course litigation, income taxes and other matters are not expected to be material in relation to the financial position of the Company. At September 30, 2022, and December 31, 2021, respectively, there were no material known contingent liabilities arising outside the normal course of business.

Securities Class Actions and Derivative Litigation

In February 2021, the Company and certain of its directors and officers were named as defendants in putative class actions filed in the United States District Court for the Middle District of Tennessee: Bond v. Clover Health Investments, Corp. et al., Case No. 3:21-cv-00096 (M.D. Tenn.); Kaul v. Clover Health Investments, Corp. et al., Case No. 3:21-cv-00101 (M.D. Tenn.); Yaniv v. Clover Health Investments, Corp. et al., Case No. 3:21-cv-00109 (M.D. Tenn.); and Tremblay v. Clover Health Investments, Corp. et al., Case No. 3:21-cv-00138 (M.D. Tenn.). The complaints assert violations of sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated under the Exchange Act. The Kaul action asserts additional claims under sections 11 and 15 of the Securities Act. The complaints generally relate to allegations published in an article issued on February 4, 2021, by Hindenburg Research LLC (the "Hindenburg Article"). The complaints seek unspecified damages on behalf of all persons and entities who purchased or acquired Clover securities during the class period (which begins on October 6, 2020, and, depending on the complaint, ends on February 3, 2021, or February 4, 2021), as well as certain other costs. In April 2021, the Middle District of Tennessee class actions were consolidated under Bond v. Clover Health Investments, Corp. et al., Case No. 3:21-cv-00096 (M.D. Tenn.) as the lead case. On June 28, 2021, the plaintiffs filed an amended complaint, which also generally relates to allegations published in the Hindenburg article, but adds, among other things, allegations from confidential witnesses who purport to be former employees of the Company. The Company moved to dismiss the amended complaint on August 28, 2021; that motion was denied on February 28, 2022.

Parallel shareholder derivative actions have also been filed, naming Clover as a nominal defendant. The first action was filed in the United States District Court for the District of Delaware and is captioned Furman v. Garipalli, et al., Case No. 1:21-cv-00191 (D. Del.). The complaint asserts violations of sections 10(b) and 21D of the Exchange Act, breach of fiduciary duty, and waste of corporate assets against certain of the Company's directors. It seeks unspecified damages and an order requiring Clover to take certain actions to enhance Clover's corporate governance policies, and procedures. The second and third actions were filed in the United States District Court for the Middle District of Tennessee and are captioned Sun v. Garipalli, et al., Case No. 3:21-cv-00311 (M.D. Tenn.), and Luthra v. Garipalli, et al., Case No. 3:21-cv-00320 (M.D. Tenn.). The complaints assert violations of section 14(a) of the Exchange Act, breach of fiduciary duty, and aiding and abetting a breach of fiduciary duty. The Sun action also asserts unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and contribution under section 11(f) of the Securities Act, and sections 10(b) and 21D of the Exchange Act. The complaints name certain current and former officers and directors as defendants. They seek unspecified damages and an order requiring Clover to take certain actions to enhance Clover's corporate governance policies and procedures.

The fourth action was filed in the United States District of Delaware and is captioned Wiegand v. Garipalli, et al., Case No. 1:21-cv-01053 (D. Del.). The initial complaint asserted violations of sections 14(a) and 20(a) of the Exchange Act, breach of fiduciary duty,

unjust enrichment, and waste of corporate assets. The complaint names certain current and former officers and directors as defendants. It seeks, among other things, unspecified damages and an order requiring Clover to take certain actions to improve Clover's corporate governance and internal procedures. The fifth action was filed in the Supreme Court of the State of New York and is captioned Sankaranarayanan v. Palihapitiya, et al., Index No. 655420/2021 (N.Y. Sup. Ct., N.Y. Cnty.). The complaint asserts breach of fiduciary duty and unjust enrichment. The complaint names certain former officers and directors as defendants. It seeks, among other things, unspecified damages and an order directing Clover to take certain actions to reform and improve its corporate governance and internal procedures.

The sixth action was filed in the Delaware Court of Chancery and is captioned Davies v. Garipalli, et al., No. 2021-1016-SG (Del. Ch.). The complaint asserts breach of fiduciary duty. The complaint names certain current and former officers and directors as defendants. It seeks, among other things, unspecified damages and an order directing Clover to take certain actions to reform and improve its corporate governance and internal procedures. The seventh action was filed in the Supreme Court of the State of New York and is captioned Uvaydov v. Palihapitiya, et al., Index No. 656978/2021 (N.Y. Sup. Ct., N.Y. Cnty.). The complaint asserts breach of fiduciary duty, unjust enrichment, and aiding and abetting a breach of fiduciary duty. The complaint names certain current and former officers and directors as defendants. It seeks, among other things, unspecified damages, restitution, and disgorgement of profits obtained by defendants.

On May 10, 2021, the Middle District of Tennessee shareholder derivative actions described above were consolidated under Sun v. Garipalli, et al., Case No. 3:21-cv-00311 (M.D. Tenn.) as lead case. The court designated co-lead counsel and liaison counsel and ordered the parties to submit a proposed schedule for the initial stage of the case. On November 30, 2021, the Sun and Luthra plaintiffs filed an amended complaint, asserting violations of section 14(a) of the Exchange Act, breach of fiduciary duty, aiding and abetting a breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and contribution under sections 10(b) and 21D of the Exchange Act. The amended complaint generally relates to the allegations published in the Hindenburg Article, and names certain current and former officers and directors as defendants. It seeks, among other things, unspecified damages and an order requiring Clover to take certain actions to enhance Clover's corporate governance policies and procedures.

On September 16, 2021, the two District of Delaware derivative actions were consolidated under In re Clover Health Investments, Corp. Derivative Litigation, Case No. 1:21-cv-00191-LPS (Consolidated). The Furman complaint was deemed the operative complaint. On April 19, 2022, the plaintiff in the Wiegand action filed an amended complaint, asserting violations of Sections 10(b), 20(a), and 21D of the Exchange Act, breach of fiduciary duty, waste of corporate assets, and unjust enrichment against certain current and former officers and directors. The amended complaint seeks, among other things, unspecified damages and an order requiring Clover to take certain actions to improve Clover's corporate governance and internal procedures.

On August 19, 2022, the two derivative actions filed in New York state court were consolidated under In re Clover Health Investments, Corp. Stockholder Derivative Litig., Index No. 655420/2021. On November 3, 2022, the plaintiffs in this action filed a consolidated complaint, asserting breach of fiduciary duty, and unjust enrichment, and naming certain former officers and directors as defendants. The complaint seeks, among other things, unspecified damages, restitution, the disgorgement of profits obtained by defendants, and an order directing Clover to take certain actions to reform and improve its corporate governance and internal procedures.

All of these cases remain in the preliminary stages. Given the inherent uncertainty of litigation and the legal standards that must be met, including class certification and success on the merits, the Company has determined that it is not probable or estimable that an unfavorable outcome or potential loss will occur. Clover intends to vigorously defend itself against the claims asserted against it.

Guaranty Assessments

Under state guaranty assessment laws, including those related to state cooperative failures in the industry, the Company may be assessed, up to prescribed limits, for certain obligations to the policyholders and claimants of insolvent insurance companies that write the same line or lines of business as the Company.

16. Non-Insurance

In April 2021, the Company began participating in the DC Model, which utilizes a structured model intended to reduce expenditures and preserve or enhance quality of care for beneficiaries in Medicare fee-for-service ("FFS"). As a participating entity in the DC Model with a global risk arrangement, the Company assumes the responsibility of guaranteeing the performance of its care network. The DC Model is intended to reduce the administrative burden, support a focus on complex, chronically ill patients, and encourage physician organizations that have not typically participated in Medicare FFS to serve beneficiaries in Medicare FFS. The Company's

operations in connection with the DC Model are included in the Non-Insurance operating segment. See Note 17 (Operating Segments) for additional information.

Performance Guarantees

Certain of the Company's arrangements with third-party providers require it to guarantee the performance of its care network to CMS, which, if not obtained, could potentially result in payment to CMS. The Non-Insurance performance year obligation and receivable are amortized on a straight-line basis for the amount that represents the completed performance. The Company is unable to estimate the maximum potential amount of future payments under the guarantee. This is attributable to the stop-loss arrangement and the corridors (tiered levels) in the arrangement. A certain percentage of these arrangements will still be the responsibility of the Company, in addition to a number of variables that are not reasonable for the Company to estimate, such as, but not limited to, risk ratings and benchmark trends that have an inestimable impact on the estimate of future payments.

For additional information, see Note 2 (Summary of Significant Accounting Policies) and Note 22 (Direct Contracting) in the 2021 Form 10-K.

The tables below include the financial statement impacts of the performance guarantee:

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
	(in thousands)	
Non-Insurance performance year receivable	\$ 585,901	\$ 220,738
Non-Insurance performance year obligation ⁽¹⁾	655,849	244,599
⁽¹⁾ This obligation represents the consideration due to providers, net of the shared savings or loss for the period and amortization of the liability.		
	<u>Three Months Ended September 30, 2022</u>	<u>Nine Months Ended September 30, 2022</u>
	(in thousands)	
Amortization of the Non-Insurance performance year receivable	\$ (593,020)	\$ (1,757,702)
Amortization of the Non-Insurance performance year obligation	593,020	1,757,702
Non-Insurance revenue	585,311	1,757,579
	<u>Three Months Ended September 30, 2021</u>	<u>Nine Months Ended September 30, 2021</u>
	(in thousands)	
Amortization of the Non-Insurance performance year receivable	\$ (223,309)	\$ (441,476)
Amortization of the Non-Insurance performance year obligation	223,309	441,476
Non-Insurance revenue	222,647	439,020

17. Operating Segments

The Company manages its operations based on two reportable operating segments: Insurance and Non-Insurance. Through the Insurance segment, the Company provides PPO and HMO plans to Medicare Advantage members in several states. The Company's Non-Insurance segment consists of its operations in connection with its participation in CMS' Direct Contracting program. All other clinical services and all corporate overhead not included in the Insurance or Non-Insurance segments are included within Corporate/Other. These segment groupings are consistent with information used by the Chief Executive Officer, the Company's CODM, to assess performance and allocate resources.

During the first quarter of 2022, the Company updated the names of its Medicare Advantage and Direct Contracting segments to the Insurance and Non-Insurance segments, respectively. The Company believes that this approach better reflects each segment's current role and contribution to its business. There has been no change to the existing composition of these segments, and previously reported consolidated and segment-level financial results of the Company were not impacted by these changes.

The table below summarizes the Company's results by operating segment:

	Insurance	Non-Insurance	Corporate/Other	Eliminations	Consolidated Total
Three Months Ended September 30, 2022					
	(in thousands)				
Premiums earned, net (Net of ceded premiums of \$116)	\$ 267,892	\$ —	\$ —	\$ —	\$ 267,892
Non-Insurance revenue	—	585,311	—	—	585,311
Other income	957	457	15,494	(13,294)	3,614
Intersegment revenues	—	—	29,954	(29,954)	—
Net medical claims incurred	231,211	609,650	1,980	(3,042)	839,799
Gross profit (loss)	\$ 37,638	\$ (23,882)	\$ 43,468	\$ (40,206)	\$ 17,018
Total assets	\$ 476,025	\$ 715,672	\$ 859,637	\$ (493,655)	\$ 1,557,679
Nine Months Ended September 30, 2022					
	(in thousands)				
Premiums earned, net (Net of ceded premiums of \$354)	\$ 814,566	\$ —	\$ —	\$ —	\$ 814,566
Non-Insurance revenue	—	1,757,579	—	—	1,757,579
Other income	1,448	477	58,334	(54,508)	5,751
Intersegment revenues	—	—	76,119	(76,119)	—
Net medical claims incurred	746,612	1,815,771	7,155	(9,231)	2,560,307
Gross profit (loss)	\$ 69,402	\$ (57,715)	\$ 127,298	\$ (121,396)	\$ 17,589
Total assets	\$ 476,025	\$ 715,672	\$ 859,637	\$ (493,655)	\$ 1,557,679

	Insurance	Non-Insurance	Corporate/Other	Eliminations	Consolidated Total
Three Months Ended September 30, 2021					
	(in thousands)				
Premiums earned, (Net of ceded premiums of \$120)	\$ 203,657	\$ —	\$ —	\$ —	\$ 203,657
Non-Insurance Revenue	—	222,647	—	—	222,647
Other income	80	—	24,967	(24,188)	859
Intersegment revenues	—	—	9,375	(9,375)	—
Net medical claims incurred	208,661	228,060	2,156	(2,552)	436,325
Gross (loss) profit	\$ (4,924)	\$ (5,413)	\$ 32,186	\$ (31,011)	\$ (9,162)
Total assets	\$ 347,535	\$ 260,142	\$ 887,089	\$ (542,288)	\$ 952,478

	Insurance	Non-Insurance	Corporate/Other	Eliminations	Consolidated Total
Nine Months Ended September 30, 2021					
	(in thousands)				
Premiums earned, (Net of ceded premiums of \$370)	\$ 598,390	\$ —	\$ —	\$ —	\$ 598,390
Non-Insurance revenue	—	439,020	—	—	439,020
Other income	108	—	66,990	(64,548)	2,550
Intersegment revenues	—	—	33,130	(33,130)	—
Net medical claims incurred	640,624	469,972	5,146	(6,494)	1,109,248
Gross (loss) profit	\$ (42,126)	\$ (30,952)	\$ 94,974	\$ (91,184)	\$ (69,288)
Total assets	\$ 347,535	\$ 260,142	\$ 887,089	\$ (542,288)	\$ 952,478

A reconciliation of the reportable segments' gross profit to the net loss included in the Condensed Consolidated Statements of Operations and Comprehensive Loss is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)			
Gross profit (loss)	\$ 17,018	\$ (9,162)	\$ 17,589	\$ (69,288)
Salaries and benefits		70,142		209,724
General and administrative expenses		47,832		152,569
Premium deficiency reserve (benefit) expense		(27,657)		(82,971)
Depreciation and amortization		616		2,028
Other expense		—		—
Change in fair value of warrants payable		—		(115,152)
Interest expense		404		1,197
Amortization of notes and securities discounts		9		27
Loss (gain) on investment		980		(10,187)
Net loss	\$ (75,308)	\$ (34,527)	\$ (254,798)	\$ (400,555)

18. Dividend Restrictions

The Company's regulated insurance subsidiaries are subject to regulations and standards in their respective jurisdictions. These standards, among other things, require these subsidiaries to maintain specified levels of statutory capital and limit the timing and amount of dividends and other distributions that may be paid to their parent companies. Therefore, the Company's regulated insurance subsidiaries' ability to declare and pay dividends is limited by state regulations including obtaining prior approval by the New Jersey Department of Banking and Insurance. As of September 30, 2022, and December 31, 2021, neither of the regulated insurance subsidiaries had paid any dividends.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. The discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto for the three and nine months ended September 30, 2022, contained in this Quarterly Report on Form 10-Q (the "Form 10-Q") and the consolidated financial statements and notes thereto for the year ended December 31, 2021, contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission (the "SEC") on February 28, 2022 (the "2021 Form 10-K"). This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of the 2021 Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements" for additional information. Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to "we," "us," "our," "Clover," "Clover Health," and the "Company" mean the business and operations of Clover Health Investments, Corp. and its consolidated subsidiaries.

Overview

At Clover Health, we are singularly focused on creating great, sustainable healthcare to improve every life. We have centered our strategy on building and deploying technology that we believe will enable us to solve a significant data problem while avoiding the limitations of legacy approaches. By empowering physicians with access to data-driven, personalized insights at the point of care through our software platform, Clover Assistant, we believe we can improve clinical decision making.

We operate Preferred Provider Organization ("PPO") and Health Maintenance Organization ("HMO") Medicare Advantage ("MA") plans for Medicare-eligible consumers. We aim to provide great, affordable healthcare for all. We offer most members in our MA plans (the "members") among the lowest average out-of-pocket costs for primary care provider co-pays, specialist co-pays, drug deductibles and drug costs in their markets. We deeply believe in providing our members provider choice, and we consider our PPO plan to be our flagship insurance plan. An important feature of our MA product is wide network access. We believe the use of Clover Assistant and related data insights allows us to improve clinical decision-making through a highly scalable asset-light approach. As of September 30, 2022, we operated our MA plans in nine states and 209 counties, with 88,136 members.

On April 1, 2021, our subsidiary, Clover Health Partners, LLC ("Health Partners"), began participating as a Direct Contracting Entity ("DCE") in the Global and Professional Direct Contracting Model ("DC Model") of the Centers for Medicare and Medicaid Services ("CMS"), which will transition to the Accountable Care Organization Realizing Equity, Access, and Community Health Model ("ACO Reach") in 2023. Our DCE assumes full risk (i.e., 100.0% shared savings and shared losses) for the total cost of care of aligned Original Medicare beneficiaries (the "Non-Insurance Beneficiaries" and, collectively with the members, "Lives under Clover Management" or the "beneficiaries"). Through our Direct Contracting operations, we focus on leveraging our technology platform, Clover Assistant, to enhance healthcare delivery, reduce expenditures, and improve care for our Non-Insurance Beneficiaries. As of September 30, 2022, we had approximately 1,555 contracted participating providers who manage primary care for our Non-Insurance Beneficiaries. Additionally, as of September 30, 2022, we had approximately 1,630 preferred providers and preferred facilities in our DCE network. In connection with the 2023 performance year, we plan to strategically reduce the number of ACO REACH participating physicians, which we expect will result in a shift in our beneficiary alignment. Our participation in the DC Model has enabled us to move beyond the MA market and target the Medicare fee-for-service ("FFS") market, which is the largest segment of Medicare. We believe that expanding into the FFS market is not only a strategic milestone for Clover but also demonstrates the scalability of Clover Assistant.

As of September 30, 2022, we were partnering with providers to care for 254,568 Lives under Clover Management, which included 88,136 Insurance members and 166,432 aligned Non-Insurance Beneficiaries.

Recent Developments

Geographic Expansion

On July 14, 2022, we announced plans to make our MA plans available in 13 new counties beginning in 2023. The expansion, which is subject to CMS approval, would make our MA plans available in a total of 220 counties across eight states.

Impact of COVID-19

The societal and economic impact of the Coronavirus Disease 2019 ("COVID-19") pandemic and its variants continues to evolve, and the ultimate impact on our business, results of operations, financial condition, and cash flows is uncertain and difficult to predict. The global pandemic has severely impacted businesses worldwide, including many in the health insurance sector.

We are continuing to monitor the ongoing financial impact of COVID-19 on our business and operations and are making adjustments accordingly. A large portion of our membership is elderly and generally in the high-risk category for COVID-19, and we have worked closely with our network of providers to ensure that members are receiving necessary care. During the first three quarters of 2022 and all of 2021, we incurred elevated costs as compared to prior to the outbreak of the pandemic in 2020 to care for those members who have contracted the virus, and indirect costs attributable to the COVID-19 pandemic were elevated as well, as deferral of services and increased costs related to conditions that were exacerbated by a lack of diagnoses and treatment in the earlier periods of the pandemic contributed to increased utilization. Additionally, CMS is currently increasing inpatient hospital fees by 20.0% for any patient diagnosed with COVID-19 regardless of whether that patient was admitted directly for COVID-19 or for a different condition or procedure. We will continue to monitor the pandemic's emerging treatment-related trends as well as the impact on our beneficiaries. Additionally, CMS risk adjustment requires that a member's health issues be documented annually regardless of the permanence of the underlying causes. Historically, this documentation was required to be completed during an in-person visit with a patient. As part of relief measures adopted pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), CMS is allowing documentation prepared during video visits with patients to serve as support for CMS risk adjustments. Due to fewer visits in 2020, the providers' ability to document health conditions accurately and formulate treatment plans was adversely impacted due to COVID-19. However, we experienced improvements in documentation in 2021 with increased utilization of health services, impacting our 2022 risk score. We believe that this increase in documentation has supported our provider partners with better diagnosis accuracy and improved care planning and that this will result in increased revenue and a reduced medical care ratio ("MCR").

Key Performance Measures of Our Operating Segments

Operating Segments

We manage our operations based on two reportable operating segments: Insurance and Non-Insurance. Through our Insurance segment, we provide PPO and HMO plans to Medicare Advantage members in several states. Our Non-Insurance segment consists of our operations in connection with our participation in the Direct Contracting program, which will transition to the ACO Reach model in 2023. All other clinical services and all corporate overhead not included in the reportable segments are included within Corporate/Other.

These segment groupings are consistent with the information used by our Chief Executive Officer, our chief operating decision maker, to assess performance and allocate resources.

We review several key performance measures, discussed below, to evaluate our business and results, measure performance, identify trends, formulate plans, and make strategic decisions. We believe that the presentation of such metrics is useful to management and counterparties to model the performance of healthcare companies such as Clover.

Insurance segment

Through our Insurance segment, we provide PPO and HMO plans to members in several states. We seek to improve care and lower costs for our Insurance members by empowering providers with data-driven, personalized insights at the point of care through our software platform, Clover Assistant.

Nine Months Ended September 30,

	2022		2021	
	Total	PMPM ⁽¹⁾	Total	PMPM ⁽¹⁾
	(Premium and expense amounts in thousands, except PMPM amounts)			
Insurance members as of period end (#)	88,136	N/A	67,281	N/A
Premiums earned, gross	\$ 814,920	\$ 1,050	\$ 598,760	\$ 1,000
Premiums earned, net	814,566	1,049	598,390	999
Insurance medical claim expense incurred, gross	747,250	962	641,300	1,071
Insurance net medical claims incurred	746,612	962	640,624	1,069
Medical care ratio, gross ⁽²⁾	91.7 %	N/A	107.1 %	N/A
Medical care ratio, net	91.7	N/A	107.1	N/A

⁽¹⁾ Calculated per member per month ("PMPM") figures are based on the applicable amount divided by member months in the given period. Member months represents the number of months members are enrolled in a Clover Health plan in the period.

⁽²⁾ Defined as Insurance gross medical claims incurred divided by premiums earned, gross.

Membership and associated premiums earned and medical claim expenses.

We define new and returning members on a calendar year basis. Any member who is active on July 1 of a given year is considered a returning member in the following year. Any member who joins a Clover plan after July 1 in a given year is considered a new member for the entirety of the following calendar year. We view our number of members and associated PMPM premiums earned and medical claim expenses, in the aggregate and on a PMPM basis, as important metrics to assess our financial performance because member growth aligns with our mission, drives our total revenues, expands brand awareness, deepens our market penetration, creates additional opportunities to inform our data-driven insights to improve care and decrease medical claim expenses, and generates additional data to continue to improve the functioning of Clover Assistant. Among other things, the longer a member is enrolled in one of our Insurance plans, the more data we collect and synthesize and the more actionable insights we generate. We believe these data-driven insights lead to better care delivery as well as improved identification and documentation of members' chronic conditions, helping to lower PMPM medical claim expenses.

Premiums earned, gross.

Premiums earned, gross is the amount received, or to be received, for insurance policies written by us during a specific period of time without reduction for premiums ceded to reinsurance. We believe premiums earned, gross provides useful insight into the gross economic benefit generated by our business operations and allows us to evaluate our underwriting performance without regard to changes in our underlying reinsurance structure. Premiums earned, gross excludes the effects of premiums ceded to reinsurers, and therefore should not be used as a substitute for premiums earned, net, total revenue or any other measure presented in accordance with generally accepted accounting principles in the United States ("GAAP").

Premiums earned, net.

Premiums earned, net represents the earned portion of our premiums earned, gross, less the earned portion that is ceded to third-party reinsurers under our reinsurance agreements. Premiums are earned in the period in which members are entitled to receive services, and are net of estimated uncollectible amounts, retroactive membership adjustments, and any adjustments to recognize rebates under the minimum benefit ratios required under the Patient Protection and Affordable Care Act.

Premiums earned, gross is the amount received, or to be received, for insurance policies written by us during a specific period of time without reduction for premiums ceded to reinsurance. We earn premiums through our plans offered under contracts with CMS. We receive premiums from CMS on a monthly basis based on our actuarial bid and the risk-adjustment model used by CMS. Premiums anticipated to be received within twelve months based on the documented diagnostic criteria of our members are estimated and included in revenue for the period including the member months for which the payment is designated by CMS.

Premiums ceded is the amount of premiums earned, gross ceded to reinsurers. From time to time, we enter into reinsurance contracts to limit our exposure to potential losses as well as to provide additional capacity for growth. Under these agreements, the "reinsurer," agrees to cover a portion of the claims of another insurer, i.e., us, the "primary insurer," in return for a portion of their premium. Ceded earned premiums are earned over the reinsurance contract period in proportion to the period of risk covered. The volume of our ceded earned premium is impacted by the level of our premiums earned, gross and any decision we make to adjust our reinsurance agreements.

Insurance gross medical claims incurred.

Insurance gross medical claims incurred reflects claims incurred excluding amounts ceded to reinsurers and the costs associated with processing those claims. We believe gross medical claims incurred provides useful insight into the gross medical expense incurred by members and allows us to evaluate our underwriting performance without regard to changes in our underlying reinsurance structure.

Insurance gross medical claims incurred excludes the effects of medical claims and associated costs ceded to reinsurers, and therefore should not be used as a substitute for net claims incurred, total expenses or any other measure presented in accordance with GAAP.

Insurance net medical claims incurred.

Insurance net medical claims incurred are our medical expenses and consists of the costs of claims, including the costs incurred for claims net of amounts ceded to reinsurers. We enter into reinsurance contracts to limit our exposure to potential catastrophic losses. These expenses generally vary based on the total number of members and their utilization rate of our services.

Medical care ratio, gross and net.

We calculate our MCR by dividing total Insurance medical claim expenses incurred by premiums earned, in each case on a gross or net basis, as the case may be, in a given period. We believe our MCR is an indicator of our gross margin for our Insurance plans and the ability of our Clover Assistant platform to capture and analyze data over time to generate actionable insights for returning members to improve care and reduce medical expenses.

Non-Insurance segment

Our Non-Insurance segment consists of operations in connection with our participation in the Direct Contracting program, which we began in April 2021 and which will transition to the ACO Reach model in 2023. As part of our Non-Insurance operations, we empower providers with Clover Assistant and offer a variety of programs aimed at reducing expenditures and preserving or enhancing the quality of care for our Non-Insurance Beneficiaries.

Nine months ended September 30, 2022

	2022		2021	
	Total	PBPM	Total	PBPM
	(Revenue and claims amounts in thousands, except PBPM amounts)			
Non-Insurance Beneficiaries as of period end (#)	166,432	N/A	61,818	N/A
Non-Insurance revenue	\$ 1,757,579	\$ 1,148	\$ 439,020	\$ 1,175
Non-Insurance net medical claims incurred	1,815,771	1,186	469,972	1,258
Non-Insurance MCR ⁽¹⁾	103.3 %	N/A	107.1 %	N/A

⁽¹⁾ Defined as Non-Insurance net medical claims incurred divided by Non-Insurance revenue.

Non-Insurance Beneficiaries.

A Non-Insurance Beneficiary is defined as an eligible Original Medicare covered life that has been aligned to our DCE, Health Partners, via attribution to a DCE-participating provider through alignment based on claims data or by beneficiary election through voluntary alignment. A beneficiary alignment is effective as of the first of the month, for the full calendar month, regardless of whether eligibility is lost during the course of the month.

Non-Insurance revenue.

Non-Insurance revenue represents CMS' total expense incurred for medical services provided on behalf of Non-Insurance Beneficiaries during months in which they were alignment eligible during the performance year. Non-Insurance revenue is calculated by taking the sum of the capitation payments made to us for services within the scope of our capitation arrangement and FFS payments made to providers directly from CMS. Non-Insurance revenue is also known in the DC Model as performance year expenditures and is the primary component used to calculate shared savings or shared loss versus the performance year benchmark. Non-Insurance revenue includes a direct reduction or increase of shared savings or loss, as applicable. Premiums and recoupments incurred in direct relation to the DC Model are recognized as a reduction or increase in Non-Insurance revenue, as applicable. We believe Non-Insurance revenue provides useful insight into the gross economic benefit generated by our business operations and allows us to evaluate our performance without regard to changes in our underlying reinsurance structure.

Non-Insurance net medical claims incurred.

Non-Insurance net medical claims incurred consists of the total incurred expense that CMS and we will remit for medical services provided on behalf of Non-Insurance Beneficiaries during the months in which they are alignment eligible and aligned to the DCE. Additionally, Non-Insurance net medical claims incurred is inclusive of fees paid to providers for Clover Assistant usage, care coordination, and any shared savings or shared loss agreements with providers.

Non-Insurance MCR.

We calculate our MCR by dividing Non-Insurance net medical claims incurred by Non-Insurance revenue in a given period. We believe our MCR is an indicator of our gross profitability and the ability to capture and analyze data over time to generate actionable insights for returning beneficiaries to improve care and reduce medical expenses.

Results of Operations

Comparison of the Three Months Ended September 30, 2022 and 2021

The following table summarizes our condensed consolidated results of operations for the three months ended September 30, 2022 and 2021. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Three Months Ended September 30,		Change between 2022 and 2021	
	2022	2021	(\$)	(%)
	(in thousands)			
Revenues				
Premiums earned, net (Net of ceded premiums of \$116 and \$120 for the three months ended September 30, 2022 and 2021, respectively)	\$ 267,892	\$ 203,657	\$ 64,235	31.5 %
Non-Insurance revenue	585,311	222,647	362,664	162.9
Other income	3,614	859	2,755	320.7
Total revenues	856,817	427,163	429,654	100.6
Operating expenses				
Net medical claims incurred	839,799	436,325	403,474	92.5
Salaries and benefits	70,142	73,364	(3,222)	(4.4)
General and administrative expenses	47,832	45,846	1,986	4.3
Premium deficiency reserve (benefit) expense	(27,657)	20,761	(48,418)	233.2
Depreciation and amortization	616	120	496	413.3
Total operating expenses	930,732	576,416	354,316	61.5
Loss from operations	(73,915)	(149,253)	75,338	(50.5)
Change in fair value of warrants payable	—	(115,152)	115,152	*
Interest expense	404	404	—	—
Amortization of notes and securities discount	9	22	(13)	(59.1)
Loss on investment	980	—	980	*
Net loss	\$ (75,308)	\$ (34,527)	\$ (40,781)	118.1 %

* Not presented because the current or prior period amount is zero or the amount for the line item changed from a gain to a loss (or vice versa) and thus yields a result that is not meaningful.

Premiums Earned, Net

Premiums earned, net increased \$64.2 million, or 31.5%, to \$267.9 million for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. The increase was primarily due to a 31.0% increase in the number of our Insurance members, from 67,281 at September 30, 2021, to 88,136 at September 30, 2022. Risk adjustment revenue of \$10.5 million was recognized during the three months ended September 30, 2022.

Non-Insurance Revenue

Our Non-Insurance revenue was \$585.3 million for the three months ended September 30, 2022, up \$362.7 million compared to \$222.6 million for the three months ended September 30, 2021. This increase was largely driven by the increase in the number of our aligned Non-Insurance Beneficiaries from 61,818 at September 30, 2021, to 166,432 at September 30, 2022.

Other Income

Other income increased \$2.8 million, or 320.7%, to \$3.6 million for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. The increase was largely due to a \$2.7 million increase in net investment income.

Net Medical Claims Incurred

Net medical claims incurred increased \$403.5 million, or 92.5%, to \$839.8 million for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. The increase was primarily driven by an increase in net medical claims attributable to our Non-Insurance Beneficiaries from \$228.1 million for the three months ended September 30, 2021, to \$609.7 million for three months ended September 30, 2022, which was driven by an increase in the number of our aligned Non-Insurance Beneficiaries from 61,818 at September 30, 2021, to 166,432 at September 30, 2022, and an increase of \$22.6 million in net medical claims attributable to our Insurance members, which was primarily driven by an increase in Insurance members from 67,281 at September 30, 2021, to 88,136 at September 30, 2022.

Salaries and Benefits

Salaries and benefits decreased \$3.2 million, or 4.4%, to \$70.1 million for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. The decrease was primarily driven by a \$4.2 million decrease in stock-based compensation expense, partially offset by increased headcount and additional cash awards.

General and Administrative Expenses

General and administrative expenses increased \$2.0 million, or 4.3%, to \$47.8 million for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. The increase was driven in part by a \$1.3 million increase in public company costs and legal and other professional fees to support our growth, residual commissions, which are attributable to members retained by the Company from the previous plan year, which increased by \$1.1 million, and an increase in supplemental administrative costs of \$0.7 million. Additionally, for the three months ended September 30, 2022, we recognized \$1.9 million of deferred acquisition costs related to the acquisition of new members, compared to \$1.1 million for the three months ended September 30, 2021. These increases were partially offset by a \$1.9 million decrease in software application costs.

Premium Deficiency Reserve (Benefit) Expense

A \$27.7 million premium deficiency reserve benefit was recorded for the three months ended September 30, 2022, which includes amortization associated with a previously recorded reserve. A \$20.8 million premium deficiency reserve expense was recorded for the three months ended September 30, 2021, which includes amortization associated with a previously recorded reserve and a reserve deemed necessary for the remainder of 2021.

Change in Fair Value of Warrants Payable

There was no change in fair value of warrants payable to report for the three months ended September 30, 2022, as there were no warrants outstanding. The change in fair value of warrants payable of \$115.2 million for the three months ended September 30, 2021 was due to the mark-to-market adjustment of the public warrants (the "Public Warrants") and the private placement warrants (the "Private Placement Warrants") assumed by the Company in connection with its January 2021 business combination with an affiliate of Social Capital Hedosophia Holdings Corp. III (the "Business Combination"). For additional information, see Note 5 (Fair Value Measurements) and Note 13 (Warrants Payable) in our 2021 Form 10-K.

Interest Expense

There was no change in interest expense for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021.

Amortization of Notes and Securities Discounts

Amortization of notes and securities discounts were less than \$0.1 million in both the three months ended September 30, 2022 and the three months ended September 30, 2021 and remained relatively flat.

Loss on Investment

We recorded a loss on investment of \$1.0 million for the three months ended September 30, 2022, on our minority equity investment in Character Biosciences, Inc. (f/k/a Clover Therapeutics Company) ("Character Biosciences"), attributable to our proportionate share of the loss on equity of that entity during the period. Prior to the first quarter of 2022, this entity was consolidated on the Company's financial statements, and therefore the Company did not recognize a loss or gain on investment in this entity for the three months ended September 30, 2021.

Comparison of the Nine Months Ended September 30, 2022 and 2021

The following table summarizes our condensed consolidated results of operations for the nine months ended September 30, 2022 and 2021. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Nine Months Ended September 30,		Change between 2022 and 2021	
	2022	2021	(\$)	(%)
(in thousands)				
Revenues				
Premiums earned, net (Net of ceded premiums of \$354 and \$370 for the nine months ended September 30, 2022 and 2021, respectively)	\$ 814,566	\$ 598,390	\$ 216,176	36.1 %
Non-Insurance revenue	1,757,579	439,020	1,318,559	300.3
Other income	5,751	2,550	3,201	125.5
Total revenues	2,577,896	1,039,960	1,537,936	147.9
Operating expenses				
Net medical claims incurred	2,560,307	1,109,248	1,451,059	130.8
Salaries and benefits	209,724	201,555	8,169	4.1
General and administrative expenses	152,569	130,110	22,459	17.3
Premium deficiency reserve (benefit) expense	(82,971)	48,661	(131,632)	(270.5)
Depreciation and amortization	2,028	398	1,630	409.5
Other expense	—	191	(191)	*
Total operating expenses	2,841,657	1,490,163	1,351,494	90.7
Loss from operations	(263,761)	(450,203)	186,442	(41.4)
Change in fair value of warrants payable	—	(66,146)	66,146	*
Interest expense	1,197	2,790	(1,593)	(57.1)
Amortization of notes and securities discount	27	13,708	(13,681)	(99.8)
Gain on investment	(10,187)	—	(10,187)	*
Net loss	\$ (254,798)	\$ (400,555)	\$ 145,757	(36.4)%

* Not presented because the current or prior period amount is zero or the amount for the line item changed from a gain to a loss (or vice versa) and thus yields a result that is not meaningful.

Premiums Earned, Net

Premiums earned, net increased \$216.2 million, or 36.1%, to \$814.6 million for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. The increase was primarily due to membership growth of 31.0% from 67,281 Insurance members at September 30, 2021, to 88,136 Insurance members at September 30, 2022. Risk adjustment revenue of \$51.7 million was recognized during the nine months ended September 30, 2022.

Non-Insurance Revenue

Our Non-Insurance revenue was \$1,757.6 million for the nine months ended September 30, 2022, compared to \$439.0 million for the nine months ended September 30, 2021. The increase was primarily driven by an increase in the number of our aligned Non-Insurance Beneficiaries from 61,818 at September 30, 2021, to 166,432 at September 30, 2022, and the fact that our DCE did not begin participation in Direct Contracting until the second quarter of 2021.

Other Income

Other income increased \$3.2 million, or 125.5%, to \$5.8 million for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. The increase was largely due to a \$3.4 million increase in net investment income.

Net Medical Claims Incurred

Net medical claims incurred increased \$1,451.1 million, or 130.8%, to \$2,560.3 million for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. The increase was primarily driven by an increase in net medical claims attributable to our Non-Insurance Beneficiaries from \$470.0 million for the nine months ended September 30, 2021, to \$1,815.8 million for the nine months ended September 30, 2022, which was driven by an increase in the number of our aligned Non-Insurance Beneficiaries from 61,818 at September 30, 2021, to 166,432 at September 30, 2022 and the fact that our DCE did not begin participation in Direct Contracting until the second quarter of 2021, and an increase of \$106.0 million in net medical claims attributable to our Insurance members, which was primarily driven by an increase in Insurance members from 67,281 Insurance members at September 30, 2021, to 88,136 Insurance members at September 30, 2022.

Salaries and Benefits

Salaries and benefits increased \$8.2 million, or 4.1%, to \$209.7 million for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. The increase was primarily driven by increased headcount and additional cash awards, partially offset by a \$7.3 million decrease in stock-based compensation expense.

General and Administrative Expenses

General and administrative expenses increased \$22.5 million, or 17.3%, to \$152.6 million for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. The increase was driven in part by increases in legal and other professional fees to support our growth and public company costs, including costs associated with obtaining and maintaining directors' and officers' liability insurance. Legal and professional fees increased \$9.0 million for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. Residual commissions, which are attributable to members retained by the Company from the previous plan year, increased by \$7.6 million. For the nine months ended September 30, 2022, we recognized \$15.6 million of deferred acquisition costs related to the acquisition of new members, compared to \$9.6 million for the nine months ended September 30, 2021.

Premium Deficiency Reserve (Benefit) Expense

A \$83.0 million premium deficiency reserve benefit was recorded for the nine months ended September 30, 2022, which includes amortization associated with a previously recorded reserve. A \$48.7 million premium deficiency reserve expense was recorded for the nine months ended September 30, 2021, which includes amortization associated with a previously recorded reserve and a reserve deemed necessary for the remainder of 2021.

Change in Fair Value of Warrants Payable

There was no change in fair value of warrants payable to report for the nine months ended September 30, 2022, as there were no warrants outstanding. There was a decrease of \$66.1 million for the nine months ended September 30, 2021, due to the mark-to-market adjustment of the Public Warrants and Private Placement Warrants recognized for the nine months ended September 30, 2021. For additional information, see Note 5 (Fair Value Measurements) and Note 13 (Warrants Payable) in our 2021 Form 10-K.

Interest Expense

Interest expense decreased \$1.6 million, or 57.1%, to \$1.2 million for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021, primarily related to the voluntary prepayment and termination of the remaining principal and interest associated with our Term Loan Notes.

Amortization of Notes and Securities Discounts

Amortization of notes and securities discounts decreased by 99.8% primarily due to the completion of the Business Combination on January 7, 2021, whereby the unamortized discount associated with the August 2019 tranche of the Convertible Securities was accelerated, as well as the termination of our Term Loans during the nine months ended September 30, 2021.

Gain on Investment

In February 2022, Character Biosciences completed a private capital transaction in which it raised \$17.9 million from the issuance of 16,210,602 shares of its preferred stock. After evaluating our ownership interest in Character Biosciences, we began applying the equity method of accounting during the nine months ended September 30, 2022, and recorded a gain on investment of \$10.2 million,

which is attributable to our proportionate share of the gain on equity of that entity during that period. Prior to the first quarter of 2022, this entity was consolidated on the Company's financial statements, and therefore the Company did not recognize a loss or gain on investment in this entity for the nine months ended September 30, 2021.

Liquidity and Capital Resources

We manage our liquidity and financial position in the context of our overall business strategy. We continually forecast and manage our cash, investments, working capital balances, and capital structure to meet the short-term and long-term obligations of our businesses while seeking to maintain liquidity and financial flexibility.

As of September 30, 2022, we had cash, cash equivalents, and short-term investments of \$536.7 million. Additionally, as of September 30, 2022, we had \$246.1 million of available-for-sale and held-to-maturity investment securities, and an outstanding balance of \$23.2 million on convertible notes issued by Seek. Our cash equivalents, short-term investments, and investment securities consist primarily of money market funds and U.S. government debt securities.

Historically, we have financed our operations primarily from the proceeds we received through public and private sales of equity securities, funds received in connection with the Business Combination, issuances of convertible notes, premiums earned under our MA plans, borrowings under our term loan facility and, most recently, with our Non-Insurance revenues. We expect that our cash, cash equivalents, short-term investments, and our current projections of cash flows, taken together, will be sufficient to meet our projected operating and regulatory requirements for the next 12 months based on our current plans. Our future capital requirements will depend on many factors, including our needs to support our business growth, to respond to business opportunities, challenges or unforeseen circumstances, or for other reasons. We may be required to seek additional equity or debt financing to provide the capital required to maintain or expand our operations. Any future equity financing may be dilutive to our existing investors, and any future debt financing may include debt service requirements and financial and other restrictive covenants that may constrain our operations and growth strategies. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital when desired, our business, results of operations, and financial condition would be adversely affected.

We operate as a holding company in a highly regulated industry. As such, we may receive dividends and administrative expense reimbursements from our subsidiaries, two of which are subject to regulatory restrictions. We continue to maintain significant levels of aggregate excess statutory capital and surplus in our state-regulated insurance subsidiaries. Cash, cash equivalents, and short-term investments at the parent company, Clover Health Investments, Corp., were \$169.1 million and \$350.9 million as of September 30, 2022, and December 31, 2021, respectively. This decrease at the parent company primarily reflects operating expenses and capital contributions made to our regulated insurance subsidiaries. Additionally, our parent company held \$113.9 million and \$79.3 million of available-for-sale and held-to-maturity investment securities as of September 30, 2022, and December 31, 2021. Our unregulated subsidiaries held \$132.7 million and \$52.2 million of cash, cash equivalents, and short-term investments as of September 30, 2022, and December 31, 2021, respectively. Our unregulated subsidiaries held no available-for-sale and held-to-maturity securities as of both September 30, 2022 and December 31, 2021. Our regulated insurance subsidiaries held \$234.8 million and \$190.7 million of cash, cash equivalents, and short-term investments as of September 30, 2022, and December 31, 2021, respectively. Additionally, our regulated insurance subsidiaries held \$132.1 million and \$118.0 million of available-for-sale and held-to-maturity investment securities as of September 30, 2022, and December 31, 2021, respectively. Our use of operating cash derived from our unregulated subsidiaries is generally not restricted by departments of insurance (or comparable state regulatory agencies). Our regulated insurance subsidiaries have not paid dividends to the parent, and applicable insurance laws restrict the ability of our regulated insurance subsidiary to declare and pay dividends to the parent. Insurance regulators have broad powers to prevent reduction of statutory surplus to inadequate levels, and there is no assurance that dividends of the maximum amounts calculated under any applicable formula would be permitted. State insurance regulatory authorities that have jurisdiction over the payment of dividends by our regulated insurance subsidiary may in the future adopt statutory provisions more restrictive than those currently in effect.

For a detailed discussion of our regulatory requirements, including aggregate statutory capital and surplus as well as dividends paid from the subsidiaries to the parent, please refer to Notes 24, 25, and 26 in our 2021 Form 10-K.

Cash Flows

The following table summarizes our condensed consolidated cash flows for the nine months ended September 30, 2022 and 2021.

Nine Months Ended September 30,	2022	2021
	(in thousands)	
Cash Flows Data:		
Net cash provided by (used in) operating activities	\$ 5,442	\$ (202,150)
Net cash provided by (used in) investing activities	82,477	(328,956)
Net cash (used in) provided by financing activities	(5,018)	641,022
Increase in cash and cash equivalents	\$ 82,901	\$ 109,916

Cash Requirements

Our cash requirements within the next twelve months include medical claims payable, accounts payable and accrued liabilities, current liabilities, purchase commitments, and other obligations. We expect the cash required to meet these obligations to be primarily generated through cash flows from current operations and cash available for general corporate use.

Operating Activities

Our largest source of operating cash flows is capitated payments from CMS. Our primary uses of cash from operating activities are payments for medical benefits and payments of operating expenses.

For the nine months ended September 30, 2022, net cash provided by operating activities was \$5.4 million, which reflects a net loss of \$254.8 million. Non-cash activities included a \$125.2 million charge to stock-based compensation expense, \$83.0 million of amortization of the 2022 premium deficiency reserve, and a \$10.2 million gain on investment related to the change in the equity structure of Character Biosciences. Payments due to CMS related to our Non-Insurance operations increased by \$109.4 million. A prepayment of \$96.4 million was received during the period from CMS for October 2022. Change in our working capital included an increase in unpaid claims of \$1.0 million.

For the nine months ended September 30, 2021, net cash used in operating activities was \$202.2 million, which reflects a net loss of \$400.6 million. Non-cash activities included a \$66.1 million gain as a result of the change in fair value of warrants payable and a \$132.5 million charge to stock-based compensation expense. Changes to our working capital included a \$48.7 million charge to our premium deficiency reserve and an increase of \$13.2 million in surety bonds and deposits related to Direct Contracting.

Investing Activities

Net cash provided by investing activities for the nine months ended September 30, 2022, of \$82.5 million was primarily due to \$360.2 million provided from the sale and maturity of investment securities, offset by \$276.8 million used to purchase investments.

Net cash used in investing activities for the nine months ended September 30, 2021, of \$329.0 million was primarily due to \$705.6 million used to purchase investment securities, partially offset by \$377.1 million provided from the sale and maturity of investment securities.

For additional information regarding our investing activities, please refer to Note 3 (Investment Securities) to our condensed consolidated financial statements included in this Form 10-Q.

Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2022, of \$5.0 million was primarily the result of the acquisition of \$6.3 million in treasury stock.

Net cash provided by financing activities for the nine months ended September 30, 2021, of \$641.0 million was primarily the result of \$666.2 million in proceeds from the reverse capitalization in connection with the Business Combination, net of transaction costs, and \$5.5 million in proceeds from the issuance of common stock, partially offset by \$30.9 million in principal payments on our outstanding Term Loan Notes.

Financing Arrangements

There have been no material changes to our financing arrangements as of September 30, 2022, as compared to those disclosed in our 2021 Form 10-K.

Contractual Obligations and Commitments

We believe that funds from future operating cash flows, cash, and investments will be sufficient for future operations and commitments, and for capital acquisitions and other strategic transactions, over at least the next 12 months.

Material cash requirements from known contractual obligations and commitments as of September 30, 2022 include: (1) the recognition of a performance guarantee of \$655.8 million in connection with the Company's participation in the DC Model, (2) operating lease obligations of \$6.3 million, and (3) the outstanding principal balance related to the convertible note entered into by Seek, our indirect wholly-owned subsidiary, on September 25, 2020, for an aggregate principal amount of \$20.0 million. These commitments are associated with contracts that were enforceable and legally binding as of September 30, 2022, and that specified all significant terms, including fixed or minimum serves to be used, fixed, minimum, or variable price provisions, and the approximate timing of the actions under the contracts. There were no other material cash requirements from known contractual obligations and commitments. For additional information regarding our remaining estimated contractual obligations and commitments, see Note 8 (Notes and Securities Payable), Note 15 (Commitments and Contingencies), and Note 16 (Non-Insurance) to Financial Statements in this report, and Note 16 (Leases) in the 2021 Form 10-K.

Indemnification Agreements

In the ordinary course of business, we enter into agreements, with various parties (providers, vendors, consultants, etc.), of varying scope and terms pursuant to which we may agree to defend, indemnify, and hold harmless the other parties from any claim, demand, loss, lawsuit, settlement, judgment, fine, or other liability, and all related expenses which may accrue there from (including reasonable attorney's fees), arising from or in connection with third party claims, including, but not limited to, negligence, recklessness, willful misconduct, fraud, or otherwise wrongful act or omission with respect to our obligations under the applicable Agreement.

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined by applicable regulations of the SEC, that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures, or capital resources.

Critical Accounting Policies and Estimate

We believe that the accounting policies and estimates involve a significant degree of judgment and complexity. There have been no significant changes in our critical accounting policies and estimates during the three months ended September 30, 2022, as compared to the critical accounting policies and estimates disclosed in the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" included in the 2021 Form 10-K.

Recently Issued and Adopted Accounting Pronouncements

See Note 2 (Summary of Significant Accounting Policies) to the Financial Statements in this report for a discussion of accounting pronouncements recently adopted and recently issued accounting pronouncements not yet adopted and their potential impact to our financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of economic losses due to adverse changes in the estimated fair value of a financial instrument as the result of changes in equity prices, interest rates, foreign currency exchange rates and commodity prices. Our condensed consolidated balance sheets include assets and liabilities with estimated fair values that are subject to market risk. Our primary market risk has been interest rate risk associated with investments in instruments with fixed maturities. We do not have material exposure to commodity risk.

We are also exposed to credit risk on our investment portfolio. We manage the exposure to credit risk in our portfolio by investing in high quality securities and diversifying our holdings.

We monitor our investment portfolio to ensure that credit risk does not exceed prudent levels. Our investment policy is focused on preservation of capital, liquidity and earning a modest yield. Substantially all of our investment portfolio is invested in U.S. Treasury

fixed maturity securities. As of September 30, 2022, none of our fixed maturity securities portfolio was unrated or rated below investment grade.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this report, is recorded, processed, summarized, and reported within the time period specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our current chief executive officer and chief financial officer (our "Certifying Officers"), the effectiveness of our disclosure controls and procedures as of September 30, 2022, pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, our Certifying Officers concluded that, as of September 30, 2022, our disclosure controls and procedures were effective.

We do not expect that our disclosure controls and procedures will prevent all errors and all instances of fraud. Disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Further, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and the benefits must be considered relative to their costs. Because of the inherent limitations in all disclosure controls and procedures, no evaluation of disclosure controls and procedures can provide absolute assurance that we have detected all our control deficiencies and instances of fraud, if any. The design of disclosure controls and procedures also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

From time to time, in the normal course of business, we are subject to various legal proceedings, investigations (both formal and informal), and claims incidental to the conduct of a highly regulated business. Such proceedings can be costly, time consuming, and unpredictable. Therefore, no assurance can be given on the outcome of any proceeding or the potential impact on our financial condition or results of operation.

For example, since February 2021, Clover has received subpoenas from the SEC related to certain disclosures and aspects of our business as well as certain matters described in an article issued on February 4, 2021, by Hindenburg Research LLC (the "Hindenburg article"). We are cooperating with the SEC's investigation. The Hindenburg article, which discussed, among other things, an ongoing inquiry by the U.S. Attorney's Office for the Eastern District of Pennsylvania relating to, among other things, certain of our arrangements with providers participating in our network and programs, and Clover Assistant, was the subject of our Current Report on Form 8-K filed with the SEC on February 5, 2021.

Information concerning legal proceedings can be found in Note 15 (Commitments and Contingencies) to the condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q, which information is incorporated by reference into this item.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A of the 2021 Form 10-K. In the course of conducting our business operations, we are exposed to a variety of risks, any of which have affected or could materially adversely affect our business, financial condition, and results of operations. The market price of our Class A common stock could decline, possibly significantly or permanently, if one or more of these risks and uncertainties occurs. Any factor described in this report or in any of our other SEC filings could by itself, or together with other factors, adversely affect our financial results and condition. For a discussion of risk factors that could adversely affect our financial results and condition, and the value of, and return on, an investment in the Company, please see the "Risk Factors" section in the 2021 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits and Financial Statement Schedules

A list of exhibits to this Form 10-Q is set forth below:

Exhibit No.	Description
10.1*	Employment Agreement, dated as of August 8, 2022, between the Registrant and Andrew Toy
10.2*	Non-Employee Director Compensation Policy
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1†	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2†	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

† Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CLOVER HEALTH INVESTMENTS, CORP.

Date: November 7, 2022

By: _____
/s/ Vivek Garipalli
Vivek Garipalli
Chief Executive Officer (Principal Executive Officer)

Date: November 7, 2022

By: _____
/s/ Scott J. Leffler
Scott J. Leffler
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

CONFIDENTIAL

August 8, 2022

Clover Health Investments, Corp. 3401 Mallory Lane, Suite 210
Franklin TN 37067

Re: EMPLOYMENT AGREEMENT

Dear Andrew Toy,

This Employment Agreement (the “**Agreement**”) between you (referred to hereinafter as “**Executive**”) and Clover Health, LLC (the “**Company**”) sets forth the terms and conditions that shall govern Executive’s employment with the Company (referred to hereinafter as “**Employment**” or the “**Employment Period**”) to reflect Executive’s promotion to the role of Co-Founder and Chief Executive Officer of the Company effective as of January 1, 2023 (the “**Promotion Effective Date**”) and Executive’s continued employment in the role of President of the Company for the period beginning on the date hereof (the “**Agreement Effective Date**”) and ending on the Promotion Effective Date (the “**Pre-Promotion Period**”).

1. **Duties and Scope of Employment.**

- a. **At-Will Employment; Prior Employment Agreement.** Executive’s Employment with the Company is for no specified period and constitutes “at-will” employment. Except as otherwise set forth herein, Executive is free to terminate Employment at any time, with or without advance notice, and for any reason or for no reason. Similarly, the Company is free to terminate Executive’s Employment at any time, with or without advance notice, and with or without Cause (as defined below), subject to its obligations in this Agreement. Furthermore, although terms and conditions of Executive’s Employment with the Company may change over time, nothing shall change the at-will nature of Executive’s Employment. During the Pre- Promotion Period, except as expressly set forth in this Agreement in Section 2(c), all terms and conditions of Executive’s employment will be governed by that certain employment agreement by and between Clover Health Investment, Corp. and Executive, dated December 31, 2020 (the “**Prior Employment Agreement**”). As of the Promotion Effective Date, except as expressly set forth herein, the terms of this Agreement will supersede the terms of the Prior Employment Agreement.
- b. **Position and Responsibilities.** As of the Promotion Effective Date, the Company agrees to employ Executive in the position of Co-Founder and Chief Executive Officer of the Company. Executive will report directly to the board of directors of Clover Health Investments, Corp., a Delaware corporation and the parent entity of the Company (the “**Board**”), and Executive will be working remotely and based out of the San Francisco Bay Area. Executive will perform the duties and have the responsibilities and authority customarily performed and held by an employee in

Executive's position or as otherwise may be assigned or delegated to Executive by the Board consistent with Executive's position and experience. During the Employment Period, the Board shall recommend to the Company's shareholders that Executive be elected and continue to serve on the Board.

- a. **Obligations to the Company.** During the Employment Period, Executive shall perform Executive's duties faithfully, and endeavor to perform to the best of Executive's ability, and shall devote substantially all of Executive's business efforts and time to the Company. During the Employment Period, without the prior written approval of the Board (which, in the case of joining for-profit boards, shall not be unreasonably withheld), Executive shall not render services in any capacity to any other Person (as defined below) and shall not act as a sole proprietor, advisor or partner of any other Person or own more than five percent (5%) of the stock of any other corporation. Notwithstanding the foregoing, Executive may serve on civic or charitable boards or committees, deliver lectures, fulfill speaking engagements, teach at educational institutions, or manage personal investments without advance written consent of the Board; provided that such activities do not individually, or in the aggregate, interfere with the performance of Executive's duties under this Agreement or create a potential business or fiduciary conflict. Executive shall comply with the Company's policies and rules, as communicated to Executive in writing, and as they may be in effect from time to time during Executive's Employment.

2. **Cash and Incentive Compensation.**

- b. **Base Salary.** Beginning on the Promotion Effective Date, the Company shall pay Executive, as compensation for Executive's services, a base salary at a gross annual rate of \$700,000 (seven hundred thousand dollars), less all required tax withholdings and other applicable deductions, in accordance with the Company's standard payroll procedures. The annual compensation specified in this subsection (a), together with any increases in such compensation that the Company may make from time to time, is referred to in this Agreement as the "**Base Salary.**" Executive's Base Salary shall be subject to review and increases (but not decreases) that shall be made based upon the Company's normal performance review practices. Effective as of the date of any change to Executive's Base Salary, the Base Salary as so changed shall be considered the new Base Salary for all purposes of this Agreement.
- c. **Cash Incentive Bonus.** Executive shall be eligible to be considered for an annual cash incentive bonus (the "**Cash Bonus**") each calendar year during the Employment Period based upon the achievement of certain objective or subjective criteria (collectively, the "**Performance Goals**"). In compliance with all relevant legal requirements and based on Executive's level within the Company, the Performance Goals for Executive's Cash Bonus for a particular year will be established by, and in the sole discretion of, the Board or any Compensation Committee of the Board (the "**Committee**"), as applicable. Beginning as of the Promotion Effective Date, the target amount for any such Cash Bonus shall be

100% of Executive's Base Salary (the "**Target Bonus Percentage**"), with a maximum payout subject to the Board's discretion and determined from time to time, which maximum payout level applicable to Executive shall be at least the same maximum payout level as applied to other executive officers of the Company. The determinations of the Board or the Committee, as applicable, with respect to such Cash Bonus shall be final and binding. Executive's Target Bonus Percentage for any subsequent year may be increased but not decreased, as determined in the sole discretion of the Board or the Committee, as applicable. Except as provided herein, Executive shall not earn a Cash Bonus unless Executive is employed by the Company on the date when such Cash Bonus is actually paid by the Company. Payment of the Cash Bonus amount, if any, is subject to all required tax withholdings and other applicable deductions.

- d. **Promotional Equity Awards.** In recognition of Executive's new role with the Company as contemplated by this Agreement, the Company shall award to Executive a one-time promotion grant of restricted stock units covering shares of the Company's Class A common stock with an aggregate grant date fair value (the "**Promotional RSU Cash Value**") of \$18,000,000 (eighteen million dollars), with \$7,000,000 (seven million dollars) of the Promotional RSU Cash Value being subject to an RSU grant with a grant date of the Agreement Effective Date (the "**Initial Promotional RSU Grant**"), and \$11,000,000 (eleven million dollars) of the Promotional RSU Cash Value being subject to an RSU grant with a grant date of the Promotion Effective Date (the "**Subsequent Promotional RSU Grant**," and together with the Initial Promotional RSU Grant, the "**Promotional RSU Awards**"). The number of shares subject to the each Promotional RSU Award shall be determined by dividing the amount of the Promotional RSU Cash Value subject to the Promotional RSU Award by the average closing price of a share of the Company's Class A common stock, as publicly reported for the thirty trading days ending on the trading day prior to the applicable date of grant. Subject to any vesting acceleration rights Executive may have, each Promotional RSU Award shall vest and become payable as follows: 25% of each Promotional RSU Award shall vest on the first anniversary of the Agreement Effective Date or Promotion Effective Date, as applicable, and the remainder of each Promotional RSU Award shall vest in twelve equal quarterly installments beginning on the date that is three months after the first anniversary of the Agreement Effective Date or Promotion Effective Date, as applicable, in each case subject to Executive continuing to provide services to the Company through the relevant vesting dates. For avoidance of doubt, the vesting schedule described in this provision (i) applies only to the Promotional RSU Awards and (ii) a different vesting schedule or vesting conditions may be approved by the Board or the Committee, as applicable, for subsequent equity grants. Each Promotional RSU Award shall be subject to the terms, definitions, and provisions of the applicable (i) equity plan of the Company (the "**2020 Equity Plan**") and (ii) a restricted stock unit award agreement by and between Executive and the Company (the "**Promotional RSU Agreements**"). In addition, commencing with the 2024 annual grant cycle, Executive shall be eligible for a target annual equity award in an amount and on terms in line with Executive's peers, as determined by the Board or the Committee, as applicable, under the terms of the Company's 2020

Equity Plan or a replacement plan. Notwithstanding anything to the contrary in this Agreement, the 2020 Equity Plan, or the Promotional RSU Agreements, the shares issued to Executive in settlement of the Promotional RSU Awards upon vesting, after taking into account any shares withheld by the Company to cover Executive's tax obligations, (i) may not be sold, transferred or otherwise encumbered while Executive is employed by the Company unless Executive beneficially owns shares of the Company's Class A Common Stock with a value equal to three (3) times Executive's Base Salary, without the Board's prior written consent, and (ii) shall be subject to any other minimum stock ownership requirements adopted by the Board from time to time.

3. **Employee Benefits.** During the Employment Period, Executive shall be eligible to (i) receive paid time off ("**PTO**") in accordance with the Company's PTO policy, as it may be amended from time to time (such amendments to be applicable to similarly situated employees of the Company) and (ii) participate in the employee benefit plans maintained by the Company and generally available to similarly situated employees of the Company, subject in each case to the generally applicable terms and conditions of the plan or policy in question and to the determinations of any Person or committee administering such employee benefit plan or policy. The Company reserves the right to cancel or change the employee benefit plans, policies and programs it offers to its employees at any time; provided, that, Executive shall be treated no less favorably than other executive officers generally in the event of any such cancellation or change. Executive shall be eligible to participate in all annual and long-term equity incentive plans and programs of the Company in accordance with the terms of such plans as in effect for other senior officers of the Company, at levels determined by the Board (or Compensation Committee, if applicable) in its sole discretion, commensurate with the Executive's position, however, for the avoidance of doubt, Executive shall not be eligible to participate in the 2023 annual grant cycle.
4. **Business Expenses.** The Company will reimburse Executive for necessary and reasonable business expenses incurred in connection with Executive's duties hereunder upon presentation of an itemized account and appropriate supporting documentation, all in accordance with the Company's generally applicable expense reimbursement policies as in effect from time to time.
5. **Rights Upon Termination.** Except as expressly provided in Section 6, upon the termination of Executive's Employment, for the period preceding the effective date of the termination of Employment, Executive shall only be entitled to the following: (i) the accrued but unpaid Base Salary compensation and PTO, (ii) the reimbursements for outstanding and unpaid business expenses described in Section 4 of this Agreement, and (iii) such other vested benefits earned under any Company-provided plans, policies, and arrangements in accordance with the governing documents and policies of any such, plans, policies and arrangements (collectively, the "**Accrued Benefits**"). The Accrued Benefits described in clauses (i) and (ii) of the preceding sentence shall be paid within thirty (30) days after the date of termination of Executive's Employment (or such earlier date as may be required by applicable law) and the Accrued Benefits described in clause (iii) of the

preceding sentence shall be paid in accordance with the terms of the governing plan, policy or arrangement.

6. **Termination Benefits.**

- a. **Termination without Cause or Resignation for Good Reason outside of Change in Control Protection Period.** If the Company (or any parent, subsidiary or successor of the Company) terminates Executive's employment with the Company for a reason other than (i) Cause, (ii) Executive becoming Disabled (as defined below) or (iii) Executive's death, or if Executive resigns from such employment for Good Reason (as defined below), in each case, outside of the Change in Control Protection Period, then, subject to Section 7 (other than with respect to the Accrued Benefits), Executive will be entitled to the following:
- i. **Accrued Compensation.** The Company will pay Executive all Accrued Benefits.
 - ii. **Severance Payment.** In exchange for Executive timely signing and not revoking the Release (as defined below) in accordance with the terms therein and in this Agreement, Executive will receive a lump sum severance payment in the amount equal to (x) the product of Executive's Base Salary, as then in effect (but not taking into account any reductions which would constitute Good Reason or were made in the six (6) months prior to Executive's termination of employment), multiplied by 1.5, plus (y) the product of 1.5 multiplied by the Executive's Cash Bonus calculated at target, using the Executive's then current Target Bonus Percentage (but not taking into account any reductions which would constitute Good Reason or were made in the six (6) months prior to Executive's termination of employment), plus (z) any annual bonus payments earned for a completed prior fiscal year but not yet paid to Executive, with any subjective goals treated as satisfied at not less than target and paid when bonuses are paid to other executive officers (the "**Prior Year Bonus**"), in each case less all required tax withholdings and other applicable deductions, which will be paid in accordance with the Company's regular payroll procedures, but no later than thirty (30) days following the Release Deadline (as defined in Section 7(a)).
 - iii. **Continued Employee Benefits.** If Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**") for Executive and Executive's eligible dependents, within the time period prescribed pursuant to COBRA, the Company will reimburse Executive for the COBRA premiums for such coverage (at the coverage levels in effect immediately prior to Executive's termination or resignation) until the earlier of (A) the eighteen (18) month anniversary of Executive's termination date, or (B) the date upon which Executive and/or Executive's eligible dependents become covered under similar plans. COBRA reimbursements will be made by the Company to Executive

consistent with the Company's normal expense reimbursement policy and will be taxable to the extent required to avoid adverse consequences to Executive or the Company under either Code Section 105(h) or the Patient Protection and Affordable Care Act of 2010.

- iv. Equity. In the event Executive's employment is terminated for a reason other than for Cause or Executive resigns for Good Reason (but not in the case of the Executive's death or the Executive becoming Disabled) (an "***Involuntary Termination***"), then any unvested equity awards granted prior to the Agreement Effective Date that has not vested as of the effective date of such termination of employment, will or will not continue to vest in accordance with the terms of the applicable equity award grant agreement. For the avoidance of doubt, no portion of the Promotional RSU Awards will automatically vest in the event Executive's employment is terminated as a result of an Involuntary Termination.
- e. **Termination without Cause or Resignation for Good Reason within the Change in Control Protection Period**. If, during the Change in Control Protection Period, Executive's employment is terminated as a result of an Involuntary Termination, then, subject to Section 7 of this Agreement (other than with respect to the Accrued Benefits), Executive will receive the following severance benefits from the Company in lieu of the benefits described in Section 6(a) above:
 - v. Accrued Compensation. The Company will pay Executive all Accrued Benefits.
 - vi. Severance Payment. In exchange for Executive timely signing and not revoking the Release in accordance with the terms therein, and in this Agreement, Executive will receive a lump sum severance payment in the amount equal to (x) twenty-four (24) months of Executive's Base Salary as in effect immediately prior to the date of Executive's termination of employment (but not taking into account any reductions which would constitute Good Reason or were made in the six (6) months prior to Executive's termination of employment), plus (y) the product of 2.0 multiplied by Executive's Cash Bonus calculated at target using the Executive's then current Target Bonus Percentage, plus (z) the Prior Year Bonus, in each case less all required tax withholdings and other applicable deductions, which will be paid in accordance with the Company's regular payroll procedures, but no later than thirty (30) days following the Release Deadline.
 - vii. Continued Employee Benefits. If Executive elects continuation coverage, pursuant to COBRA, for Executive and Executive's eligible dependents, within the time period prescribed pursuant to COBRA, the Company will reimburse Executive for the COBRA premiums for such coverage (at the coverage levels in effect immediately prior to Executive's termination or resignation) until the earlier of (A) the twenty-four month (24) anniversary

of Executive's termination date, or (B) the date upon which Executive and/or Executive's eligible dependents become covered under similar plans. COBRA reimbursements will be made by the Company to Executive consistent with the Company's normal expense reimbursement policy and will be taxable to the extent required to avoid adverse consequences to Executive or the Company under either Code Section 105(h) or the Patient Protection and Affordable Care Act of 2010. Notwithstanding the foregoing, in the event that applicable healthcare laws do not permit continuation of coverage, then the Company will reimburse Executive for the costs of obtaining coverage in an amount not to exceed the coverage amounts paid or payable by Executive immediately prior to the date of termination.

- viii. **Equity.** All of Executive's unvested and outstanding time-based equity awards shall immediately vest and become exercisable as of the date of Executive's termination (or if a termination occurs during the Change in Control Protection Period but prior to a Change in Control upon the Change in Control) and any unvested and outstanding performance-based awards shall be subject to the terms and conditions of the 2020 Equity Plan and the award agreement by and between Executive and the Company pursuant to which such award was granted.
- b. **Disability; Death; Voluntary Resignation; Termination for Cause.** If Executive's employment with the Company is terminated due to (i) Executive becoming Disabled or Executive's death, (ii) Executive's voluntary resignation (other than for Good Reason), or (iii) the Company's termination of Executive's employment with the Company for Cause, then Executive or Executive's estate (as the case may be) will receive the Accrued Benefits (and in the case of (i), the Prior Year Bonus), but will not be entitled to any other compensation or benefits from the Company except to the extent required by law (for example, providing COBRA coverage to the extent elected by and fully paid for by Executive).
- c. **Timing of Payments.** Subject to any specific timing provisions in Section 6(a), 6(b), or 6(c), as applicable, or the provisions of Section 7, payment of the severance and benefits hereunder shall be made or commence to be made as soon as practicable following Executive's termination of employment.
- d. **Exclusive Remedy.** In the event of a termination of Executive's employment with the Company (or any parent, subsidiary or successor of the Company), the provisions of this Section 6, are intended to be, and are exclusive, and in lieu of any other rights or remedies to which Executive or the Company may otherwise be entitled (other than the payment of accrued but unpaid wages, as required by law, and any unreimbursed reimbursable expenses) with respect to severance benefits. Executive will be entitled to no other severance, benefits, or compensation upon a termination of employment, including, without limitation, any severance payments and/or benefits provided in the Employment Agreement, other than those benefits

expressly set forth in Section 6 of this Agreement or pursuant to written equity award agreements with the Company.

- e. **No Duty to Mitigate.** Executive will not be required to mitigate the amount of any payment contemplated by this Agreement, nor will any earnings that Executive may receive from any other source reduce any such payment.

7. **Conditions to Receipt of Severance.**

- f. **Release of Claims Agreement.** The receipt of any severance payments or benefits pursuant to Section 6 of this Agreement (other than any Accrued Benefits) is subject to Executive signing and not revoking a separation agreement and release of claims in a form substantially similar, as determined, in good faith, by the Company, as that attached hereto as Attachment A (the “**Release**”), which must become effective no later than the sixtieth (60th) day following Executive’s termination of employment (the “**Release Deadline**”), and if not, Executive will forfeit any right to severance payments or benefits under this Agreement. To become effective, the Release must be timely executed by Executive and any revocation periods (as required by statute, regulation, or otherwise) must have expired without Executive having revoked the Release. In addition, in no event will severance payments or benefits be paid or provided until the Release actually becomes effective. If the termination of employment occurs at a time during the calendar year where the Release Deadline could occur in the calendar year following the calendar year in which Executive’s termination of employment occurs, then any severance payments or benefits under this Agreement that would be considered Deferred Payments (as defined in Section 7(c)(i)) will be paid on the first payroll date to occur during the calendar year following the calendar year in which such termination occurs, or such later time as required by (i) the payment schedule applicable to each payment or benefit as set forth in Section 6, (ii) the date the Release becomes effective, or (iii) Section 7(c)(ii); provided that the first payment shall include all amounts that would have been paid to Executive if payment had commenced on the date of Executive’s termination of employment.
- g. **Compliance with Restrictive Covenants.** Executive’s receipt of any payments or benefits under Section 6 will be subject to Executive continuing to comply in all material respects with the terms of Section 11 below (provided, that such breach is not incurable, the Company shall provide Executive with written notice of any failure to comply and not less than thirty (30) days to cure).
- h. **Section 409A.**
 - i. Notwithstanding anything to the contrary in this Agreement, no severance pay or benefits to be paid or provided to Executive, if any, pursuant to this Agreement that, when considered together with any other severance payments or separation benefits, are considered deferred compensation not exempt under Section 409A (together, the “**Deferred Payments**”), will be paid or otherwise provided until Executive has a “separation from service”

within the meaning of Section 409A. For purposes of this Agreement, any reference to “termination of employment,” “termination,” or any similar term, shall be construed to mean a “separation from service” within the meaning of Section 409A. Similarly, no severance payable to Executive, if any, pursuant to this Agreement, that otherwise would be exempt from Section 409A, pursuant to Treasury Regulation Section 1.409A-1(b)(9), will be payable until Executive has a “separation from service” within the meaning of Section 409A.

- ii. Notwithstanding anything to the contrary in this Agreement, if Executive is a “*specified employee*” within the meaning of Section 409A, at the time of Executive’s termination of employment (other than due to death), then the Deferred Payments, if any, that are payable within the first six (6) months following Executive’s separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Executive’s separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following Executive’s separation from service, but prior to the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive’s death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment, installment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.
- iii. Without limitation, any amount paid under this Agreement that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations is not intended to constitute Deferred Payments for purposes of clause (i) above.
- iv. Without limitation, any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit is not intended to constitute Deferred Payments for purposes of clause (i) above. Any payment intended to qualify under this exemption must be made within the allowable time period specified in Section 1.409A-1(b)(9)(iii) of the Treasury Regulations.
- v. To the extent that reimbursements or in-kind benefits under this Agreement constitute non-exempt “nonqualified deferred compensation” for purposes of Section 409A, (1) all reimbursements hereunder shall be made on or prior to the last day of the calendar year following the calendar year in which the expense was incurred by Executive, (2) any right to reimbursement or in-

kind benefits shall not be subject to liquidation or exchange for another benefit, and (3) the amount of expenses eligible for reimbursement or in-kind benefits provided in any calendar year shall not in any way affect the expenses eligible for reimbursement or in-kind benefits to be provided, in any other calendar year.

- vi. The payments and benefits provided under Sections 6(a) and 6(b) are intended to be exempt from or comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be exempt or so comply. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions that are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A, while endeavoring to maintain the intended economic benefits of this Agreement.

8. **Definition of Terms.** The following terms referred to in this Agreement will have the following meanings:

a. **Cause.** “Cause” means:

- i. Executive’s gross negligence or willful misconduct in the performance of his duties and responsibilities to the Company or Executive’s violation of any written Company policy, which, in either case, if capable of being cured, is not cured to the reasonable satisfaction of the Board within thirty (30) days after Executive receives written notice from the Board of such gross negligence or willful misconduct;
- ii. Executive’s commission of any act of fraud, theft, embezzlement, intentional financial dishonesty, misappropriation from the Company or any other willful misconduct that has caused or is reasonably expected to result in injury to the Company;
- iii. Executive’s conviction of, or pleading guilty or nolo contendere to, any felony or a lesser crime involving dishonesty or moral turpitude (not including any traffic-related crimes not resulting in jail time);
- iv. Executive’s unlawful use (including being under the influence) or possession of illegal drugs on the premises of the Company or while performing Executive’s duties and responsibilities for the Company
- v. Executive’s unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom Executive owes an obligation of nondisclosure as a result of his or her relationship with the Company; or

- vi. Executive's material breach of any of his obligations under any written agreement or covenant with the Company, which, if capable of being cured, is not cured to the reasonable satisfaction of the Board within thirty (30) days after Executive receives written notice from the Board of such breach.

No action or inaction hereunder shall be treated as willful hereunder unless done or not done in bad faith and without a reasonable belief it was in the best interests of the Company.

- b. **Change in Control.** "Change in Control" shall have the meaning ascribed to such term in the 2020 Equity Plan.
- c. **Change in Control Protection Period.** "Change in Control Protection Period" means the period beginning three (3) months prior to and ending eighteen (18) months immediately following the consummation of a Change in Control.
- d. **Code.** "Code" means the Internal Revenue Code of 1986, as amended.
- e. **Disability.** "Disability" or "Disabled" means that Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected, as determined by the usual process used by the Company for long term disability, to result in death or which has lasted, or can be expected to last, for a continuous period of not less than one (1) year.
- f. **Good Reason.** "Good Reason" means Executive's resignation or termination of employment within thirty (30) days following the expiration of any cure period (discussed below) following the occurrence of one or more of the following without Executive's express written consent:
 - i. A material reduction of Executive's title, position, duties, authority, or responsibilities (including reporting), relative to Executive's title, position, duties, authority, or responsibilities in effect immediately prior to such reduction, including a change in duties resulting from a Change in Control so that Executive no longer has the responsibility of a Chief Executive Officer of the top-level entity (parent, acquiror, or merger partner)
 - ii. A material reduction in Executive's Base Salary or Target Bonus Percentage (except where there is a reduction applicable to all similarly situated executive officers generally) provided, that such a reduction of less than ten percent (10%) will not be considered a material reduction in Base Salary or Target Bonus Percentage;
 - iii. Any requirement for Executive to report to a work facility or location other than Executive's home office or required business travel, with the location of Executive's home office to be of Executive's choosing;
 - iv. A material change to the reporting structure of the Company, such that Executive no longer reports to the Board of the top-level parent entity;

- v. A material breach by the Company of a material provision of this Agreement or any other material compensation agreement; or
- vi. Failure by the Board to nominate and support Executive to be a member of the Board.

Executive will not resign for Good Reason without first providing the Company with written notice of the acts or omissions constituting the grounds for Good Reason within ninety (90) days of the initial existence of the grounds for Good Reason and a reasonable cure period of not less than thirty (30) days following the date the Company receives such notice during which such condition must not have been cured.

- g. **Governmental Authority.** “Governmental Authority” means any federal, state, municipal, foreign or other government, governmental department, commission, board, bureau, agency or instrumentality, or any private or public court or tribunal.
- h. **Person.** “Person” shall be construed in the broadest sense and means and includes any natural person, a partnership, a corporation, an association, a joint stock company, a limited liability company, a trust, a joint venture, an unincorporated organization and other entity or Governmental Authority.
- i. **Section 409A.** “Section 409A” means Section 409A of the Code, and the final regulations and any guidance promulgated thereunder or any state law equivalent.
- j. **Section 409A Limit.** “Section 409A Limit” shall mean two (2) times the lesser of:
 - (i) Executive’s annualized compensation based upon the annual rate of pay paid to Executive during Executive’s taxable year preceding Executive’s taxable year of his or her separation from service as determined under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or
 - (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Executive’s separation from service occurred.

9. **Golden Parachute.**

- a. Anything in this Agreement to the contrary notwithstanding, if any payment or benefit Executive would receive from the Company or otherwise (“**Payment**”) would (i) constitute a “parachute payment” within the meaning of Section 280G of the Code; and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the “**Excise Tax**”), then such Payment shall be equal to the Reduced Amount. The “**Reduced Amount**” shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax; or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive’s receipt, on an after-tax basis, of the greater amount of the Payment. Any reduction made pursuant to this Section 9(a)

shall be made in accordance with the following order of priority: (i) stock options whose exercise price exceeds the fair market value of the optioned stock (“**Underwater Options**”) (ii) Full Credit Payments (as defined below) that are payable in cash, (iii) non-cash Full Credit Payments that are taxable, (iv) non-cash Full Credit Payments that are not taxable (v) Partial Credit Payments (as defined below), and (vi) non-cash employee welfare benefits. In each case, reductions shall be made in reverse chronological order such that the payment or benefit owed on the latest date following the occurrence of the event triggering the excise tax shall be the first payment or benefit to be reduced (with reductions made pro- rata in the event payments or benefits are owed at the same time). “**Full Credit Payment**” means a payment, distribution or benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, that if reduced in value by one dollar reduces the amount of the parachute payment (as defined in Section 280G of the Code) by one (1) dollar, determined as if such payment, distribution or benefit had been paid or distributed on the date of the event triggering the excise tax. “**Partial Credit Payment**” means any payment, distribution or benefit that is not a Full Credit Payment.

- b. A nationally recognized certified public accounting firm selected by the Company (the “**Accounting Firm**”) shall perform the foregoing calculations related to the Excise Tax. If a reduction is required pursuant to Section 9(a), the Accounting Firm shall administer the ordering of the reduction as set forth in Section 9(a). The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder.
- c. The Accounting Firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to Executive and the Company within fifteen (15) calendar days after the date on which Executive’s right to a Payment is triggered. Any good faith determinations of the Accounting Firm made hereunder shall be final, binding, and conclusive upon Executive and the Company.

10. **Arbitration.** To the fullest extent permitted by applicable law, Executive and the Company agree that any and all disputes, demands, claims, or controversies (“**claims**”) relating to, arising from or regarding Executive’s employment, including claims by the Company, claims against the Company, and claims against any current or former parent, affiliate, subsidiary, successor or predecessor of the Company, and each of the Company’s and these entities’ respective officers, directors, agents or employees, shall be resolved by final and binding arbitration before a single arbitrator in the State of California (or another mutually agreeable location). This does not prevent either Executive or the Company from seeking and obtaining temporary or preliminary injunctive relief in court to prevent irreparable harm to Executive’s or its confidential information or trade secrets pending the conclusion of any arbitration. This arbitration agreement does not apply to any claims that have been expressly excluded from arbitration by a governing law not preempted by the Federal Arbitration Act and does not restrict or preclude Executive from communicating with, filing an administrative charge or claim with, or providing testimony to any governmental entity about any actual or potential violation of law or obtaining relief through a

government agency process. The parties hereto agree that claims shall be resolved on an individual basis only, and not on a class, collective, or representative basis on behalf of other employees to the fullest extent permitted by applicable law (“**Class Waiver**”). Any claim that all or part of the Class Waiver is invalid, unenforceable, or unconscionable may be determined only by a court. In no case may class, collective or representative claims proceed in arbitration on behalf of other employees.

The parties agree that the arbitration shall be conducted by a single neutral arbitrator through JAMS in accordance with JAMS Employment Arbitration Rules and Procedures (available at www.jamsadr.com/rules-employment-arbitration). Except as to the Class Waiver, the arbitrator shall determine arbitrability. The Company shall bear all JAMS arbitration fees and administrative costs in excess of the amount of administrative fees and costs that Executive otherwise would have been required to pay if the claims were litigated in court. The arbitrator shall apply the applicable substantive law in deciding the claims at issue. Claims shall be governed by their applicable statute of limitations and failure to demand arbitration within the prescribed time period shall bar the claims as provided by law. The decision or award of the arbitrator shall be final and binding upon the parties. This arbitration agreement is enforceable under and governed by the Federal Arbitration Act. In the event that any portion of this arbitration agreement is held to be invalid or unenforceable, any such provision shall be severed, and the remainder of this arbitration agreement shall be given full force and effect. By signing the offer letter, Executive acknowledges and agrees that Executive has read this arbitration agreement carefully, are bound by it and are WAIVING ANY RIGHT TO HAVE A TRIAL BEFORE A COURT OR JURY OF ANY AND ALL CLAIMS SUBJECT TO ARBITRATION UNDER THIS ARBITRATION AGREEMENT.

11. **Restrictive Covenants.**

- a. **Unauthorized Disclosure.** Executive agrees and understands that, in Executive’s position with the Company, Executive has been and will be exposed to, and will receive, information relating to the confidential affairs of the Company and its affiliates, including, without limitation, technical information, intellectual property, business and marketing plans, strategies, customer information, software, other information concerning the products, promotions, development, financing, expansion plans, and business policies and practices of the Company and its affiliates, and other forms of information considered by the Company and its affiliates to be confidential or in the nature of trade secrets (including, without limitation, ideas, research and development, know-how, formulas, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals) (collectively, the “**Confidential Information**”). Confidential Information does not include information that is generally known to the public or within the relevant trade or industry other than due to Executive’s violation of this Section 11(a) or disclosure by a third party who is known by Executive to owe the Company or any of its affiliates an obligation of confidentiality with respect to such information. Executive agrees that, at all times during Executive’s employment with the Company and thereafter, Executive will not disclose any

Confidential Information, either directly or indirectly, to any individual, corporation, partnership, limited liability company, association, trust, or other entity or organization, including Person without the prior written consent of the Company and will not use or attempt to use any such information in any manner, other than in connection with the performance of Executive's services hereunder, unless required by law or court order or subpoena or by governmental or regulatory investigation to disclose such information, in which case Executive agrees to provide the Company, if legally permitted, with written notice of such requirement as far in advance of such anticipated disclosure as possible. This confidentiality covenant has no temporal, geographical, or territorial restriction. Upon termination of Executive's employment with the Company, Executive agrees to promptly return to the Company all property, keys, notes, memoranda, writings, lists, files, reports, customer lists, correspondence, tapes, disks, cards, surveys, maps, logs, machines, technical data, and any other tangible product or document that has been produced by, received by, or otherwise submitted to Executive during or prior to Executive's employment with the Company, and any copies thereof in Executive's (or capable of being reduced to Executive's) possession, provided, that Executive may retain copies of his contacts, calendars and personal correspondence, and any information reasonably needed for personal tax return preparation purposes. Nothing herein is intended to prevent or restrict Executive from disclosing Confidential Information to the extent required by law. Additionally, nothing herein is intended to impair Executive's right to communicate, cooperate, or file a complaint with any U.S. federal, state, or local governmental or law enforcement branch, agency, or entity (collectively, a "**Governmental Entity**") with respect to possible violations of any

U.S. federal, state, or local law or regulation, or otherwise make disclosures to any Governmental Entity, in each case, that are protected under the whistleblower or similar provisions of any such law or regulation, provided that in each case such communications and disclosures are consistent with applicable law. Nothing herein is intended to impair Executive's right to receive an award from a Governmental Entity for information provided under any whistleblower or similar program. Executive may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. Executive may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, provided that such filing is made under seal. If Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and use the trade secret information in any related court proceeding, provided that Executive files any document containing the trade secret under seal and does not disclose the trade secret except pursuant to court order. In addition, Executive may disclose Confidential Information to his counsel and financial advisors and, if reasonably appropriate, pursuant to any legal process between Executive and the Company, provided that they are advised of the terms of this Section 11(a) and reasonably agree to be bound by the same terms.

- b. **Non-Competition.** By and in consideration of the Company's entering into this Agreement, and in further consideration of Executive's prior and future exposure to the Confidential Information, Executive agrees that Executive will not, during the Term and for a period of eighteen (18) months after Executive's termination of employment for any reason (the "Restriction Period"), directly or indirectly, own, manage, operate, join, control, be employed by, or participate in the ownership, management, operation, or control of, or be connected in any manner with, including, without limitation, holding any position as a stockholder, director, officer, consultant, independent contractor, employee, partner, or investor in, any Restricted Enterprise (as defined below), provided that in no event will Executive's ownership of two percent or less of the outstanding securities of any class of any issuer, standing alone, be prohibited by this Section 11(b) so long as Executive does not have, or exercise, any rights to manage or operate the business of such issuer other than rights as a shareholder thereof. For purposes of this paragraph, "Restricted Enterprise" means any Person that is engaged, directly or indirectly, in (or intends or proposes to engage in, or has been organized for the purpose of engaging in) the business of providing Medicare Advantage insurance or providing other services or software to Medicare Advantage insurers or healthcare providers for the treatment of Medicare beneficiaries, the business of participating in the Global and Professional Direct Contracting Model (DC Model) of the Centers for Medicare and Medicaid Services (CMS) or the ACO REACH Model (or any successor CMS program) or any other similar medical insurance or medical risk sharing business that is (i) conducted by the Company or any of its subsidiaries during the 12 months preceding the date of determination (provided, that following Executive's termination of employment, the 12 months preceding the date of termination of Executive's employment with the Company shall apply) unless such business has been discontinued by the Company or (ii) proposed to be conducted by the Company or any of its subsidiaries in the Company's business plan as in effect at that time (provided, that, following Executive's termination of employment, the business plan as in effect as of Termination Date), in either case in any country or territory in which the Company or any of its subsidiaries markets any of its services or products or has plans to begin marketing any of its services or products. During the Restriction Period, upon request of the Company, Executive agrees to notify the Company of Executive's then-current employment status and to provide reasonable details regarding any professional engagement that is reasonably necessary for the Board to ascertain whether Executive is in breach of this Section 11(b). Notwithstanding the foregoing, Executive shall be permitted to provide services to a unit or division or subsidiary of a Restricted Enterprise if such unit, division, affiliate or subsidiary is not itself engaged in the business that is causing the entity to be a Restricted Enterprise and reasonable and appropriate information walls are established.
- c. **Non-Solicitation of Employees.** During the Restriction Period, Executive agrees not to, directly or indirectly, hire, contact, induce, or solicit (or assist any Person to hire, contact, induce, or solicit) for employment or engagement for services any person who is, or within twelve (12) months prior to the date of such hiring,

contacting, inducing, or solicitation was, an employee of the Company or any of its affiliates.

- d. **Non-Solicitation of Customers.** During the Restriction Period, Executive shall not, and shall cause its controlled affiliates not to, directly or indirectly, attempt to entice away from the Company any Person who within the twelve (12) month period prior to the date Executive's employment terminates, known by Executive to be a customer or client of, supplier, vendor or service provider to, or other person having business relations with, the Company.
- e. **Interference with Business Relationships.** During the Restriction Period (other than in connection with carrying out Executive's responsibilities for the Company and its affiliates), Executive agrees not to directly or indirectly induce or solicit (or assist any Person to induce or solicit) any customer or client of the Company or its affiliates to terminate its relationship or otherwise cease doing business in whole or in part with the Company or its affiliates, or directly or indirectly interfere with (or assist any Person to interfere with) any material relationship between the Company or its affiliates and any of its or their customers or clients.
- f. **Non-Disparagement.** During the Employment Period and at all times thereafter,
 - (i) Executive agrees he shall not, directly or indirectly, make or encourage any other individual to make any public or private comments, orally or in written form (including, without limitation by e-mail or other electronic transmission), whether or not true, that would "disparage" the Company, or any of its officers, directors, managers, or significant stockholders and (ii) the Company agrees not to issue any public statement, whether or not true, that would "disparage" Executive, and shall advise its officers and directors not to make any such statement on the Company's behalf. "Disparaging" statements are those which impugn the character, capabilities, reputation, or integrity of the aforesaid individuals or entity or which accuse the aforesaid individuals or entity of acting in violation of any law or governmental regulation or of condoning any such action, or otherwise acting in an unprofessional, dishonest, disreputable, improper, incompetent or negligent manner, but shall not include truthful statements required by subpoena or the order or directive of a court or other Governmental Authority or legal body having jurisdiction over such matter. Notwithstanding the foregoing, nothing in this Agreement shall preclude the parties hereto or their successors from making truthful statements in the proper performance of their jobs or that are required by applicable law, regulation, subpoena or the order or directive of a court or other Governmental Authority or legal body having jurisdiction over such matter, and the parties shall not violate this provision in making truthful statements in response to disparaging statements made by the other party or by making truthful statements pursuant to any legal agreement between Executive and the Company or any of its affiliates.
- g. **Right to Work.** For purposes of federal immigration law, Executive will be required, if Executive has not already, to provide to the Company documentary evidence of Executive's identity and eligibility for employment in the United

States. Such documentation must be provided to the Company upon request of the Company, or the Employment relationship with Executive may be terminated.

13. **Successors.**

- h. **Company's Successors.** This Agreement shall be binding upon any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets. For all purposes under this Agreement, the term "***Company***" shall include any successor to the Company's business or assets that become bound by this Agreement or any affiliate of any such successor that employs Executive.
- i. **Executive's Successors.** This Agreement and all of Executive's rights hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

14. **Miscellaneous Provisions.**

- j. **Indemnification.** The Company shall indemnify Executive to the maximum extent permitted by applicable law and the Company's Bylaws with respect to Executive's service and Executive shall also be covered under a directors and officers liability insurance policy paid for by the Company to the extent that the Company maintains such a liability insurance policy now or in the future.
- k. **Headings.** All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.
- l. **Notice.**
 - i. **General.** Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In Executive's case, mailed notices shall be addressed to Executive at the home address that Executive most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.
 - ii. **Notice of Termination.** Any termination by the Company for Cause or by Executive for Good Reason will be communicated by a notice of termination to the other party hereto given in accordance with Section 13(c)(i) of this Agreement. Such notice will indicate the specific termination provision in this Agreement relied upon, will set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and will specify the termination date (which in the case of termination for Cause, will be not

more than thirty (30) days after the giving of such notice), subject to any applicable cure period. The failure by Executive or the Company to include in the notice any fact or circumstance which contributes to a showing of Good Reason or Cause, as applicable, will not waive any right of Executive or the Company, as applicable, hereunder or preclude Executive or the Company, as applicable, from asserting such fact or circumstance in enforcing his or her or its rights hereunder, as applicable. Any termination by Executive without Good Reason will be communicated by Executive to the Company not less than sixty (60) days advance written notice.

- m. **Modifications and Waivers.** No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.
- n. **Entire Agreement.** This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and, except as expressly set forth in Section 1(a), supersedes all other prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof, and as of the Promotion Effective Date will supersede and replace in its entirety the Prior Employment Agreement.
- o. **Taxes; Clawbacks.**
 - i. **Withholding Taxes.** All payments made under this Agreement shall be subject to reduction to reflect taxes or other deductions required to be withheld by law.
 - ii. **Clawbacks.** The compensation set forth in this Agreement and any incentive equity or related award agreement shall be subject to any policy reasonably designed and adopted by the Board from time to time covering those individuals considered Section 16 officers that requires the forfeiture or recoupment of incentive compensation paid or payable to Executive.
- p. **Choice of Law and Severability.** This Agreement shall be interpreted in accordance with the laws of the State of Delaware without giving effect to provisions governing the choice of law. In this regard, Executive agrees that if Executive is a resident of the State of California, Executive acknowledges that Subsection(e) of California Labor Code Section 925 is applicable with respect to this Agreement inasmuch as Executive is at all times been represented by legal counsel of his own choosing to represent Executive in negotiating the terms of this Agreement, including the designation of the venue and forum in which any controversy arising from or related to this Agreement may be adjudicated, as well as the choice of law to be applied. If any provision of this Agreement becomes or

is deemed invalid, illegal, or unenforceable in any applicable jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the minimum extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision shall be stricken and the remainder of this Agreement shall continue in full force and effect. If any provision of this Agreement is rendered illegal by any present or future statute, law, ordinance or regulation (collectively, the “**Law**”) then that provision shall be curtailed or limited only to the minimum extent necessary to bring the provision into compliance with the Law. All the other terms and provisions of this Agreement shall continue in full force and effect without impairment or limitation.

- q. **No Assignment.** This Agreement and all of Executive’s rights and obligations hereunder are personal to Executive and may not be transferred or assigned by Executive at any time. The Company may assign its rights under this Agreement to any entity that assumes the Company’s obligations hereunder in connection with any sale or transfer to such entity of all or a substantial portion of the Company’s assets.
- r. **Acknowledgment.** Executive acknowledges that Executive has had the opportunity to discuss this matter with and obtain advice from Executive’s personal attorney, has had sufficient time to, and has carefully read and fully understood all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.
- s. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument. Execution of a facsimile copy will have the same force and effect as execution of an original, and a facsimile signature will be deemed an original and valid signature.
- t. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents or notices related to this letter, securities of the Company or any of its affiliates or any other matter, including documents and/or notices required to be delivered to Executive by applicable securities law or any other law or the Company’s Certificate of Incorporation or Bylaws by email or any other electronic means. Executive hereby consents to (i) conduct business electronically (ii) receive such documents and notices by such electronic delivery and (iii) sign documents electronically and agree to participate through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

[Signature Page Follows]

After you have had an opportunity to review this Agreement, please feel free to contact me if you have any questions or comments. To indicate acceptance of this Agreement, please sign and date this letter in the space provided below and return it to the Company.

Very truly yours,



Vivek Garipalli, CEO & Co-Founder

Agreed to and Accepted by:

Andrew Toy

Address

Date: __

After you have had an opportunity to review this Agreement, please feel free to contact me if you have any questions or comments. To indicate acceptance of this Agreement, please sign and date this letter in the space provided below and return it to the Company.

Very truly yours,

Vivek Garipalli, CEO & Co-Founder

Agreed to and Accepted by:



Andrew Toy



Address

Date: August 8, 2022

Attachment A

[attached.]

Attachment A

Executive should consult with an attorney before signing this release of claims.

RELEASE

1. General Release of Claims. In consideration of the payment and benefits to be made under the Employment Agreement, dated as of August 8, 2022, by and between Andrew Toy (“**Executive**”) and Clover Health LLC (the “**Company**”) (the “**Employment Agreement**”), the sufficiency of which Executive acknowledges, Executive, with the intention of binding Executive, and Executive’s heirs, executors, administrators, and assigns, agrees to release and forever discharge the Company, the Company’s affiliates, subsidiaries, parents, predecessors, successors and assigns, and the officers, directors, shareholders, agents, employees, counsel and insurers of each of them, in each case in their official capacities (together, the “**Released Parties**”) from any and all claims Executive may have or have had against any of the Released Parties arising prior to or on the dates Executive executes this Agreement, including without limitation any and all claims arising out of Executive’s employment with the Company and/or the termination of that employment. Executive understands and agrees that this release is intended to waive all such claims of every kind and nature, whether known or unknown, actual or contingent, asserted or unasserted, arising under common law, statutory law or otherwise. This release includes any and all causes of actions or claims Executive has had, now has, or may have up to the dates Executive executes this Agreement including, without limitation, any claims arising pursuant to the Age Discrimination in Employment Act (“**ADEA**”), Title VII of the Civil Rights Act, the Family and Medical Leave Act, and the Americans with Disabilities Act, and common, federal, state, and local laws, regulations, rules, and ordinances. Executive also waives any claim to reinstatement or re-employment with the Company following the effective date of Executive’s termination of employment.

Except as set forth in this Agreement and/or the Employment Agreement, Executive expressly acknowledges and represents that Executive has received all wages, benefits, compensation, reimbursements, vacation and paid time off, or any other remuneration to which Executive was entitled as an employee of the Company and are not currently aware of any facts or circumstances constituting a claim or cause of action Executive could bring for violation of the Fair Labor Standards Act (“**FLSA**”) or any other federal, state or local constitution, statute, rule, regulation, or common law that applies to Executive’s employment relationship. Executive expressly acknowledges and represents that no one has interfered with Executive’s ability to report possible violations of any law and it is Released Parties’ policy to encourage such reporting. Executive further acknowledges and represents that Executive has not suffered any on-the-job injury for which Executive has not already filed a claim, and the end of Executive’s employment is not related to any such injury.

Executive agrees and acknowledges that he is releasing claims that he knows about and claims that he may not know about at this time. Because this release specifically covers unknown claims, Executive waives any rights under Section 1542 of the California Civil Code, or under any comparable law of jurisdiction. Section 1542 states:

“A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release, and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”

No claim of any sort is exempt from the above release, except (i) claims that the law does not allow Executive to waive by signing this Agreement, such as claims for workers' compensation benefits (but it does apply to, waive and affect claims of discrimination and/or retaliation on the basis of having made a workers' compensation claim), (ii) claims for unemployment benefits, (iii) Executive's rights to any vested benefits to which Executive is entitled under the terms of the applicable employee benefit plan, (iv) rights of the Executive arising under, or preserved by, this Release or Section 6 of the Employment Agreement, (v) rights to indemnification that Executive has or may have under the by-laws or certificate of incorporation of the Company and the Company's affiliates or as an insured under any director's and officer's liability insurance policy now or previously in force, and (vi) Executive's rights as an equity-holder of shares of Class A Common Stock or Class B Common Stock, as applicable, received upon exercise or settlement of equity awards granted under the equity-based incentive plans of the Company. For the purpose of implementing a full and complete release, Executive expressly acknowledges that the release given in this Agreement is intended to include, without limitation, claims that Executive did not know or suspect to exist in Executive's favor at the time of the date of Executive's execution of this Agreement, regardless of whether the knowledge of such claims, or the facts upon which they might be based, would have materially affected the settlement of this matter; and that the consideration provided under this Agreement was also for the release of those claims and contemplates the extinguishment of any such unknown claims.

2. Older Workers' Benefit Protection Act. This Agreement is intended to satisfy the requirements of the Older Workers' Benefit Protection Act, 29 U.S.C. sec. 626(f). Executive is advised to consult with an attorney before executing this Agreement.
 - a. Acknowledgments/Time to Consider. Executive acknowledges and agrees that (i) Executive has read and understands the terms of this Agreement, (ii) Executive has been advised in writing to consult with an attorney before executing this Agreement, (iii) Executive has had the opportunity to obtain and consider such legal counsel as Executive deems necessary, (iv) Executive has been given [twenty-one (21)]/[forty-five (45)] days to consider whether or not to enter into this Agreement (although Executive may elect not to use the full [21-day]/[45- day] period at Executive's option), and (v) by signing this Agreement, Executive acknowledges that Executive does so freely, knowingly, and voluntarily.
 - b. Revocation/Effective Date. This Agreement shall not become effective or enforceable until the eighth day after Executive signs this Agreement. In other words, Executive may revoke the acceptance of this Agreement within seven (7) days after the date Executive signs it. Executive's revocation must be in writing and sent via email to the Company's Chief People Officer, Rachel Fish, at email address [REDACTED] by the end of the seventh day in order to

be effective. If Executive does not revoke acceptance within the seven (7) day period, the acceptance of this Agreement shall become binding and enforceable on the eighth day after the Executive signed it (“**Effective Date**”).

- a. Preserved Rights. This Agreement does not waive or release any rights or claims that Executive may have under the Age Discrimination in Employment Act that arise after dates that Executive executes this Agreement. In addition, this Agreement does not prohibit Executive from challenging the validity of this Agreement’s waiver and release of claims under the Age Discrimination in Employment Act of 1967, as amended.
3. Restrictive Covenants. Executive agrees and acknowledges that, notwithstanding anything stated in this Agreement, Executive shall remain bound by the terms of the Employment Agreement any other agreement relating to non-competition, non-solicitation, confidentiality, non-disparagement, intellectual property, or inventions that Executive executed prior to commencing employment with the Company, or during Executive’s employment with the Company, and any Company policies concerning non-competition, non-solicitation, confidentiality, non-disparagement, intellectual property, or inventions that were in force at the time of Executive’s separation, which are attached hereto as Exhibit A.
- b. Non-Litigation Covenant. Executive further agrees not to sue Company or any of the Released Parties with regard to any claim released in Section 2 of this Agreement. Executive understands that the provisions of this Agreement shall not be construed as preventing Executive from filing a charge with or cooperating or participating in any investigation or proceeding conducted by any governmental agency, only to the extent Executive is permitted to do so by law, notwithstanding any provisions of any agreement to the contrary. Both parties acknowledge that this Agreement does not limit Executive’s right to communicate with governmental agencies, including filing or participating in an investigative proceeding. Such communication, whether initiated by Executive or an agency, is not limited by this Agreement. However, Executive expressly releases, waives, and disclaims any right to personal compensation or other benefit, including cost and attorneys’ fees, that may otherwise inure to Executive as a result of Executive filing any such charge with a government agency. Executive understands that the provisions of this paragraph means that Executive cannot bring a personal, collective or class action lawsuit or arbitration in any forum against the Releasees for any reason for claims Executive may have as of the date of this Agreement.
 - c. Waiver of Relator Recovery. To the fullest extent permitted by law, Executive further agrees to release, waive, and forever discharge Executive’s right to any portion of any settlement, judgment, or other recovery as a Relator under the *qui tam* provisions of the False Claims Act, 31 U.S.C. § 3730, or analogous state false claims acts, in any lawsuit arising from, or in any way related to, any transactions or occurrences involving Company, and other companies Company dealt with, their affiliated or related entities through common identity of ownership (in whole

or in part) from the beginning of time until the present, including but not limited to, any right to receive expenses, attorneys' fees, and costs under 31 U.S.C. § 3730(d) or analogous state laws.

PROTECTED RIGHTS: Nothing in this Agreement is intended to waive claims: (i) for vested rights under ERISA-covered employee benefit plans as applicable on the date Executive signs this Agreement, (ii) that may arise after the parties sign this Agreement, or

(iii) which cannot be released by private agreement. In addition, nothing in this Agreement including but not limited to the release of claims, cooperation, non-disparagement, covenant not to sue, acknowledgements and representations, shall be construed to prevent the disclosure of factual information related to any acts of sexual assault, sexual harassment, workplace harassment or discrimination based on sex, failure to prevent an act of workplace harassment or discrimination based on sex, or act of retaliation against a person for reporting harassment or discrimination related to the Complaint or waives Executive's right to testify in an administrative, legislative, or judicial proceeding concerning alleged criminal conduct or alleged sexual harassment on the part of the Company, or on the part of the agents or employees of the Company, when Executive has been required or requested to attend such a proceeding pursuant to a court order, subpoena, or written request from an administrative agency or the legislature, or shall prevent Executive from filing a charge or complaint with or from participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission (EEOC), National Labor Relations Board (NLRB), or any other any federal, state or local agency charged with the enforcement of any laws, or from exercising rights under Section 7 of the National Labor Relations Act (NLRA) to engage in joint activity with other employee, although by signing this release Executive is waiving rights to individual relief based on claims asserted in such a charge or complaint, or asserted by any third-party on Executive's behalf, except where such a waiver of individual relief is prohibited.

ALTHOUGH THE PARTIES MAY HAVE AGREED TO KEEP THIS AGREEMENT, ITS TERMS AND UNDERLYING DETAILS CONFIDENTIAL, SUCH A PROVISION IS UNENFORCEABLE AS TO THE UNDERLYING DETAILS OF ANY CLAIM OF HARASSMENT, DISCRIMINATION OR RETALIATION AND IS UNENFORCEABLE AGAINST THE EMPLOYER IF THE EMPLOYEE PUBLICLY REVEALS SUFFICIENT DETAILS OF THE CLAIM SO THAT THE EMPLOYER IS REASONABLY IDENTIFIABLE.

4. No Recognition of Wrongdoing. The signing of this Agreement and payment of the consideration described in it do not represent any admission of wrongdoing or violation of any statute, agreement, or common law by the Company or by Executive. Executive represents that, as of the date(s) Executive signs this Agreement, Executive is not aware of and has not engaged in any activity that would constitute wrongful conduct including, but not limited to, fraud, misrepresentation, violation of any federal, state or local law or regulation, or any conduct contrary to existing policies of the Company. Each of the Company and Executive further represents that it or he, as applicable, has complied with any existing obligations up through the date(s) of the signing this Agreement.

5. No Pending Claims. Executive represents and warrants that Executive has no charges, lawsuits, or actions pending in Executive's name against any of the Released Parties relating to any claim that has been released in this Agreement. Executive also represents and warrants that Executive has not assigned or transferred to any third party any right or claim against any of the Released Parties that Executive has released in this Agreement.
6. Remedies for Breach. If the Company determines that Executive has violated, breached, or are about to breach any provision of this Agreement, or if Executive brings an action against the Company in violation of this Agreement, or if Executive brings an action asking that the Agreement be declared invalid, void, or unenforceable (except for any protected claims under the ADEA), the Company may immediately cease any severance payments and benefits pursuant to the Employment Agreement. Any and all such disputes between Executive and the Company shall be resolved by binding arbitration in accordance the terms of the Employment Agreement. Nothing in this Section shall be construed as prohibiting the Company from pursuing any remedies available to it for breach of the Agreement, including injunctive relief and the recovery of any damages that it is able to prove. By Executive's signature below, Executive represents that as of the date that Executive executes this Agreement, Executive has not breached any obligations or covenants contained in this Agreement.
7. Controlling Law; Jurisdiction and Venue. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without reference to principles of conflict of laws that would require application of the law of another jurisdiction. The Company and Executive irrevocably consent solely to the jurisdiction of the federal and state courts in the State of California for the resolution of any disputes arising under or respect to this Agreement.
8. Entire Agreement. This Agreement, and any restrictive covenant and arbitration agreements and policies referenced in Sections 10 (Arbitration) and 11 (Restrictive Covenants) of the Employment Agreement, together (i) constitute the entire agreement between the Company and Executive regarding the separation of the Executive's employment, (ii) survive the termination of Executive's employment, and (iii) supersede and cancel all prior and contemporaneous written and oral agreements, if any, except as specifically provided herein. This Agreement may be executed, including execution by facsimile or electronically transmitted signature, in multiple counterparts, each of which will be deemed an original, and all of which together will be deemed to be one and the same instrument.
9. Severability. If any of the provisions, terms or clauses of this Agreement are declared illegal, unenforceable, or ineffective, those provisions, terms and clauses shall be deemed severable, and all other provisions, terms and clauses of this Agreement shall remain valid and binding upon both parties.
10. Representation. Executive agrees that no promise or inducement has been offered except as set forth in this Agreement and the Employment Agreement, and that Executive is signing this Agreement without reliance upon any statement or representation by the Company or any representative or agent of the Company except as set forth in this Agreement and the Employment Agreement.

I HAVE CAREFULLY READ AND FULLY UNDERSTAND AND VOLUNTARILY AGREE TO ALL THE TERMS OF THIS RELEASE IN EXCHANGE FOR THE SEVERANCE PAYMENTS AND BENEFITS TO WHICH I WOULD OTHERWISE NOT BE ENTITLED.

Dated: __ __

Andrew Toy

Exhibit A

[to be provided at time of separation.]

CLOVER HEALTH INVESTMENTS, CORP.

AMENDED AND RESTATED DIRECTOR COMPENSATION POLICY

(Adopted, approved, and effective on September 21, 2022)

Each member of the Board of Directors (the “**Board**”) of Clover Health Investments, Corp. (the “**Company**”) who is not an employee of the Company (each such member, an “**Outside Director**”) will receive the compensation described in this amended and restated Outside Director Compensation Policy (the “**Amended and Restated Director Compensation Policy**”) for his or her Board service following the effective date set forth above (the “**Effective Date**”).

The Amended and Restated Director Compensation Policy will become effective upon the Effective Date. The Amended and Restated Director Compensation Policy may be amended at any time in the sole discretion of the Board.

Annual Cash Compensation

Each Outside Director will receive the cash compensation set forth below for service on the Board. The annual cash compensation amounts will be payable in arrears, in equal quarterly installments following the end of each fiscal quarter of the Company in which the service occurred. Any amount payable for a partial quarter of service will be pro-rated by multiplying such amount by a fraction, the numerator of which will be the number of days of service that the Outside Director provided in such quarter and the denominator of which will be the number of days in such quarter inclusive. All annual cash fees are vested upon payment.

1. **Annual Board Member Service Retainer:**
 - a. All Outside Directors: \$50,000.
 - b. Outside Director serving as Chairperson: \$50,000 (in addition to above).
 - c. Outside Director serving as Lead Independent Director: \$30,000 (in addition to above).
2. **Annual Committee Member Service Retainer:**
 - a. Member of the Audit Committee: \$10,000.
 - b. Member of the Compensation Committee: \$7,500.
 - c. Member of the Nominating and Corporate Governance Committee: \$5,000.
3. **Annual Committee Chair Service Retainer (in lieu of the Annual Committee Member Service Retainer):**
 - a. Chairperson of the Audit Committee: \$25,000.
 - b. Chairperson of the Compensation Committee: \$20,000.
 - c. Chairperson of the Nominating and Corporate Governance Committee: \$15,000.

Equity Compensation

Equity awards will be granted under the Company’s 2020 Equity Incentive Plan or any successor equity incentive plan adopted by the Board and the stockholders of the Company (the “**Plan**”).

1. **Automatic Equity Grants.** Annual and initial grants will be made as set forth below beginning for the relevant periods occurring after the annual meeting of the Company’s stockholders (“**Annual Meeting**”) during 2022 (the “**2022 Annual Meeting**”):
 - a. Annual Grant for Outside Directors. Without any further action of the Board, at the close of business on the third business day in January of each calendar year, each Outside Director shall be granted restricted

stock units under the Plan covering shares of the Company's Class A Common Stock ("**Shares**") having an RSU Value (as defined below) of \$200,000 (an "**Annual RSU Award**"); provided that the number of Shares covered by each Annual RSU Award will be rounded down to the nearest whole Share. Each Annual RSU Award shall fully vest on the first anniversary of the date of grant, subject to the applicable Outside Director's continued service as a member of the Board through such dates.

- b. **Initial Grant for New Outside Directors.** Without any further action of the Board, each person who is elected or appointed for the first time to serve as a member of the Board, effective on a date other than January 1, will automatically, upon the effective date of his or her initial election or appointment, be granted restricted stock units under the Plan covering Shares having a prorated RSU Value equal to (x) \$200,000, multiplied by (y) a fraction the numerator of which is the number of days between the effective date of the new director's initial election or appointment and the end of the calendar year of such election or appointment, and the denominator of which is 365 (a "**New Director Initial RSU Award**"); provided that the number of Shares covered by each New Director Initial RSU Award will be rounded down to the nearest whole Share. Each New Director Initial RSU Award shall fully vest on the first anniversary of the date of grant, subject to the Outside Director's continued service as a member of the Board through such dates.
2. **Transitional RSU Grants.** On the date of the 2022 Annual Meeting, in light of the change in timing for the equity grants implemented as part of this Amended and Restated Director Compensation Policy, each Outside Director who continues to serve as members of the Board after the 2022 Annual Meeting shall be granted a restricted stock unit award under the Plan covering Shares having a prorated RSU Value equal to (x) the Annual RSU Award value, multiplied by (y) a fraction the numerator of which is the number of days between date of the 2022 Annual Meeting of Shareholders and the end of the 2022 calendar year, and the denominator of which is 365 (a "**2022 Transitional Annual RSU Award**"); provided that the number of Shares covered by each 2022 Transitional Annual RSU Award will be rounded down to the nearest whole Share. Each 2022 Transitional Annual RSU Award shall vest on the first anniversary of the date of grant, subject to the applicable Outside Director's continued service as a member of the Board through such vesting date.

3. **Vesting; Change in Control.** Except as set forth herein, all vesting is subject to the Outside Director's continued service as a member of the Board through each applicable vesting date. Upon an Outside Director's cessation of service on the Board as a result of (i) death or Disability (as defined in the Plan), the unvested portion of any restricted stock unit award granted in consideration of such Outside Director's service as a member of the Board shall vest in full effective as of the effective date of the cessation of service (the "**Termination Date**"), (ii) the resignation by the Outside Director at the end of the Outside Director's then current term or the removal of the Outside Director other than for cause, the unvested portion of any restricted stock unit award granted in consideration of such Outside Director's service as a member of the Board shall vest pro-rata based on the portion of the award's original vesting period during which such Outside Director served prior to the Termination Date, and (iii) the removal of the Outside Director for cause or the resignation by the Outside Director other than at the end of the Outside Director's then current term, the unvested portion of any restricted stock unit award granted in consideration of such Outside Director's service as a member of the Board shall be forfeited. Notwithstanding the foregoing, for each Outside Director who remains in continuous service as a member of the Board until immediately prior to the closing of a "Change in Control" (as defined in the Plan), any unvested portion of any restricted stock unit award granted in consideration of such Outside Director's service as a member of the Board shall vest in full immediately prior to, and contingent upon, the consummation of the Change in Control.
4. **Calculation of RSU Value.** The "**RSU Value**" of a restricted stock unit award to be granted under this policy will be calculated with how similar calculations are completed by the Company for its employees at the time of grant, as determined by the Board or the Talent and Compensation Committee of the Board from time to time, which calculation, as of the effective date of this Amended and Restated Director Compensation Policy is completed as being equal to the number of Shares subject to the restricted stock unit award multiplied by the 30-trading day average closing price of a Share ending on the trading day prior to the grant date.
5. **Discretionary Grants.** In addition to the automatic grants described herein, the Board, in its sole discretion, may grant additional equity awards to certain Outside Directors for services to the Company that exceed the standard expectations of an Outside Director or for other circumstances determined appropriate by the Board, including, without limitation, an inducement for the Outside Director to remain on the Board.

6. **Remaining Terms.** The remaining terms and conditions of each restricted stock unit award granted under this policy will be as set forth in the Plan and the Company's standard form of restricted stock unit award agreement, as amended from time to time by the Board or the Compensation Committee of the Board, as applicable.

Expenses

The Company will reimburse each Outside Director for ordinary, necessary and reasonable out-of-pocket travel expenses to cover in-person attendance at, and participation in, Board and committee meetings; provided that the Outside Director timely submits to the Company appropriate documentation substantiating such expenses in accordance with the Company's travel and expense policy, as in effect from time to time.

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Vivek Garipalli, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2022, of Clover Health Investments, Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2022

By: _____
/s/ Vivek Garipalli
Vivek Garipalli
Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott J. Leffler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2022, of Clover Health Investments, Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2022

By: _____
/s/ Scott J. Leffler
Scott J. Leffler
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Clover Health Investments, Corp. (the "Company") for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2022

By: _____
/s/ Vivek Garipalli
Vivek Garipalli
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Clover Health Investments, Corp. (the "Company") for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2022

By: _____ /s/ Scott J. Leffler
Scott J. Leffler
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)