

**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, 2024

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)

3401 Mallory Lane, Suite 210
Franklin, Tennessee
(Address of principal executive offices)

98-1515192
(I.R.S. Employer
Identification No.)

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, a 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 type="checkbox"/>	Accelerated filer	<input checked="" 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

At October 31, 2024, the registrant had 412,076,431 shares of Class A Common Stock, \$0.0001 par value per share, and 89,032,605 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," "our company," 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 management of our Insurance business;
- 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 effectively manage our beneficiary base and provider network;
- our ability to maintain and increase adoption and use of Clover Assistant, including the expansion of Clover Assistant for external payors and providers under the brand name Counterpart 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 expectations regarding costs and expenses associated with our exit from the ACO Reach Program;
- our ability to maintain or improve our Medicare Star ratings or otherwise continue to improve the financial performance of our business;
- 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 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, protect, and enhance our intellectual property;
- general economic conditions and uncertainty; and
- persistent high inflation and interest rates.

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, 2023, as filed with the SEC, and in our subsequent periodic reports, 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 practicable 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 at investors.cloverhealth.com. 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 X (formerly known as Twitter), and the LinkedIn account of our Chief Executive Officer, 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 on our investor relations page of our website at investors.cloverhealth.com 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 investors.cloverhealth.com.

Part I

Item 1. Financial Statements and Supplementary Data

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

Assets	September 30, 2024 (Unaudited)	December 31, 2023
Current assets		
Cash and cash equivalents	\$ 287,956	\$ 116,407
Short-term investments	1,779	12,218
Investment securities, available-for-sale (Amortized cost: 2024: \$43,695; 2023: \$101,412)	43,302	100,702
Investment securities, held-to-maturity (Fair value: 2024: \$15; 2023: \$6,778)	15	6,902
Accrued retrospective premiums	20,963	22,076
Other receivables	14,962	16,666
Healthcare receivables	37,314	64,164
Surety bonds and deposits	596	542
Prepaid expenses	12,949	14,418
Other assets, current	2,804	1,404
Assets related to discontinued operations (Note 17)	10,087	72,471
Total current assets	<u>432,727</u>	<u>427,970</u>
Investment securities, available-for-sale (Amortized cost: 2024: \$182,840; 2023: \$121,868)	184,085	120,208
Investment securities, held-to-maturity (Fair value: 2024: \$14,178; 2023: \$692)	14,294	793
Property and equipment, net	5,336	5,082
Operating lease right-of-use assets	2,585	3,382
Other intangible assets	2,990	2,990
Other assets, non-current	10,996	10,246
Total assets	<u>\$ 653,013</u>	<u>\$ 570,671</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)

Liabilities and Stockholders' Equity	September 30, 2024 (Unaudited)	December 31, 2023
Current liabilities		
Unpaid claims	\$ 166,070	\$ 135,737
Due to related parties, net	1,340	1,363
Accounts payable and accrued expenses	25,746	37,184
Accrued salaries and benefits	35,340	20,951
Deferred revenue	17	3,099
Operating lease liabilities	1,345	1,665
Other liabilities, current	836	1,017
Liabilities related to discontinued operations (Note 17)	48,941	60,099
Total current liabilities	279,635	261,115
Long-term operating lease liabilities	2,321	2,998
Other liabilities, non-current	28,891	20,164
Total liabilities	310,847	284,277
Commitments and contingencies (Note 13)		
Stockholders' equity		
Class A Common Stock, \$0.0001 par value; 2,500,000,000 shares authorized at September 30, 2024 and December 31, 2023; 411,256,965 and 401,183,882 issued and outstanding at September 30, 2024 and December 31, 2023, respectively	41	40
Class B Common Stock, \$0.0001 par value; 500,000,000 shares authorized at September 30, 2024 and December 31, 2023; 89,032,305 and 87,867,732 issued and outstanding at September 30, 2024 and December 31, 2023, respectively	9	9
Additional paid-in capital	2,546,167	2,461,238
Accumulated other comprehensive income (loss)	852	(2,370)
Accumulated deficit	(2,180,711)	(2,159,794)
Less: Treasury stock, at cost; 16,817,010 and 7,912,750 shares held at September 30, 2024 and December 31, 2023, respectively	(24,192)	(12,729)
Total stockholders' equity	342,166	286,394
Total liabilities and stockholders' equity	\$ 653,013	\$ 570,671

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,	
	2024	2023	2024	2023
Revenues:				
Premiums earned, net (Net of ceded premiums of \$97 and \$106 for the three months ended September 30, 2024 and 2023, respectively; net of ceded premiums of \$301 and \$341 for the nine months ended September 30, 2024 and 2023, respectively)	\$ 322,579	\$ 301,230	\$ 1,014,201	\$ 932,699
Other income	8,407	4,798	19,967	15,459
Total revenues	<u>330,986</u>	<u>306,028</u>	<u>1,034,168</u>	<u>948,158</u>
Operating expenses:				
Net medical claims incurred	249,774	235,785	763,283	754,836
Salaries and benefits	54,995	60,567	169,717	191,985
General and administrative expenses	35,201	41,030	124,194	140,384
Premium deficiency reserve expense (benefit)	—	392	—	(6,556)
Depreciation and amortization	339	557	987	1,835
Restructuring (recoveries) costs	(538)	1,313	288	7,870
Total operating expenses	<u>339,771</u>	<u>339,644</u>	<u>1,058,469</u>	<u>1,090,354</u>
Loss from continuing operations	(8,785)	(33,616)	(24,301)	(142,196)
Change in fair value of warrants	—	—	17	—
Interest expense	—	—	—	7
Loss on investment	—	—	467	—
Net loss from continuing operations	(8,785)	(33,616)	(24,785)	(142,203)
Net (loss) income from discontinued operations (Note 17)	(370)	(7,853)	3,868	(686)
Net loss	<u>\$ (9,155)</u>	<u>\$ (41,469)</u>	<u>\$ (20,917)</u>	<u>\$ (142,889)</u>
Per share data:				
Basic weighted average number of Class A and Class B common shares and common share equivalents outstanding	490,180,103	480,770,283	488,501,812	480,921,520
Diluted weighted average number of Class A and Class B common shares and common share equivalents outstanding	490,180,103	480,770,283	488,501,812	480,921,520
Continuing operations:				
Basic loss per share	\$ (0.02)	\$ (0.07)	\$ (0.05)	\$ (0.30)
Diluted loss per share	(0.02)	(0.07)	(0.05)	(0.30)
Discontinued operations:				
Basic earnings (loss) per share	0.00	(0.02)	0.01	0.00
Diluted earnings (loss) per share	0.00	(0.02)	0.01	0.00
Net unrealized gain on available-for-sale investments	3,111	1,643	3,222	4,302
Comprehensive loss	<u>\$ (6,044)</u>	<u>\$ (39,826)</u>	<u>\$ (17,695)</u>	<u>\$ (138,587)</u>

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

CLOVER HEALTH INVESTMENTS, CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
(Unaudited)
(Dollars in thousands, except share amounts)

	Class A Common Stock		Class B Common Stock		Treasury Stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, December 31, 2023	401,183,882	\$ 40	87,867,732	\$ 9	7,912,750	\$ (12,729)	\$ 2,461,238	\$ (2,159,794)	\$ (2,370)	\$ 286,394
Stock issuance for exercise of stock options, net of early exercise liability	83	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	28,798	—	—	28,798
Vested restricted stock units	8,672,362	1	1,781,633	—	—	—	—	—	—	1
Unrealized holdings gain on investment securities, available for sale	—	—	—	—	—	—	—	—	(190)	(190)
Treasury stock acquired	(3,700,995)	—	—	—	3,700,995	(3,359)	—	—	—	(3,359)
Net loss	—	—	—	—	—	—	—	(19,170)	—	(19,170)
Balance, March 31, 2024	406,155,332	\$ 41	89,649,365	\$ 9	11,613,745	\$ (16,088)	\$ 2,490,036	\$ (2,178,964)	\$ (2,560)	\$ 292,474
Stock issuance for exercise of stock options, net of early exercise liability	61,212	—	—	—	—	—	23	—	—	23
Stock-based compensation	—	—	—	—	—	—	27,900	—	—	27,900
Vested restricted stock units	3,003,054	—	—	—	—	—	—	—	—	—
Unrealized holdings gain on investment securities, available for sale	—	—	—	—	—	—	—	—	301	301
Treasury stock acquired	(1,122,347)	—	—	—	1,122,347	(1,446)	—	—	—	(1,446)
Issuance of Common Stock under Employee Stock Purchase Plan	227,502	—	—	—	—	—	—	—	—	—
Repurchases of Common Stock	(1,838,309)	—	—	—	1,838,309	(1,772)	—	—	—	(1,772)
Net loss	—	—	—	—	—	—	—	7,408	—	7,408
Balance, June 30, 2024	406,486,444	\$ 41	89,649,365	\$ 9	14,574,401	\$ (19,306)	\$ 2,517,959	\$ (2,171,556)	\$ (2,259)	\$ 324,888
Stock issuance for exercise of stock options, net of early exercise liability	122,662	—	—	—	—	—	220	—	—	220
Stock-based compensation	—	—	—	—	—	—	27,988	—	—	27,988
Vested restricted stock units	6,273,408	—	—	—	—	—	—	—	—	—
Unrealized holdings gain on investment securities, available for sale	—	—	—	—	—	—	—	—	3,111	3,111
Conversion from Class B Common Stock to Class A Common Stock	617,060	—	(617,060)	—	—	—	—	—	—	—
Treasury stock acquired	(2,242,609)	—	—	—	2,242,609	(4,886)	—	—	—	(4,886)
Issuance of Common Stock under Employee Stock Purchase Plan	—	—	—	—	—	—	—	—	—	—
Repurchases of Common Stock	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	(9,155)	—	(9,155)
Balance, September 30, 2024	411,256,965	\$ 41	89,032,305	\$ 9	16,817,010	\$ (24,192)	\$ 2,546,167	\$ (2,180,711)	\$ 852	\$ 342,166

	Class A Common Stock		Class B Common Stock		Treasury Stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount				
	Balance, December 31, 2022	383,998,718	\$ 37	94,394,852	\$ 9	2,072,752				
Change in accounting policy	—	—	—	—	—	—	—	9,149	—	9,149
Stock issuance for exercise of stock options, net of early exercise liability	1,240	—	—	—	—	—	848	—	—	848
Stock-based compensation	—	—	—	—	—	—	38,617	—	—	38,617
Vested restricted stock units	5,390,973	—	1,773,104	—	—	—	—	—	—	—
Unrealized holdings gain on investment securities, available for sale	—	—	—	—	—	—	—	—	2,343	2,343
Conversion from Class B Common Stock to Class A Common Stock	7,672,463	—	(7,672,463)	—	—	—	—	—	—	—
Treasury stock acquired	(2,933,721)	—	—	—	2,933,721	(2,982)	—	—	—	(2,982)
Net loss	—	—	—	—	—	—	—	(72,606)	—	(72,606)
Balance, March 31, 2023	394,129,673	\$ 37	88,495,493	\$ 9	5,006,473	\$ (9,491)	\$ 2,358,622	\$ (2,019,039)	\$ (7,031)	\$ 323,107
Stock issuance for exercise of stock options, net of early exercise liability	1,241	—	—	—	—	—	270	—	—	270
Stock-based compensation	—	—	—	—	—	—	36,108	—	—	36,108
Vested restricted stock units	1,180,084	—	—	—	—	—	—	—	—	—
Unrealized holdings gain on investment securities, available for sale	—	—	—	—	—	—	—	—	316	316
Conversion from Class B Common Stock to Class A Common Stock	627,761	—	(627,761)	—	—	—	—	—	—	—
Treasury Stock	(439,241)	—	—	—	439,241	(417)	—	—	—	(417)
Issuance of Common Stock under Employee Stock Purchase Plan	271,152	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	(28,814)	—	(28,814)
Balance, June 30, 2023	395,770,670	\$ 37	87,867,732	\$ 9	5,445,714	\$ (9,908)	\$ 2,395,000	\$ (2,047,853)	\$ (6,715)	\$ 330,570
Stock issuance for exercise of stock options, net of early exercise liability	76,156	—	—	—	—	—	31	—	—	31
Stock-based compensation	—	—	—	—	—	—	33,070	—	—	33,070
Vested restricted stock units	5,178,305	1	—	—	—	—	—	—	—	1
Unrealized holdings gain on investment securities, available for sale	—	—	—	—	—	—	—	—	1,643	1,643
Treasury Stock	(1,650,446)	—	—	—	1,650,446	(1,994)	—	—	—	(1,994)
Net loss	—	—	—	—	—	—	—	(41,469)	—	(41,469)
Balance, September 30, 2023	399,374,685	\$ 38	87,867,732	\$ 9	7,096,160	\$ (11,902)	\$ 2,428,101	\$ (2,089,322)	\$ (5,072)	\$ 321,852

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,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (20,917)	\$ (142,889)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	987	1,835
Stock-based compensation	84,686	107,795
Change in fair value of warrants and amortization of warrants	17	—
Accretion, net of amortization	(2,140)	(3,096)
Accrued interest earned	(354)	—
Net realized gains on investment securities	(174)	(20)
Loss on investment	467	—
Premium deficiency reserve	—	(6,556)
Changes in operating assets and liabilities:		
Accrued retrospective premiums	1,113	4,741
Other receivables	1,704	8,836
Surety bonds and deposits	(54)	(17)
Prepaid expenses	1,469	2,920
Other assets	(2,640)	5,244
Healthcare receivables	26,850	18,534
Operating lease right-of-use assets	797	405
Unpaid claims	30,310	(24,164)
Accounts payable and accrued expenses	(11,438)	2,851
Accrued salaries and benefits	14,389	371
Deferred revenue	(3,082)	103,295
Other liabilities	8,546	179
Operating lease liabilities	(997)	(900)
Net cash provided by operating activities from continuing operations	129,539	79,364
Net cash (used in) provided by operating activities from discontinued operations (Note 17)	(8,861)	34,060
Net cash provided by operating activities	120,678	113,424
Cash flows from investing activities:		
Purchases of short-term investments, available-for-sale, and held-to-maturity securities	(153,347)	(142,359)
Proceeds from sales of short-term investments and available-for-sale securities	47,804	60,436
Proceeds from maturities of short-term investments, available-for-sale, and held-to-maturity securities	108,788	139,122
Purchases of property and equipment	(1,241)	(848)
Net cash provided by investing activities	2,004	56,351
Cash flows from financing activities:		
Issuance of common stock, net of early exercise liability	243	1,149
Repurchases of common stock	(1,772)	—
Treasury stock acquired	(9,691)	(5,393)
Net cash used in financing activities	(11,220)	(4,244)
Net increase in cash, cash equivalents, and restricted cash for discontinued and continuing operations	111,462	165,531
Cash, cash equivalents, and restricted cash, beginning of period for discontinued and continuing operations	176,494	186,213
Cash, cash equivalents, and restricted cash, end of period for discontinued and continuing operations	\$ 287,956	\$ 351,744
Reconciliation of cash and cash equivalents and restricted cash for discontinued and continuing operations		
Cash and cash equivalents	\$ 287,956	\$ 299,014
Restricted cash	—	52,730
Total cash, cash equivalents, and restricted cash for discontinued and continuing operations	\$ 287,956	\$ 351,744
Supplemental disclosure of non-cash activities		
Performance year receivable	\$ —	\$ (185,404)
Performance year obligation	—	185,404

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

CLOVER HEALTH INVESTMENTS, CORP.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Operations

Clover Health Investments, Corp. (collectively with its affiliates and subsidiaries, "Clover" or the "Company") is focused on empowering physicians to identify and manage chronic diseases early. 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 aims to provide affordable, high-quality Medicare Advantage 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 ("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"), an agency of the United States Department of Health and Human Services, through which the Company had previously provided care to aligned Medicare fee-for-service ("FFS") beneficiaries (the "Non-Insurance Beneficiaries") through our prior participation in ACO REACH Program, as defined herein. CMS redesigned the DC Model and renamed it the Accountable Care Organization ("ACO") Realizing Equity, Access, and Community Health ("REACH") ("ACO REACH") Model effective January 1, 2023. On December 1, 2023, the Company notified CMS that it will no longer participate as a REACH ACO in the CMS ACO Reach Program, effective as of the end of the 2023 performance year. The Company's exit from the ACO REACH Program follows its November 2022 announcement of a strategic reduction in the number of ACO REACH participating physicians in 2023, and was made after the Company determined that it is in the Company's best interest to fully exit the ACO REACH Program starting with the 2024 performance year. The activity recognized during 2024 relates to prior performance years with CMS and are presented in discontinued operations for all periods presented in the condensed consolidated financial statements. See Note 17 for further discussion of discontinued operations. 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.

For any information following the aforementioned paragraph, the Company will refer to its participation in ACO REACH Model or the Company's participation in the predecessor DC Model as ACO REACH Model henceforth.

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 in order to improve outcomes for beneficiaries through the early identification and management of chronic disease 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.

During the second quarter of 2024, the Company launched Counterpart Health, Inc., a new Software-as-a-Service ("SaaS") and Tech Enabled Services Solution to bring the power of CA Technology to Medicare Advantage payors and providers. This external offering aims to equip clinician users with the Company's already built, clinician-centric, and AI-powered care management platform. Strategically, Counterpart Health, Inc., a subsidiary of Clover Health, aims to extend the benefits of data-driven proven technology and personalized care to a wider audience, enabling enhanced patient outcomes and reduced healthcare costs across the nation. Counterpart Health is complementary to Clover Health, and enables the Company to deploy and expand the reach of its existing technology asset for new potential growth and high margin business opportunities, with low startup costs.

For additional information, see Note 1 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K").

2. Summary of Significant Accounting Policies

Basis of presentation

The Company's condensed consolidated financial statements have been prepared in conformity with the generally accepted accounting principles in the United States ("GAAP") as well as in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") 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 condition and its results of operations for the 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 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 2023 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, reinsurance, premium deficiency reserve, stock-based compensation, recoveries from third parties for coordination of benefits, and final determination of medical cost adjustment pools.

Reclassifications

Certain amounts in the prior year's Condensed Consolidated Statements of Cash Flows have been reclassified to conform to the current year's presentation, primarily related to Surety bonds and deposits and Change in restricted cash related to surety bonds, deposits, and escrow accounts.

Discontinued Operations

The results of operations for the Company's former Non-Insurance segment have been reclassified as discontinued operations for all periods presented in the Condensed Consolidated Statements of Operations and Comprehensive Loss. Assets and liabilities related to the Company's former Non-Insurance segment have been reclassified as discontinued operations for all periods presented in the Condensed Consolidated Balance Sheets. Refer to Note 17 (Discontinued Operations) for additional information.

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.

When the Company's carrying value in an equity method investee company is reduced to zero, no further losses are recorded in the Company's condensed consolidated financial statements unless the Company guaranteed obligations of the investee company or has committed additional funding. When the investee company subsequently reports income, the Company will not record its share of such income until it equals the amount of its share of losses not previously recognized.

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. At September 30, 2024, the Company has one reportable segment, Insurance. Beginning in 2024, the Company exited the ACO REACH Model and as a direct result, the reportable operating segment formerly known as Non-Insurance no longer meets the criteria of a required reportable operating segment.

Capitalized software development costs - cloud computing arrangements

The Company's cloud computing arrangements are mostly comprised of hosting arrangements that are mostly 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 within Prepaid expenses 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 within Other assets, current in the Condensed Consolidated Balance Sheets and are amortized over the estimated life of the related contracts. The amortization of deferred acquisition costs is recorded within General and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive Loss. For the three months ended September 30, 2024 and 2023, charges related to deferred acquisition costs of \$2.7 million and \$0.6 million, respectively. For the nine months ended September 30, 2024 and 2023, charges related to deferred acquisition costs of \$5.5 million and \$5.8 million, respectively, were recognized in General and administrative expenses.

Restructuring Activities

Restructuring related expenses, which are recorded within Restructuring costs in the Condensed Consolidated Statements of Operations and Comprehensive Loss, include employee termination benefits, vendor costs associated with restructuring activities, and other costs associated with the business transformation initiatives. Restructuring costs are determined based on estimates, which are prepared at the time the restructuring actions are approved by management and are periodically reviewed and updated for changes in estimates. The Company applies the provisions of ASC 420, *Exit or Disposal Cost Obligations* ("ASC 420") as these costs meet the criteria of a one-time benefit. Under ASC 420-10, the Company establishes a liability for a cost associated with an exit or disposal activity, including employee termination benefits and other restructuring related costs, when the liability is incurred, rather than at the date that the Company commits to an exit plan. At each reporting date, there is an evaluation of the liability to ensure the amount is still appropriate. See Note 16 (Restructuring costs) for further discussion.

Recent accounting pronouncements

Recently adopted accounting pronouncements

There have been no new accounting pronouncements adopted during the nine months ended September 30, 2024 that had a material impact on the Company's condensed consolidated financial statements.

Accounting pronouncements effective in future periods

In July 2023, the FASB issued ASU 2023-03, *Presentation of Financial Statements (Topic 205)*, *Income Statement—Reporting Comprehensive Income (Topic 220)*, *Distinguishing Liabilities from Equity (Topic 480)*, *Equity (Topic 505)*, and *Compensation—Stock Compensation (Topic 718)*; Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revision of Regulation S-X: Income or Loss Applicable to Common Stock ("ASU 2023-03"). This ASU amends or supersedes various SEC paragraphs within the applicable codification to conform to past SEC staff announcements. This ASU does not provide any new guidance. Accordingly, the Company adopted ASU 2023-03 immediately upon its issuance. The adoption of ASU 2023-03 did not have any impact on its condensed consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments in this update aim to improve reportable segment disclosures by requiring enhanced disclosures around significant segment expenses that are regularly provided to the chief operating decision maker. Additionally, ASU 2023-07 requires that all existing annual disclosures about segment profit or loss must be provided on an interim basis and clarifies that single reportable segment entities are subject to the disclosure requirement under Topic 280 in its entirety. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within those fiscal years beginning after December 15, 2024. A public entity should apply ASU 2023-07 retrospectively to all prior periods presented in the financial statements. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2023-07 on its condensed consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this update aim to provide more transparency regarding tax disclosures mainly related to the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of ASU 2023-09 on its condensed consolidated financial statements and related disclosures.

3. Investment Securities

The following tables present amortized cost and fair values of investments at September 30, 2024 and December 31, 2023, respectively:

September 30, 2024	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	\$ 14,309	\$ 7	\$ (123)	\$ 14,193
Investment securities, available-for-sale				
U.S. government and government agencies and authorities	141,551	1,396	(1,258)	141,689
Corporate debt securities	83,321	714	(32)	84,003
Other	1,663	32	—	1,695
Total held-to-maturity and available-for-sale investment securities	\$ 240,844	\$ 2,149	\$ (1,413)	\$ 241,580

December 31, 2023	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	\$ 7,695	\$ —	\$ (225)	\$ 7,470
Investment securities, available-for-sale				
U.S. government and government agencies and authorities	126,071	713	(3,070)	123,714
Corporate debt securities	95,354	165	(176)	95,343
Other	1,855	—	(2)	1,853
Total held-to-maturity and available-for-sale investment securities	\$ 230,975	\$ 878	\$ (3,473)	\$ 228,380

The following table presents the amortized cost and fair value of debt securities at September 30, 2024, by contractual maturity:

September 30, 2024	Held-to-maturity		Available-for-sale	
	Amortized cost	Fair value	Amortized cost	Fair value
	(in thousands)			
Due within one year	\$ 15	\$ 15	\$ 43,695	\$ 43,302
Due after one year through five years	14,183	14,083	182,840	184,085
Due after five years through ten years	—	—	—	—
Due after ten years	111	95	—	—
Total	<u>\$ 14,309</u>	<u>\$ 14,193</u>	<u>\$ 226,535</u>	<u>\$ 227,387</u>

For the three and nine months ended September 30, 2024 and 2023, respectively, net investment income, which is included in 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,	
	2024	2023	2024	2023
	(in thousands)			
Cash and cash equivalents	\$ 4,488	\$ 1,944	\$ 10,120	\$ 5,978
Short-term investments	232	605	548	1,920
Investment securities	2,099	1,840	6,351	5,322
Investment income, net	<u>\$ 6,819</u>	<u>\$ 4,389</u>	<u>\$ 17,019</u>	<u>\$ 13,220</u>

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, 2024, and December 31, 2023, respectively:

September 30, 2024	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	\$ 10,269	\$ (40)	\$ 39,379	\$ (1,341)	\$ 49,648	\$ (1,381)
Corporate debt securities	19,118	(30)	4,290	(2)	23,408	(32)
Total	<u>\$ 29,387</u>	<u>\$ (70)</u>	<u>\$ 43,669</u>	<u>\$ (1,343)</u>	<u>\$ 73,056</u>	<u>\$ (1,413)</u>
Number of positions		21		19		40

December 31, 2023	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	\$ 12,584	\$ (32)	\$ 61,628	\$ (3,259)	\$ 74,212	\$ (3,291)
Corporate debt securities	61,007	(175)	5,017	(7)	66,024	(182)
Total	<u>\$ 73,591</u>	<u>\$ (207)</u>	<u>\$ 66,645</u>	<u>\$ (3,266)</u>	<u>\$ 140,236</u>	<u>\$ (3,473)</u>
Number of positions		69		27		96

The Company did not record any credit allowances for debt securities that were in an unrealized loss position at September 30, 2024 and December 31, 2023.

At September 30, 2024, 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 at September 30, 2024, 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 in Other income in the Condensed Consolidated Statements of Operations and Comprehensive Loss, were as follows for the three and nine months ended September 30, 2024 and 2023, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Proceeds from sales of investment securities	\$ 47,804	\$ —	\$ 47,804	\$ 60,436
Proceeds from maturities of investment securities	42,137	32,240	108,788	139,122
Gross realized gains	170	—	174	39
Gross realized losses	—	—	—	(19)
Net realized gains	<u>\$ 170</u>	<u>\$ —</u>	<u>\$ 174</u>	<u>\$ 20</u>

At September 30, 2024 and December 31, 2023, the Company had \$14.9 million and \$14.7 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 at September 30, 2024 and December 31, 2023, respectively:

September 30, 2024	Level 1	Level 2	Level 3	Total fair value
	(in thousands)			
U.S. government and government agencies	\$ —	\$ 141,689	\$ —	\$ 141,689
Corporate debt securities	—	84,003	—	84,003
Other	—	1,695	—	1,695
Warrants receivable	—	—	797	797
Total assets at fair value	\$ —	\$ 227,387	\$ 797	\$ 228,184

December 31, 2023	Level 1	Level 2	Level 3	Total fair value
	(in thousands)			
U.S. government and government agencies	\$ —	\$ 123,714	\$ —	\$ 123,714
Corporate debt securities	—	95,343	—	95,343
Other	1,853	—	—	1,853
Warrants receivable	—	—	814	814
Total assets at fair value	\$ 1,853	\$ 219,057	\$ 814	\$ 221,724

The changes in balances of Clover's Level 3 financial assets and liabilities during the nine months ended September 30, 2024 were as follows:

	Warrants receivable	Total
	(in thousands)	
Balance, December 31, 2023	\$ 814	\$ 814
Total unrealized losses	17	17
Balance, September 30, 2024	\$ 797	\$ 797

There were no transfers in or out of Level 3 financial assets or liabilities for the nine months ended September 30, 2024 or September 30, 2023.

Private Warrants

At September 30, 2024, the Company had exercisable private warrants which were embedded in several agreements as derivatives. These private warrants were accounted for as assets in accordance with ASC 815-40 and are presented in Other assets, non-current in the Condensed Consolidated Balance Sheets. The warrant assets are measured at fair value at inception and on a recurring basis until redeemed, with changes in fair value presented in Change in fair value of warrants in the Condensed Consolidated Statements of Operations and Comprehensive Loss. These private warrants were classified within Level 3 due to the subjectivity and use of estimates in the calculation of their fair value. These warrants at measurement date, December 31, 2023, were assessed to have a fair value of \$0.8 million, with no other activity for the three months ended September 30, 2024. The Company reassesses the fair values of the warrants based on updated estimates and for the nine months ended September 30, 2024, there was less than \$0.1 million unrealized losses recognized.

5. Healthcare Receivables

Healthcare receivables include pharmaceutical rebates that 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 \$37.3 million and \$64.2 million within Healthcare receivables at September 30, 2024, and December 31, 2023, 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 Executive Chairman 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 ("the CarePoint Nonprofit"). In September 2024, Sequoia Healthcare Services, LLC, an entity that Mr. Garipalli has an indirect interest in, transferred certain subsidiaries that provided services to CarePoint Health to the CarePoint Nonprofit. Following such transfer, neither Mr. Garipalli nor any entity he has an interest in currently provide any management services to CarePoint Health. However, Mr. Garipalli and certain affiliates of Mr. Garipalli are owed certain money from CarePoint Health for prior obligations. Expenses and fees incurred related to Clover's contracts with CarePoint Health, recorded in Net medical claims incurred, in the Condensed Consolidated Statements of Operations and Comprehensive Loss, were \$2.5 million and \$3.2 million for the three months ended September 30, 2024 and 2023, respectively, and \$5.3 million and \$9.7 million for the nine months ended September 30, 2024 and 2023, respectively. Additionally, \$1.3 million and \$1.4 million were payable to CarePoint Health at September 30, 2024, and December 31, 2023, respectively.

The Company has a contract with Medical Records Exchange, LLC (formerly known as "ChartFast," now d/b/a Credo) pursuant to which the Company receives administrative services related to medical records retrieval via Credo's electronic applications and web portal platform. Expenses and fees incurred related to this agreement were \$0.1 million and \$0.3 million for the three months ended September 30, 2024 and 2023, respectively, and \$0.5 million and \$0.6 million for the nine months ended September 30, 2024 and 2023, respectively. Vivek Garipalli, the Company's Executive Chairman and significant stockholder of the Company, is an indirect owner of Medical Records Exchange, LLC.

Since July 2, 2021, the Company has contracted with Thyme Care, Inc. ("Thyme Care"), an oncology care management company, through which Thyme Care was engaged to provide cancer care management services to the Company's Insurance members and develop a provider network to help ensure member access to high-value oncology care. The Company and Thyme Care have amended the terms of the engagement, effective April 1, 2023, to include additional clinical services available to Clover members as well as the value based payment terms. The Company entered into an agreement with Thyme Care effective September 23, 2020 where the Company purchased 1,773,049 shares (less than five percent (5%) of its class A common stock). The fair value of these shares is \$1.8 million at September 30, 2024, and is recognized in Other assets, non-current, in the Condensed Consolidated Balance Sheets. In accordance with ASC 321, any changes in fair value associated with these shares are recognized in the Condensed Consolidated Statements of Operations and Comprehensive Loss. 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 \$0.9 million and \$0.9 million for the three months ended September 30, 2024 and 2023, respectively, and \$3.2 million and \$1.7 million for the nine months ended September 30, 2024 and 2023, respectively. Additionally, \$3.0 million and \$0.2 million were payable to Thyme Care at September 30, 2024, and December 31, 2023, respectively.

7. Unpaid Claims

Activity within the liability for Unpaid claims, including claims adjustment expenses, for the nine months ended September 30, 2024 and 2023, respectively, is summarized as follows:

Nine Months Ended September 30,	2024		2023	
	(in thousands)			
Gross and net balance, beginning of period ⁽¹⁾	\$	137,100	\$	137,395
Incurred related to:				
Current year		780,461		750,705
Prior years		(31,523)		(7,689)
Total incurred		748,938		743,016
Paid related to:				
Current year		622,126		646,322
Prior years		96,502		120,859
Total paid		718,628		767,181
Gross and net balance, end of period ⁽¹⁾	\$	167,410	\$	113,230

⁽¹⁾ Includes amounts due to related parties.

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.

Unpaid Claims for Insurance Operations

Unpaid claims for Insurance operations were \$167.4 million at September 30, 2024. During the nine months ended September 30, 2024, \$96.5 million was paid for incurred claims attributable to insured events of prior years. A favorable development of \$31.5 million was recognized during the nine months ended September 30, 2024, resulting from the Company's actual experience with claims developing differently as compared to the Company's estimates at December 31, 2023. A favorable development of \$7.7 million was recognized during the nine months ended September 30, 2023, resulting from the Company's actual experience with claims developing differently as compared to the Company's estimates at December 31, 2022. 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 79.7% for the nine months ended September 30, 2024, and 86.1% for the nine months ended September 30, 2023. This ratio serves as an indicator of claims processing speed, indicating that claims were processed at a slower rate during the nine months ended September 30, 2024, than during the nine months ended September 30, 2023. As a result of slower claims processing, unpaid claims liability increased which was primarily due to claim submission and payment process disruptions related to a third-party cyber incident.

8. 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 at September 30, 2024 and December 31, 2023, respectively, and up to 500,000,000 shares of Class B common stock at September 30, 2024 and December 31, 2023. At September 30, 2024 and December 31, 2023, there were 411,256,965 and 401,183,882 shares of Class A common stock issued and outstanding, respectively. There were 89,032,305 and 87,867,732 shares of Class B common stock issued and outstanding at September 30, 2024 and December 31, 2023, respectively. Class B common stock has 10 votes per share, and Class A common stock has one vote per share. The Company had 16,817,010 and 7,912,750 shares held in treasury at September 30, 2024 and December 31, 2023, respectively. These amounts represent shares withheld to cover taxes upon vesting of employee stock-based awards.

On May 6, 2024, the Board of Directors of the Company authorized the repurchase of up to \$20,000,000 in shares of the Company's outstanding Class A Common Stock over a two year period. The timing, manner, price and amount of any repurchases are determined by the discretion of management, depending on market conditions and other factors. Repurchases may be made through open market purchases, including through Rule 10b5-1 trading plans, block trades or privately negotiated purchases or otherwise. The exact number of shares to be repurchased by the Company, if any, is not guaranteed, and there is no minimum number of shares that the Company is required to purchase. Depending on market conditions and other factors, these repurchases may be commenced, suspended or discontinued at any time or periodically without prior notice.

Shares repurchased by the Company are accounted for on the settlement date. Upon settlement, repurchased shares are held as treasury shares and are no longer considered outstanding. The total cost to repurchase shares includes any direct costs incurred, including broker commissions and excise taxes, and is recorded as a reduction to additional paid in capital in the Condensed Consolidated Balance Sheets. During the nine months ended September 30, 2024, the Company repurchased 1,838,309 shares for an aggregate total of \$1.8 million.

At September 30, 2024, the Company was authorized to issue 25,000,000 shares of preferred stock having a par value of \$0.0001 per share, and the Company's Board has the authority to determine the rights, preferences, privileges, and restrictions, including voting rights, of those shares. At September 30, 2024, there were no shares of preferred stock issued and outstanding.

9. Variable Interest Entity and Equity Method of Accounting

On February 4, 2022, Character Biosciences, Inc. (f/k/a Clover Therapeutics Company) ("Character Biosciences"), an affiliate 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 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. On January 23, 2023, Character Biosciences, completed a second private capital transaction in which it raised additional capital from the issuance of additional shares of its preferred stock. Upon completion of this transaction, the Company's ownership percentage in Character Biosciences decreased to 23.92%.

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. 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 (i) the proportionate share of the investee's net income or losses after the date of investment, (ii) additional contributions made and dividends or distributions received, and (iii) 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 in the Consolidated Statements of Operations and Comprehensive Loss.

In accordance with ASC 323, *Investments - Equity Method and Joint Ventures* ("ASC 323"), the Company recognized the proportionate share of Character Bioscience's net loss up to the investment carrying amount. As a result, the Company did not recognize any shared gain or loss for the three months ended September 30, 2024 and 2023, respectively, and recognized a loss of \$0.5 million and none for the nine months ended September 30, 2024 and 2023, respectively. The equity method investment in Character Biosciences was reduced to zero during the three months ended March 31, 2024 and no further losses can be recorded in the Company's condensed consolidated financial statements as the Company did not guarantee obligations of the investee company nor has not committed additional funding. The Company will begin recognizing its share of net income only when it is greater than the cumulative net losses not recognized during the period the equity method was suspended.

10. 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 \$0.5 million and \$0.5 million for the three months ended September 30, 2024 and 2023, respectively, and \$1.6 million and \$1.4 million for the nine months ended September 30, 2024 and 2023, respectively, and are included in Salaries and benefits in 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"), performance-based restricted stock units ("PRSUs") and stock options to acquire shares of the Company's common stock, to employees, directors, officers, and non-employee consultants of the Company and its affiliates, and the Company's 2020 Management Incentive Plan (the "2020 MIP") provides for grants of RSUs and PRSUs to the Company's Executive Chair and CEO. 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. When the 2014 Plan was terminated, 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. On March 9, 2022, the Board adopted the Company's 2022 Inducement Award Plan (the "Inducement Plan" and, collectively with the 2020 Plan, the 2020 MIP, and the 2014 Plan, the "Plans") without stockholder approval in accordance with Nasdaq Listing Rules. Under the Inducement Plan, the Company may grant non-qualified stock options, RSUs, stock appreciation rights, and other stock or cash-based awards to an employee in connection with his or her commencement of employment, or following a bona fide period of non-employment, with the Company or an affiliate.

The 2020 Plan has an evergreen provision that requires the number of shares available for issuance under the plan to be increased on the first day of each fiscal year beginning with the 2022 fiscal year and ending on (and including) the last day of the 2024 fiscal year, in each case, in an amount equal to the lesser of (i) seven percent (7%) of the outstanding shares of Class A common Stock on the last day of the immediately preceding fiscal year and (ii) such number of shares of Class A common Stock determined by the Board; provided that for each fiscal year beginning with the 2025 fiscal year through the fiscal year that includes the expiration date of the plan, each such increase shall be reduced to the lesser of five percent (5%) of the outstanding shares of Class A common Stock on the last day of the immediately preceding fiscal year or such number of shares as determined by the Board.

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 at September 30, 2024 were as follows:

September 30, 2024	Shares Authorized Under Plans	Shares Outstanding Under Plans	Shares Remaining Under Plans
2014 Plan	54,402,264	34,457,710	N/A
2020 Plan	86,604,581	39,844,072	19,817,658
2020 MIP	33,426,983	23,398,889	—
Inducement Plan	11,000,000	6,293,605	—

The Plans are administered by the Talent and Compensation Committee of the Board (the "Compensation Committee"). Stock options granted under the Plans are subject to the terms and conditions 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 market 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 and generally vest over four or five years. The number of stock options granted is determined by dividing the approved grant date dollar value of an option by the Black Scholes option pricing value per share (as further discussed below). 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, but generally vest over one to four years from the date of the grant. The number of RSUs granted 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. The total estimated grant date fair value is amortized over the requisite service period.

The Company recorded Stock-based compensation for stock options, RSUs, and PRSUs granted under the Plans, and discounts offered in connection with the Company's 2020 Employee Stock Purchase Plan ("ESPP") of \$28.0 million and \$33.1 million during the three months ended September 30, 2024 and 2023, respectively, and \$84.7 million and \$107.8 million during the nine months ended September 30, 2024 and 2023, respectively, and such expenses are presented in Salaries and benefits in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

Compensation cost presented in Salaries and benefits in the Condensed Consolidated Statements of Operations and Comprehensive Loss were as follows:

Three Months Ended September 30,	2024	2023
	(in thousands)	
Stock options	\$ 384	\$ 559
RSUs	21,074	20,603
PRSUs	6,170	11,851
ESPP	360	57
Total compensation cost recognized for stock-based compensation plans	\$ 27,988	\$ 33,070

Nine Months Ended September 30,	2024	2023
	(in thousands)	
Stock options	\$ 1,532	\$ 2,648
RSUs	62,391	62,539
PRSUs	20,327	42,444
ESPP	436	164
Total compensation cost recognized for stock-based compensation plans	\$ 84,686	\$ 107,795

At September 30, 2024, there was approximately \$383.4 million of unrecognized stock-based compensation expense related to unvested stock options, unvested RSUs and unvested PRSUs, estimated to be recognized over a period of four years.

Stock Options

The Company did not grant stock options during the nine months ended September 30, 2024 and 2023, respectively.

A summary of option activity under the 2020 Plan during the nine months ended September 30, 2024, was as follows:

	Number of stock options	Weighted-average exercise price
Outstanding, January 1, 2024	952,900	\$ 8.88
Granted	—	—
Exercised	—	—
Forfeited	(131,212)	8.88
Outstanding, September 30, 2024	821,688	\$ 8.88

A summary of stock option activity under the 2014 Plan during the nine months ended September 30, 2024, was as follows:

	Number of stock options	Weighted-average exercise price
Outstanding, January 1, 2024	24,041,753	\$ 1.45
Granted	—	—
Exercised	(210,555)	1.16
Forfeited	(120,650)	3.44
Outstanding, September 30, 2024	23,710,548	\$ 2.73

At September 30, 2024, outstanding stock options, substantially all of which are expected to vest, had an aggregate intrinsic value of \$16.2 million, and a weighted-average remaining contractual term of four years. At September 30, 2024, there were 24,160,751 options exercisable under the Plan, with an aggregate intrinsic value of less than \$16.2 million, a weighted-average exercise price of \$2.88 per share, and a weighted-average remaining contractual term of 4.68 years. The total value of stock options exercised during the nine months ended September 30, 2024 and 2023 was \$0.3 million. Cash received from stock option exercises during the nine months ended September 30, 2024 and 2023 totaled \$0.2 million and none, respectively.

Restricted Stock Units

A summary of total RSU activity is presented below:

	Number of RSUs	Weighted-average grant date fair value per share
Outstanding, January 1, 2024	56,928,405	\$ 4.28
Granted	17,639,741	0.97
Released	(17,249,172)	4.56
Forfeited	(7,625,408)	1.93
Outstanding, September 30, 2024	<u>49,693,566</u>	<u>\$ 3.37</u>

Performance Restricted Stock Units

The Company has granted PRSUs to certain executives and key employees, which become eligible to vest based on achievement of certain Company or individual performance milestones (“Non-Market PRSUs”) and certain Company stock price targets (“Market PRSUs”), each as determined by the Compensation Committee. Market PRSUs will 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 expense referenced above is mainly attributable to Market PRSUs that vest based on pre-established milestones that primarily consist of the volume-weighted average stock closing price ranging from \$20 to \$30 for 90 consecutive days. The grant date fair value of the Non-Market PRSUs was based on the closing price of the Company’s Class A common stock and recognized as expense over the requisite performance period under the accelerated attribution method and is adjusted in future periods for the success or failure to achieve the specified performance condition. The grant date fair value of the Market PRSUs was determined using a Monte Carlo simulation model that incorporated multiple valuation assumptions, including the probability of achieving the specified market condition. Expense for Market PRSUs is recognized over the derived service 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 assumptions that the Company used in the Monte Carlo model to determine the grant date fair value of Market PRSUs granted for the year ended December 31, 2021, were as follows:

Year ended December 31, 2021

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.

At September 30, 2024, the market condition component of these PRSUs has not been met, so the awards have not been earned. This expense represents most of the PRSU expense recognized for the three and nine months ended September 30, 2024 related to stock-based compensation plans which is presented in Salaries and benefits in the Condensed Consolidated Statements of Operations and Comprehensive Loss. 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.

A summary of PRSU activity is presented below:

	Number of PRSUs	Weighted-average grant date fair value per share
Non-vested, January 1, 2024	32,131,532	\$ 8.36
Granted during 2024	—	—
Adjustment for performance condition achieved ⁽¹⁾	341,459	0.95
Vested	(2,389,515)	1.14
Forfeited	(315,292)	1.56
Non-vested at September 30, 2024	<u>29,768,184</u>	<u>\$ 8.93</u>

⁽¹⁾ Represents an increase in the number of original CLOV performance share units awarded based on final achievement at the end of the performance period of such awards.

At September 30, 2024, there was \$18.2 million of unrecognized share-based compensation expense related to PRSUs, which is expected to be recognized over a period of four years.

2020 Employee Stock Purchase Plan

On January 6, 2021, the Board adopted and the Company's stockholders approved the ESPP, which permits eligible employees and service providers of either the Company or designated related companies and affiliates to contribute up to 15% of their eligible compensation during defined offering periods to purchase shares of the Company's Class A common stock at a 15% discount from the fair market value of the common stock as determined on specific dates at specific 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 14,163,863 shares, and the maximum number of shares that may be purchased on any single purchase date by any one participant is 5,000 shares. At September 30, 2024, 12,851,030 shares of Class A common stock were available for issuance under the ESPP.

The ESPP includes an evergreen provision that limits the maximum number of shares of Class A common stock that may be issued under the plan, to 2,785,582 shares, plus the number of shares of Class A common stock that are automatically added 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, in an amount equal to the lesser of (i) one percent (1%) 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 Board; 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 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 most recent offering period, is as follows:

Offering period from May 22, 2024 to November 21, 2024

Weighted-average risk-free interest rate	5.4 %
Expected term (in years)	0.50
Expected volatility	64.0 %

11. Income Taxes

The consolidated effective tax rate of the Company for the three and nine months ended September 30, 2024 and 2023, was 0.0%, and 0.0% respectively. The Company continues to be in a net operating loss for the nine months ended September 30, 2024 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 at September 30, 2024, 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 at September 30, 2024 and December 31, 2023.

12. Net Income (Loss) per Share

Basic and diluted net loss per share from continuing operations attributable to Class A common stockholders and Class B common stockholders (collectively, "Common Stockholders") for the years indicated were calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(in thousands, except for per share and share amounts)				
Numerator:				
Net loss from continuing operations attributable to Common Stockholders	\$ (8,785)	\$ (33,616)	\$ (24,785)	\$ (142,203)
Net (loss) income from discontinued operations attributable to Common Stockholders	(370)	(7,853)	3,868	(686)
Denominator:				
Basic weighted average number of common shares and common share equivalents outstanding	490,180,103	480,770,283	488,501,812	480,921,520
Dilutive shares:				
RSU	N/A	N/A	N/A	N/A
PRSU	N/A	N/A	N/A	N/A
Stock Options	N/A	N/A	N/A	N/A
Weighted average shares used in computing net income per share of common stock, diluted	490,180,103	480,770,283	488,501,812	480,921,520
Basic loss per share from continuing operations	\$ (0.02)	\$ (0.07)	\$ (0.05)	\$ (0.30)
Basic earnings (loss) per share from discontinued operations	0.00	(0.02)	0.01	0.00
Diluted loss per share from continuing operations	(0.02)	(0.07)	(0.05)	(0.30)
Diluted earnings (loss) per share from discontinued operations	0.00	(0.02)	0.01	0.00

For all periods presented, the Company had net loss from continuing operations attributable to Common Stockholders. As a result, the Company's potentially dilutive securities, which include Options, RSUs, and PRSUs, have been excluded from the computation of diluted net loss per share from continuing operations, as the effect would be anti-dilutive. Therefore, during these periods, the diluted common shares outstanding equals the average common shares outstanding.

The following table presents the potentially dilutive shares that were excluded from the computation of diluted net income (loss) per share of common stock:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Options to purchase common stock	24,532,236	25,138,347	24,532,236	25,138,347
RSUs	49,693,566	55,544,997	49,693,566	55,544,997
PRSUs	29,768,184	30,224,866	29,768,184	30,224,866
Total potentially dilutive shares excluded from computation of net income (loss) per share	103,993,986	110,908,210	103,993,986	110,908,210

13. 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, 2024, and December 31, 2023, respectively, there were no material known contingent liabilities arising outside the normal course of business other than as set forth below. In accordance with ASC No. 450-20, *Loss Contingencies*, we will record accruals for loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated.

Since February 2021, the Company 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"). The Company is cooperating with the SEC's investigation (the "Investigation"). The Hindenburg Article, which discussed, among other things, an inquiry by the U.S. Attorney's Office for the Eastern District of Pennsylvania relating to, among other things, certain of the Company's arrangements with providers participating in its network and programs, and Clover Assistant, was the subject of the Company's Current Report on Form 8-K dated February 5, 2021. As previously disclosed on the Company's Current Report on Form 8-K filed on September 30, 2024, by letter dated September 26, 2024 (the "Notice"), the Staff of the SEC Division of Enforcement notified the Company that the SEC had concluded the Investigation, and based on the information that the SEC had as of the date of the Notice, the Staff did not intend to recommend an enforcement action by the SEC against the Company relating to the Investigation.

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 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. On February 14, 2023, the court granted the plaintiffs' motion for class certification.

On April 21, 2023, the parties to the securities class action entered into a memorandum of understanding providing for the settlement of the action. The Court approved the settlement and dismissed the action with prejudice on October 3, 2023. Under the settlement, the class will receive \$22 million dollars (less an award of fees and expenses to the plaintiffs' counsel), and the defendants (including the Company) received customary releases. The Company used \$19.5 million in insurance proceeds to fund the settlement. The Company previously filed a lawsuit in Delaware state court against certain of its insurers for full payment of its liabilities related to this securities litigation. The Company intends to oppose any efforts by the carrier defendants to recoup insurance proceeds that they have advanced to date.

Shareholder derivative actions parallel to the securities class action 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. 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.

On June 21, 2023, the plaintiffs in the derivative lawsuits, on the one hand, and the Company, on the other hand, entered into a binding memorandum of understanding providing for the settlement of the derivative actions. On February 5, 2024, the parties executed a stipulation of settlement which, subject to final court approval, will provide the defendants in the derivative lawsuits with customary releases and will require the Company to implement a suite of corporate governance enhancements. On July 11, 2024, the United States District Court for the Middle District of Tennessee entered a final judgment approving the settlement. The settlement does not involve any monetary payment, other than payment of an award of fees and expenses to plaintiffs' counsel in the amount of \$2,500,000.

Bylaw Litigation

On March 26, 2024, a putative shareholder filed a class action suit against the Company and its directors and officers in Delaware Chancery Court challenging a Company bylaw governing the process for nominating a candidate to the board of directors as preclusive and coercive. The case is captioned *Taylor v. Clinton, et al.*, Case No. 2024-0305 (Del. Ch.). In June 2024, the Company adopted an amendment to its bylaws mooting the litigation, and the plaintiffs voluntarily dismissed the suit, with the court retaining jurisdiction solely for the purpose of determining plaintiffs' counsel's application for attorneys' fees and reimbursement (the "Fee Application"). On October 23, 2024, solely to avoid the time and expense of continued litigation, the Company and the plaintiffs agreed to resolve the Fee Application in exchange for a payment by the Company of \$250,000 to Plaintiff's counsel. The case is now closed.

14. Operating Segments

Starting in 2024, the Company manages its operations based on one reportable operating segment: Insurance. Through the Insurance segment, the Company provides PPO and HMO plans to Medicare Advantage members in several states. These segment groupings are consistent with information used by the CODM, to assess performance and allocate resources.

The operations of the Company are organized into the following segment:

- Insurance Segment includes operations related to the Company's MA plans, which generally provide access to a wide network of primary care providers, specialists, and hospitals.

Corporate/Other includes other clinical services not included in Medicare Advantage, Counterpart Health, and all other corporate overhead. Clinical services is comprised of Clover Care Services and other clinical services that are offered to eligible beneficiaries.

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

	Insurance	Corporate/Other	Eliminations	Consolidated Total
	(in thousands)			
Three months ended September 30, 2024				
Premiums earned, net (net of ceded premiums of \$97)	\$ 322,579	\$ —	\$ —	\$ 322,579
Other income	4,314	32,422	(28,329)	8,407
Intersegment revenues	—	46,944	(46,944)	—
Net medical claims incurred	251,643	4,442	(6,311)	249,774
Gross profit	\$ 75,250	\$ 74,924	\$ (68,962)	\$ 81,212
Total assets	\$ 408,381	\$ 918,407	\$ (673,775)	\$ 653,013
Nine months ended September 30, 2024				
(in thousands)				
Premiums earned, net (net of ceded premiums of \$301)	\$ 1,014,201	\$ —	\$ —	\$ 1,014,201
Other income	12,085	90,371	(82,489)	19,967
Intersegment revenues	—	146,608	(146,608)	—
Net medical claims incurred	767,125	14,345	(18,187)	763,283
Gross profit	\$ 259,161	\$ 222,634	\$ (210,910)	\$ 270,885
Total assets	\$ 408,381	\$ 918,407	\$ (673,775)	\$ 653,013

	Insurance	Corporate/Other	Eliminations	Consolidated Total
	(in thousands)			
Three months ended September 30, 2023				
Premiums earned, net (net of ceded premiums of \$106)	\$ 301,230	\$ —	\$ —	\$ 301,230
Other income	3,338	14,218	(12,758)	4,798
Intersegment revenues	—	43,335	(43,335)	—
Net medical claims incurred	236,533	4,690	(5,438)	235,785
Gross profit	<u>\$ 68,035</u>	<u>\$ 52,863</u>	<u>\$ (50,655)</u>	<u>\$ 70,243</u>
Total assets	\$ 464,942	\$ 905,477	\$ (685,439)	\$ 684,980

	Insurance	Corporate/Other	Eliminations	Consolidated Total
	(in thousands)			
Nine months ended September 30, 2023				
Premiums earned, net (net of ceded premiums of \$341)	\$ 932,699	\$ —	\$ —	\$ 932,699
Other income	7,192	45,732	(37,465)	15,459
Intersegment revenues	—	112,220	(112,220)	—
Net medical claims incurred	753,877	11,820	(10,861)	754,836
Gross profit	<u>\$ 186,014</u>	<u>\$ 146,132</u>	<u>\$ (138,824)</u>	<u>\$ 193,322</u>
Total assets	\$ 464,942	\$ 905,477	\$ (685,439)	\$ 684,980

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Gross profit	\$ 81,212	\$ 70,243	\$ 270,885	\$ 193,322
Salaries and benefits	54,995	60,567	169,717	191,985
General and administrative expenses	35,201	41,030	124,194	140,384
Premium deficiency reserve expense (benefit)	—	392	—	(6,556)
Depreciation and amortization	339	557	987	1,835
Restructuring (recoveries) costs	(538)	1,313	288	7,870
Change in fair value of warrants	—	—	17	—
Interest expense	—	—	—	7
Loss on investment	—	—	467	—
Net loss from continuing operations	<u>\$ (8,785)</u>	<u>\$ (33,616)</u>	<u>\$ (24,785)</u>	<u>\$ (142,203)</u>

15. 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. At September 30, 2024 and December 31, 2023, neither of the regulated insurance subsidiaries had been authorized nor paid any dividends.

16. Restructuring costs

On April 17, 2023, the Company announced it would implement certain business transformation initiatives, including an agreement to move its core MA operational platform to UST HealthProof's ("UST HealthProof") and additional corporate restructuring actions. The agreement with UST HealthProof includes the transition of certain of the Company's plan operation functions in support of its Medicare Advantage members pursuant to a master services agreement. In addition to the arrangement with UST HealthProof, in April 2023 the Company conducted a reduction in force to better align its Selling, General, and Administrative cost structure with its revenue base. This restructuring resulted in the elimination of approximately 10% of the Company's workforce. The Company incurred costs related to these business transformation initiatives, which consisted of employee termination benefits, vendor related costs, and other costs, which are accounted for as exit and disposal costs and recorded pursuant to ASC 420, *Exit or Disposal Cost Obligations*. For those costs determined to be one-time termination benefits the Company established a liability for the restructuring related expenses when the plan was established, the remaining costs will be expensed as incurred.

The Restructuring costs are presented in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss, which were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Employee termination (recoveries) benefits	\$ (547)	\$ 58	\$ (547)	\$ 4,620
Vendor related costs	—	1,245	822	3,166
Other	9	10	13	84
Total restructuring (recoveries) costs	\$ (538)	\$ 1,313	\$ 288	\$ 7,870

UST HealthProof Transition

As of September 30, 2024, the liability for employee termination benefits was recorded in Accrued salaries and benefits and the liability for vendor related costs and other expenses were recorded in Accounts payable and accrued expenses in the Condensed Consolidated Balance Sheets. The liability recorded reflects the Company's best estimate, which may be revised in subsequent periods as the restructuring progresses. The restructuring costs are recorded within the Corporate/Other operating segment. In addition, the Company incurred costs related to software impairment. These costs are recognized in Depreciation and amortization in the Condensed Consolidated Statements of Operations and Comprehensive Loss, and totaled less than \$0.1 million for the three months and nine months ended September 30, 2024. For the three and nine months ended September 30, 2023, software impairment costs totaled \$0.1 million.

	Employee Termination Benefits	Vendor related costs	Other	Total
	(in thousands)			
Liability as of December 31, 2023	\$ 1,781	\$ 3,390	\$ —	\$ 5,171
(Recoveries) charges	(547)	822	13	288
Cash payments	(1,234)	(1,307)	(13)	(2,554)
Liability as of September 30, 2024	\$ —	\$ 2,905	\$ —	\$ 2,905
Total cumulative costs incurred as of September 30, 2024	\$ 4,248	\$ 5,761	\$ 100	\$ 10,109

17. Discontinued Operations

On December 1, 2023, the Company notified CMS that it would no longer participate as a REACH ACO in connection with the 2024 performance year. The Company's exit from the ACO REACH Program was made after the Company determined that it is in its best interest to fully exit the ACO REACH Program starting with the 2024 performance year, and follows the Company's November 2022 announcement of a strategic reduction in the number of ACO REACH participating physicians in 2023. The nature of the remaining activities relate to the settlement with CMS related to prior performance years which is expected to be completed by the end of 2024.

A summary of the carrying amounts of major assets and liabilities, which were classified as held for settlement in the Condensed Consolidated Balance Sheets, follows:

	September 30, 2024		December 31, 2023	
	(in thousands)			
Assets⁽¹⁾				
Cash and cash equivalents	\$	—	\$	6,456
Surety bond and deposits		—		55,089
Non-Insurance receivable		10,087		10,926
Total assets	\$	10,087	\$	72,471
Liabilities⁽¹⁾				
Unpaid claims	\$	1,080	\$	2,856
Accrued salaries and benefits		—		110
Non-Insurance performance year obligation, current		4,740		15,568
Non-Insurance payable		43,121		41,565
Total liabilities	\$	48,941	\$	60,099

⁽¹⁾ The assets and liabilities of the disposal group are classified as current in the Condensed Consolidated Balance Sheet at September 30, 2024 as the settlement with CMS is expected to occur within one year.

A summary of the results from discontinued operations included in the Condensed Consolidated Statements of Operations and Comprehensive Loss follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Revenues:				
Non-Insurance revenue	\$ (6,149)	\$ 176,038	\$ (370)	\$ 575,311
Total revenues	(6,149)	176,038	(370)	575,311
Operating Expenses:				
Net medical claims incurred	(6,009)	183,174	(5,276)	573,567
General and administrative expenses	230	717	741	2,430
Restructuring costs	—	—	297	—
Total operating expenses	(5,779)	183,891	(4,238)	575,997
(Loss) gain from operations	(370)	(7,853)	3,868	(686)
Net (loss) income	\$ (370)	\$ (7,853)	\$ 3,868	\$ (686)

A summary of cash flows from discontinued operations included in the Condensed Consolidated Statements of Cash Flows follows:

	Nine Months Ended September 30,	
	2024	2023
	(in thousands)	
Net cash (used in) provided by operating activities	\$ (8,861)	\$ 34,060

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 ACO REACH 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*. At the inception of the performance year, the Company measures and recognizes the performance guarantee receivable and obligation, issued in this standalone arm's length transaction, using the practical expedient to fair value as set forth in ASC 460-10-30-2(a). The Company estimates the annualized benchmark, which is the amount recognized in both the Non-Insurance performance year receivable and the Non-Insurance performance year obligation, current. This is consistent with ASC 460-10-25-4, which provides that a guarantor shall recognize in its statement of financial position a liability for that guarantee. In addition, when the guarantee is issued in a standalone transaction for a premium, the offsetting entry should be considered received (such as cash or a receivable) according to ASC 460-10-25-4. Thus the Company recognizes the Non-Insurance performance year receivable on its balance sheets.

To subsequently measure and recognize the performance guarantee, the Company follows ASC 460-10-35-2(b) and applies a systematic and rational approach to reflect its release from risk. Under this approach, the Company amortizes on a straight-line basis over the performance year, the obligation. The Company has determined this systematic and rational method is appropriate, as it matches the period in which the guarantee is fulfilled. In addition, ASC 460-10-35-2 provides further guidance on the subsequent measurement related to the Company's performance guarantee. Per ASC 460-10-35-2, depending on the nature of the guarantee, the guarantor's release from risk typically can be recognized over the term of the guarantee using one of three methods: (1) upon expiration or settlement, (2) by systematic or rational amortization, or (3) as the fair value of the guarantee changes. The Company has determined that method (2) is the appropriate method of recognition as discussed above.

With respect to each performance year in which the ACO is a participant, the final consideration due to the ACO from CMS ("shared savings") or the consideration due to CMS from the ACO ("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, current or Non-Insurance performance receivable if the Company is in a probable loss position or probable savings position, respectively. The ACO has entered into an agreement with CMS and a third-party to cover the financial threshold determined by CMS.

In April 2021, the Company began participating in the Global and Professional Direct Contracting of the Centers for Medicare & Medicaid Services ("CMS"), which utilizes a structured model intended to reduce expenditures and preserve or enhance quality of care for people with Medicare fee-for-service ("FFS"). CMS rebranded the DC Model and renamed the model the ACO Realizing Equity, Access, and Community Health (REACH) Model ("ACO REACH Model") effective January 1, 2023. As a participating entity in the DC Model, referred to as the ACO REACH Model at January 1, 2023, with a global risk arrangement, the Company assumed the responsibility of guaranteeing the performance of its care network. The ACO REACH Model is intended to reduce administrative burden and support a focus on complex, chronically ill patients. On December 1, 2023, the Company notified CMS that it will no longer participate as a REACH ACO in connection with the 2024 performance year. The Company's exit from the ACO REACH Program was made after the Company determined that it is in the Company's best interest to fully exit the ACO REACH Program, and follows its November 2022 announcement of a strategic reduction in the number of ACO REACH participating physicians in 2023.

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 20 (Non-Insurance) in the 2023 Form 10-K.

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

	September 30, 2024	December 31, 2023
	(in thousands)	
Non-Insurance performance year obligation ⁽¹⁾	\$ 4,740	\$ 15,568

⁽¹⁾ This obligation represents the consideration due to providers, net of the shared savings or loss for the period and amortization of the liability.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Amortization of the Non-Insurance performance year receivable	\$ —	\$ (182,753)	\$ —	\$ (556,211)
Amortization of the Non-Insurance performance year obligation	—	182,753	—	556,211
Non-Insurance revenue	(6,149)	176,038	(370)	575,311

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 nine months ended September 30, 2024, contained in this Quarterly Report on Form 10-Q (the "Form 10-Q") and the audited consolidated financial statements and notes thereto for the year ended December 31, 2023, contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission (the "SEC") on March 14, 2024 (the "2023 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 2023 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, our vision is to empower Medicare physicians to identify and manage chronic diseases early. Our strategy is to improve the care of people with Medicare, develop wide physician networks, and provide technology to help empower physicians. Our proprietary software platform, Clover Assistant, helps us execute this strategy by enabling physicians to detect, identify, and manage chronic diseases earlier than they otherwise could. This technology is a cloud-based software platform that provides physicians with access to data-driven and personalized insights for the patients they treat.

We operate Preferred Provider Organization ("PPO") and Health Maintenance Organization ("HMO") Medicare Advantage ("MA") plans for Medicare-eligible individuals. We aim to provide high-quality, affordable healthcare for all Medicare beneficiaries. Among plans with similar major characteristics, we offer most members in our MA plans (the "members") among the lowest average out-of-pocket costs for primary care provider and specialist co-pays in their markets. We strongly believe in providing our members provider choice, and we consider our PPO plan to be our flagship insurance product. 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 platform. At September 30, 2024, we operated our MA plans in five states and 200 counties, with 81,110 members.

At September 30, 2024, we partnered with providers to care for 81,110 Lives under Clover Management.

Recent Developments

CMS Star Ratings

On June 14, 2024, the Company announced that CMS had recalculated the Company's 2024 Star ratings for its PPO Medicare Advantage plans for the 2025 payment year, and had increased such plans' rating by 0.5 Star, to a revised rating of 3.5 Stars. Prior to the recalculation, CMS had previously given a rating of 3.0 Stars for the 2025 payment year, which was announced in October 2023. Pursuant to CMS's Medicare Advantage Star ratings system, CMS annually awards between 1.0 and 5.0 Stars to Medicare Advantage plans based on performance in several categories. In calendar year 2024, the Company will be paid on the basis of 3.5 Stars for the Company's PPO Medicare Advantage plans, which ratings were previously awarded.

On October 10, 2024, the Company announced that CMS has increased the Star rating of its PPO Medicare Advantage plans to 4 Stars for 2025, which will affect payment year 2026. In payment year 2026, the Company expects to experience a general 5% quality bonus increase in benchmark rates as a result of its PPO contract being rated 4.0 Stars, in accordance with CMS regulations. Increased quality bonus payments enable the Company to further reinvest in more competitive benefits, which the Company believes will deliver greater value to its members while fueling continued membership growth. Additionally, CMS increased the rating of Clover's HMO MA plan to 3.5 Stars. As a reminder, over 95% of our insurance members are members of our PPO Medicare Advantage Plans.

Counterpart Health

During the second quarter of 2024, the Company launched Counterpart Health, Inc. ("Counterpart Health"), a New Software-as-a-Service ("SaaS") and Tech Enabled Services Solution to bring the power of CA Technology to Medicare Advantage Payors and Providers. This external offering aims to equip clinician users with our already built, clinician-centric, and AI-powered care management platform. Strategically, Counterpart Health, a subsidiary of Clover Health, aims to extend the benefits of data-driven proven technology and personalized care to a wider audience, enabling enhanced patient outcomes and reduced healthcare costs across the nation. Counterpart Health is complimentary to Clover Health, and enables the Company to deploy and expand the reach of its existing technology asset for new potential growth and high margin business opportunities, with low startup costs.

ACO REACH

Our subsidiary, Clover Health Partners, LLC ("Health Partners"), participated as a Direct Contracting Entity ("DCE") in the Centers for Medicare and Medicaid Services ("CMS") Accountable Care Organization Realizing Equity, Access, and Community Health Model ("ACO REACH Model" or "ACO REACH"). On December 1, 2023, the Company notified CMS that it will no longer participate as a REACH ACO in connection with the 2024 performance year. The Company's exit from the ACO REACH Program was made after the Company determined that it is in its best interest to fully exit the ACO REACH Program starting with the 2024 performance year, and follows the Company's November 2022 announcement of a strategic reduction in the number of ACO REACH participating physicians in 2023. The remaining activity recognized during 2024 directly relates to prior performance years with CMS. As of January 1, 2024, this line of business meets the definition of discontinued operations, and prior period amounts have been updated to conform to the current period presentation, refer to Note 17 (Discontinued Operations) in the accompanying notes to condensed consolidated financial statements included in this Form 10-Q for additional information.

Key Performance Measures

Starting in the first quarter of 2024, we manage our operations based on one reportable segment: Insurance. Through our Insurance segment, we provide PPO and HMO plans to Medicare Advantage members in several states. All other clinical services and all corporate overhead not included in the reportable segments are included in Corporate/Other.

The segment grouping is consistent with the information used by our Chief Executive Officer (identified as our chief operating decision maker) to assess performance and allocate the Company's 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.

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 to support treatment of members through our software platform, Clover Assistant.

The following table presents key financial measures for the periods indicated:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	Total	PMPM ⁽¹⁾	Total	PMPM ⁽¹⁾	Total	PMPM ⁽¹⁾	Total	PMPM ⁽¹⁾
	(amounts in thousands, except PMPM amounts)							
Insurance members at period end (#)	81,110	N/A	81,275	N/A	81,110	N/A	81,275	N/A
Premiums earned, gross	\$ 322,676	\$ 1,333	\$ 301,336	\$ 1,230	\$ 1,014,502	\$ 1,409	\$ 933,040	\$ 1,252
Premiums earned, net	\$ 322,579	\$ 1,333	\$ 301,230	\$ 1,230	\$ 1,014,201	\$ 1,409	\$ 932,699	\$ 1,251
Insurance medical claim expense incurred, gross	\$ 251,856	\$ 1,041	\$ 236,845	\$ 967	\$ 767,338	\$ 1,068	\$ 754,422	\$ 1,012
Insurance net medical claims incurred	\$ 251,643	\$ 1,040	\$ 236,533	\$ 966	\$ 767,125	\$ 1,066	\$ 753,877	\$ 1,011
Medical care ratio, gross	78.1 %	N/A	78.6 %	N/A	75.6 %	N/A	80.9 %	N/A
Medical care ratio, net	78.0 %	N/A	78.5 %	N/A	75.6 %	N/A	80.8 %	N/A
Benefits expense ratio, gross	82.8 %	N/A	83.4 %	N/A	80.6 %	N/A	86.2 %	N/A
Benefits expense ratio, net	82.8 %	N/A	83.3 %	N/A	80.6 %	N/A	86.2 %	N/A
Adjusted EBITDA	\$ 19,263	N/A	\$ 2,723	N/A	\$ 62,275	N/A	\$ (24,879)	N/A
Adjusted SG&A	\$ 61,949	N/A	\$ 67,520	N/A	\$ 208,593	N/A	\$ 218,201	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.

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 useful metrics to assess our financial performance. Member growth and retention 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, documentation and management 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 revenues, or any other measure presented in accordance with GAAP in the United States.

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.

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 revenues 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 operating 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 consist 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 medical care ratio ("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.

Benefits expense ratio, gross and net.

Benefits expense ratio ("Insurance BER") is a non-GAAP financial measure. We calculate our Insurance BER by taking the total of Insurance net medical expenses incurred and quality improvements, and dividing that total by premiums earned on a net basis, in a given period. Quality improvements include expenses associated with activities that improve health outcomes, as defined by the U.S. Department of Health and Human Services ("HHS"), as well as those directly tied to enhancing healthcare quality, such as the Company's spend on health information technology, wellness and prevention programs, initiatives to reduce hospital readmissions, and our clinically focused Member Rewards program. We believe our Insurance BER is useful to management, investors, and others because it offers a clearer and more accurate representation of our investment in healthcare quality and member engagement, and gives a comprehensive view of costs related to maintaining and improving the quality of care of our members, which is crucial for sustaining member satisfaction and adherence to treatment regimens. Refer to the "About Non-GAAP Measures" section below for additional information.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Net medical claims incurred, gross (GAAP):	\$ 251,856	\$ 236,845	\$ 767,338	\$ 754,422
Adjustments				
Quality improvements	15,445	14,363	50,383	49,882
Benefits expense, gross (non-GAAP)	\$ 267,301	\$ 251,208	\$ 817,721	\$ 804,304
Premiums earned, gross (GAAP)	\$ 322,676	\$ 301,336	\$ 1,014,502	\$ 933,040
Benefits expense ratio, gross (non-GAAP)	82.8 %	83.4 %	80.6 %	86.2 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Net medical claims incurred, net (GAAP):	\$ 251,643	\$ 236,533	767,125	\$ 753,877
Adjustments				
Quality improvements	15,445	14,363	50,383	49,883
Benefits expense, net (non-GAAP)	\$ 267,088	\$ 250,896	\$ 817,508	\$ 803,760
Premiums earned, net (GAAP)	\$ 322,579	\$ 301,230	\$ 1,014,201	\$ 932,699
Benefits expense ratio, net (non-GAAP)	82.8 %	83.3 %	80.6 %	86.2 %

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure defined by us as net loss from continuing operations before depreciation and amortization, loss on investment, stock-based compensation, premium deficiency reserve expense (benefit), restructuring (recoveries) costs, and non-recurring legal expenses and settlements. Adjusted EBITDA is a key measure used by our management team and the board of directors to understand and evaluate our operating performance and trends, to prepare and approve our annual budget and to develop short and long-term operating plans. In particular, we believe that the exclusion of the amounts eliminated in calculating Adjusted EBITDA provide useful measures for period-to-period comparisons of our business. Accordingly, we believe that Adjusted EBITDA provides investors and others useful information to understand and evaluate our operating results in the same manner as our management and our board of directors. Refer to the "About Non-GAAP Measures" section below for additional information.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Net loss from continuing operations (GAAP):	\$ (8,785)	\$ (33,616)	\$ (24,785)	\$ (142,203)
Adjustments				
Interest expense	—	—	—	7
Depreciation and amortization	339	557	987	1,835
Loss on investment	—	—	467	—
Stock-based compensation	27,988	33,070	84,686	107,795
Premium deficiency reserve expense (benefit)	—	392	—	(6,556)
Restructuring (recoveries) costs	(538)	1,313	288	7,870
Non-recurring legal expenses and settlements	259	1,007	632	6,373
Adjusted EBITDA (non-GAAP)	\$ 19,263	\$ 2,723	\$ 62,275	\$ (24,879)

Adjusted SG&A

Adjusted Salaries and benefits plus General and administrative expenses ("SG&A") is a non-GAAP financial measure defined by us as total SG&A less stock-based compensation and non-recurring legal expenses and settlements. We believe that Adjusted SG&A provides management, investors, and others a useful view of our operating spend as it excludes non-cash, stock-based compensation and expenses related to investments that management believes do not reflect the Company's core operating expenses. We believe that Adjusted SG&A as a percentage of revenue is useful to management, investors, and others because it allows us to measure our operational leverage as revenue scales. Refer to the "About Non-GAAP Measures" section below for additional information.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Salaries and benefits	\$ 54,995	\$ 60,567	169,717	191,985
General and administrative expenses	35,201	41,030	124,194	140,384
Total SG&A (GAAP)	90,196	101,597	293,911	332,369
Adjustments				
Stock-based compensation	(27,988)	(33,070)	(84,686)	(107,795)
Non-recurring legal expenses and settlements	(259)	(1,007)	(632)	(6,373)
Adjusted SG&A (non-GAAP)	\$ 61,949	\$ 67,520	\$ 208,593	\$ 218,201
Total revenues (GAAP)	330,986	306,028	1,034,168	948,158
Adjusted SG&A (non-GAAP) as a percentage of revenue	19 %	22 %	20 %	23 %

Results of Operations

Comparison of the Three Months Ended September 30, 2024 and 2023

The following table summarizes our condensed consolidated results of operations for the three months ended September 30, 2024 and 2023. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Three Months Ended September 30,		Change between 2024 and 2023	
	2024	2023	(\$)	(%)
	(in thousands)			
Revenues				
Premiums earned, net (Net of ceded premiums of \$97 and \$106 for the three months ended September 30, 2024 and 2023, respectively)	\$ 322,579	\$ 301,230	\$ 21,349	7.1 %
Other income	8,407	4,798	3,609	75.2
Total revenues	330,986	306,028	24,958	8.2
Operating expenses				
Net medical claims incurred	249,774	235,785	13,989	5.9
Salaries and benefits	54,995	60,567	(5,572)	(9.2)
General and administrative expenses	35,201	41,030	(5,829)	(14.2)
Premium deficiency reserve expense	—	392	(392)	*
Depreciation and amortization	339	557	(218)	(39.1)
Restructuring (recoveries) costs	(538)	1,313	(1,851)	*
Total operating expenses	339,771	339,644	127	—
Net loss from continuing operations	(8,785)	(33,616)	24,831	(73.9)%
Net loss from discontinued operations (Note 17)	(370)	(7,853)	7,483	(95.3)%
Net loss	\$ (9,155)	\$ (41,469)	\$ 32,314	(77.9)%

* 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 \$21.3 million, or 7%, to \$322.6 million for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase was primarily due to an increase in our risk adjustment revenue driving favorability as a result of the Company focusing on member retention.

Other income

Other income increased \$3.6 million, or 75%, to \$8.4 million for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase was primarily attributable to a higher interest rate environment as compared to the prior period.

Net medical claims incurred

Net medical claims incurred increased \$14.0 million, or 6%, to \$249.8 million for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase was primarily driven by an increase in part D related costs.

Salaries and benefits

Salaries and benefits decreased \$5.6 million, or 9%, to \$55.0 million for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. This decrease was primarily driven by a decrease in share based compensation-related costs.

General and administrative expenses

General and administrative expenses decreased \$5.8 million, or 14%, to \$35.2 million for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The decrease was primarily driven by a decrease in professional fees.

Restructuring costs

Restructuring costs decreased by \$1.9 million, to \$(0.5) million for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. This decrease resulted from the reversal of a portion of the original accrual that was previously recognized, since all the remaining restructuring activities have concluded as of September 30, 2024.

Comparison of the Nine Months Ended September 30, 2024 and 2023

The following table summarizes our condensed consolidated results of operations for the nine months ended September 30, 2024 and 2023. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Nine Months Ended September 30,		Change between 2024 and 2023	
	2024	2023	(\$)	(%)
	(in thousands)			
Revenues				
Premiums earned, net (Net of ceded premiums of \$301 and \$341 for the nine months ended September 30, 2024 and 2023, respectively)	\$ 1,014,201	\$ 932,699	\$ 81,502	8.7 %
Other income	19,967	15,459	4,508	29.2
Total revenues	1,034,168	948,158	86,010	9.1
Operating expenses				
Net medical claims incurred	763,283	754,836	8,447	1.1
Salaries and benefits	169,717	191,985	(22,268)	(11.6)
General and administrative expenses	124,194	140,384	(16,190)	(11.5)
Premium deficiency reserve benefit	—	(6,556)	6,556	*
Depreciation and amortization	987	1,835	(848)	(46.2)
Restructuring costs	288	7,870	(7,582)	(96.3)
Total operating expenses	1,058,469	1,090,354	(31,885)	(2.9)
Loss from continuing operations	(24,301)	(142,196)	117,895	(82.9)
Change in fair value of warrants	17	—	17	*
Interest expense	—	7	(7)	*
Loss on investment	467	—	467	*
Net loss from continuing operations	(24,785)	(142,203)	117,418	(82.6)%
Net income (loss) from discontinued operations (Note 17)	3,868	(686)	4,554	*
Net loss	\$ (20,917)	\$ (142,889)	\$ 121,972	(85.4)%

* 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 \$81.5 million, or 9%, to \$1,014.2 million for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase was primarily due to an increase in our risk adjustment revenue driving favorability as a result of the Company focusing on member retention.

Other income

Other income increased \$4.5 million, or 29%, to \$20.0 million for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase was primarily attributable to a higher interest rate environment as compared to the prior period.

Net medical claims incurred

Net medical claims incurred remained materially consistent for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023.

Salaries and benefits

Salaries and benefits decreased \$22.3 million, or 12%, to \$169.7 million for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. This decrease was primarily driven by a decrease in share based compensation-related costs.

General and administrative expenses

General and administrative expenses decreased \$16.2 million, or 12%, to \$124.2 million for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The decrease was primarily driven by a decrease in legal fees.

Loss on investment

Loss on investment increased \$0.5 million, or 100%, as compared to the prior for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase is driven by the Company's proportional share of net losses incurred. Refer to Note 9 (Variable Interest Entity and Equity Method of Accounting) in the accompanying notes to condensed consolidated financial statements included in this Form 10-Q.

Restructuring costs

Restructuring costs decreased by \$7.6 million, or 96%, to less than \$0.1 million for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. This decrease was primarily driven by the reversal of the original accrual that was recognized as the remaining restructuring activities have concluded as of September 30, 2024.

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.

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 which occurred early in 2021, issuances of convertible notes, premiums earned under our MA plans, and with our Non-Insurance revenue. We expect that our cash, cash equivalents, restricted cash, 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. If 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.

Consolidated Entities

Our cash equivalents and investment securities consist primarily of money market funds, U.S. government debt securities, and corporate debt securities. At September 30, 2024 and December 31, 2023, total restricted and unrestricted cash, cash equivalents, and investments for all entities, inclusive of discontinued operations, were \$531.4 million and \$417.3 million, respectively. These totals consist of \$241.7 million and \$228.6 million at September 30, 2024 and December 31, 2023, respectively, that specifically relate to available-for-sale and held-to-maturity investment securities.

Unregulated Entities

At September 30, 2024 and December 31, 2023, total restricted and unrestricted cash, cash equivalents, and investments for the parent company, Clover Health Investments, Corp., and unregulated subsidiaries (inclusive of discontinued operations) were \$205.5 million and \$136.8 million, respectively. 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 sufficient levels of aggregate excess statutory capital and surplus in our state-regulated insurance subsidiaries. Our use of operating cash derived from our unregulated subsidiaries is generally not restricted by departments of insurance (or comparable state regulatory agencies). Cash, cash equivalents, and investments at the parent company were \$201.3 million and \$74.0 million at September 30, 2024 and December 31, 2023, respectively. Our unregulated subsidiaries held \$4.2 million and \$62.8 million of cash, cash equivalents, restricted cash, and investments at September 30, 2024 and December 31, 2023, respectively.

Regulated Entities

At September 30, 2024 and December 31, 2023 total cash, cash equivalents, restricted cash, and investments for our regulated subsidiaries were \$325.9 million and \$280.5 million, respectively. Additionally, our regulated insurance subsidiaries held \$239.3 million and \$203.4 million of available-for-sale and held-to-maturity investment securities at September 30, 2024 and December 31, 2023, respectively. 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 22 (Dividend Restrictions), 24 (Statutory Equity), and 25 (Regulatory Matters) in the 2023 Form 10-K.

Cash Flows

The following table summarizes our condensed consolidated cash flows for the nine months ended September 30, 2024 and 2023.

Nine Months Ended September 30,	2024		2023	
	(in thousands)			
Cash Flows Data:				
Net cash provided by operating activities from continuing operations	\$	129,539	\$	79,364
Net cash provided by investing activities		2,004		56,351
Net cash used in financing activities		(11,220)		(4,244)
Net increase in cash, cash equivalents, and restricted cash from continuing operations	\$	120,323	\$	131,471

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, cash equivalents, restricted cash, short-term investments, and our current projections of cash flows from operations.

Operating Activities from Continuing Operations

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, 2024, Net cash provided by operating activities was \$129.5 million, which reflects a Net loss of \$20.9 million. Non-cash activities included a \$84.7 million charge to Stock-based compensation expense and Unpaid claims increased by \$30.3 million.

For the nine months ended September 30, 2023, Net cash provided by operating activities was \$79.4 million, which reflects a Net loss of \$142.9 million. Non-cash activities included a \$107.8 million charge to Stock-based compensation expense.

Investing Activities

Net cash provided by investing activities for the nine months ended September 30, 2024 of \$2.0 million was primarily due to \$156.6 million provided from the sale and maturity of investment securities. This was offset by \$153.3 million used to purchase investments.

Net cash provided by investing activities for the nine months ended September 30, 2023, of \$56.4 million was primarily due to \$199.6 million provided from the sale and maturity of investment securities. This was offset by \$142.4 million used to purchase investments.

For additional information regarding our investing activities, please refer to Note 3 (Investment Securities) in the accompanying notes to 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, 2024 of \$11.2 million was primarily the result of the acquisition of \$9.7 million in Treasury stock and repurchases of \$1.8 million of Class A Common stock.

Net cash used in financing activities for the nine months ended September 30, 2023 of \$4.2 million was primarily the result of the acquisition of \$5.4 million in Treasury stock.

Financing Arrangements

There have been no material changes to our financing arrangements at September 30, 2024, as compared to those disclosed in the 2023 Form 10-K.

Contractual Obligations and Commitments

We believe that funds from projected future operating cash flows, cash, cash equivalents, 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 at September 30, 2024 include: (1) the recognition of a performance guarantee of \$4.7 million in connection with the Company's participation in the ACO REACH Model and (2) operating lease obligations of \$3.7 million. These commitments are associated with contracts that were enforceable and legally binding at September 30, 2024, 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 at September 30, 2024. For additional information regarding our remaining estimated contractual obligations and commitments, see Note 13 (Commitments and Contingencies) and Note 17 (Discontinued Operations) in the accompanying notes to condensed consolidated financial statements included in this Form 10-Q.

Indemnification Agreements

In the ordinary course of business, we enter into agreements, with various parties (providers, vendors, consultants, etc.), with 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 that may accrue therefrom (including reasonable attorneys' 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 agreements.

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 Estimates

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, 2024, 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 2023 Form 10-K.

Recently Issued and Adopted Accounting Pronouncements

See Note 2 (Summary of Significant Accounting Policies) in the accompanying notes to condensed consolidated financial statements included in this Form 10-Q for a discussion of accounting pronouncements recently adopted and recently issued accounting pronouncements not yet adopted and their potential impact our condensed consolidated financial statements.

About Non-GAAP Financial Measures

We use non-GAAP measures including Insurance BER, Adjusted EBITDA, Adjusted SG&A, and Adjusted SG&A as a percentage of revenue. These non-GAAP financial measures are provided to enhance the reader's understanding of Clover Health's past financial performance and our prospects for the future. Clover Health's management team uses these non-GAAP financial measures in assessing Clover Health's performance, as well as in planning and forecasting future periods. These non-GAAP financial measures are not computed according to GAAP, and the methods we use to compute them may differ from the methods used by other companies. Non-GAAP financial measures are supplemental to and should not be considered a substitute for financial information presented in accordance with generally accepted accounting principles in the United States ("GAAP") and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. Readers are encouraged to review the reconciliations of these non-GAAP financial measures to the comparable GAAP measures, which are included above, together with other important financial information, including our other filings with the SEC, on the Investor Relations page of our website at investors.cloverhealth.com.

For a description of these non-GAAP financial measures, including the reasons management uses such measures, please see "*Benefits expense ratio, gross and net*", "*Adjusted EBITDA*" and "*Adjusted SG&A*" above.

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. At September 30, 2024, 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 at September 30, 2024, 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, at September 30, 2024, 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.

Information concerning legal proceedings can be found in Note 13 (Commitments and Contingencies) in the accompanying notes to 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

Except as subsequently disclosed in our periodic reports, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A of the 2023 Form 10-K. In the course of conducting our business operations, we are exposed to a variety of recurring and new 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 "Item 1A. Risk Factors" section included in the 2023 Form 10-K, as well as the factors identified under "Cautionary Note Regarding Forward-Looking Statements" at the beginning of Part I, Item 1 of this Form 10-Q and as may be updated in subsequent filings with the SEC.

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

On May 6, 2024, the Board of Directors of the Company authorized the repurchase of up to \$20,000,000 in shares of the Company's outstanding Class A Common Stock over a two year period. The timing, manner, price and amount of any repurchases are determined by the discretion of management, depending on market conditions and other factors. Repurchases may be made through open market purchases, including through Rule 10b5-1 trading plans, block trades or privately negotiated purchases or otherwise. The exact number of shares to be repurchased by the Company, if any, is not guaranteed, and there is no minimum number of shares that the Company is required to purchase. Depending on market conditions and other factors, these repurchases may be commenced, suspended or discontinued at any time or periodically without prior notice.

No share repurchases occurred during the three months ended September 30, 2024.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

During the three months ended September 30, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408(a) of Regulation S-K of the Securities Act).

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, effective as of April 16, 2024, between the Registrant and Peter Kuipers
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 8, 2024

By: _____
/s/ Andrew Toy
Andrew Toy
Chief Executive Officer (Principal Executive Officer)

Date: November 8, 2024

By: _____
/s/ Peter Kuipers
Peter Kuipers
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Clover Health

CONFIDENTIAL
April 15, 2024

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

Re: EMPLOYMENT AGREEMENT

Dear Peter Kuipers,

This Employment Agreement (the "Agreement") between you (referred to hereinafter as the "Executive") and Clover Health Labs, 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"), effective as of April 29, 2024 (the "**Effective Date**").

1. Duties and Scope of Employment.

- a. At-Will Employment. 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). 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.
- b. Position and Responsibilities. During the Employment Period, the Company agrees to employ Executive in the position of Chief Financial Officer. Executive will report to the Company's Chief Executive Officer, Andrew Toy, (Executive's "Supervisor"), and Executive will be working remotely and based out of California. 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 Executive's Supervisor, consistent with Executive's position and previous experience.
- c. Obligations to the Company. During the Employment Period, Executive shall perform Executive's duties faithfully and to the best of Executive's ability and will devote Executive's full business efforts and time to the Company. During the Employment Period, without the prior written approval of Executive's Supervisor, Executive shall not render services in any capacity to any other Person 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 Executive's Supervisor; 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 they may be in effect from time to time during Executive's Employment. Executive represents and warrants to the Company that (i) that Executive is not subject to any non-compete or other covenant that would restrict Executive's ability to work for the Company and (ii) Executive has returned all property and confidential information belonging to any prior employer.

2. Cash and Incentive Compensation.

- a. Base Salary. The Company shall pay Executive, as compensation for Executive's services, a base salary at a gross annual rate of \$525,000.00, earned and payable on a bi-weekly basis, 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 modifications 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 will be subject to review and adjustments that will 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.
- b. Cash Incentive Bonus. Executive will be eligible to be considered for a cash incentive bonus (the "Cash Bonus") each Company bonus cycle during the Employment Period (the "Performance 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 cycle will be established by, and in the sole discretion of, the Company's Board of Directors (the "Board"), any Compensation Committee of the Board (the "Committee"), or a delegate of either the Board or the Committee (the "Delegate"), as applicable. The initial target amount for any such Cash Bonus will be 95% of Executive's earned Base Salary (the "Target Bonus Percentage"), less all required tax withholdings and other applicable deductions. The determinations of the Board, the Committee or the Delegate, as applicable, with respect to such Cash Bonus or the Target Bonus Percentage shall be final and binding. Executive's Target Bonus Percentage for any subsequent cycle may be adjusted up or down, as determined in the sole discretion of the Board, the Committee or the Delegate, as applicable. Executive shall not earn a Cash Bonus unless Executive (i) has been employed by the Company for a minimum of three (3)

months of the Performance Period and (ii) is employed by and in good standing with the Company on the date when such Cash Bonus is actually paid by the Company. If Executive has not been employed by the Company for the full Performance Period associated with the Cash Bonus, Executive will not be eligible for the full Cash Bonus that cycle; instead, Executive's Cash Bonus will be prorated based on the number of completed months Executive has been employed with the Company.

- c. Restricted Stock Units. As an inducement for the Executive to accept the offer of employment with the Company as contemplated by this Agreement, subject to the approval of the Board, the Committee or a Delegate, as applicable, the Company shall grant Executive restricted stock units covering shares of the Company's Class A common stock with a grant date fair value (the "RSU Cash Value") of \$5,000,000 (the "RSU Award"). The number of shares subject to the RSU Awards will be determined by dividing the RSU Cash Value by the average closing price of a share of the Company's Class A common stock for the thirty trading days ending on the trading day prior to the date of grant, as publicly reported. The RSU Awards shall be granted no later than fourteen (14) days after your Effective Date (the "**Grant Date**"), pending Compensation Committee approval. Subject to any vesting acceleration rights Executive may have, the RSU Award shall vest and become payable as follows: 25% of the RSU Award will vest on the first anniversary of Executive's grant date, and the remainder of the RSU Award will vest in twelve equal quarterly installments beginning on the date that is three months after the first anniversary of Executive's grant date, in each case, subject to Executive continuing to provide services to the Company through the relevant vesting dates. The RSU Award will be subject to the terms, definitions and provisions of the applicable equity plan of the Company and the restricted stock unit award agreement by and between Executive and the Company (the "RSU Agreement"). Executive will be eligible for future awards under the Equity Plan, as determined in the sole discretion of the Board, the Committee or the Delegate, as applicable.
- d. Ongoing Restricted Stock Units. Executive will be eligible to be considered for an annual grant of performance and/or time-based restricted stock units (the "Annual RSU Award") each calendar year during the Performance Period based upon the achievement of certain objective or subjective criteria (collectively, the "Performance Goals"). For purposes of clarity, the Performance Goals for the Annual RSU Award may differ from the Performance Goals for the Cash Bonus. This target Annual RSU Award will be in the form of a combination of restricted stock units, performance stock units, and such other cash based performance awards as determined in the sole discretion of the Committee, with a target combined grant date fair value of \$3,000,000 (three million dollars) (assuming a four year vesting period) and future awards under the terms of the Company's 2020 Equity Plan in line with your peers, as determined by the Board, the Committee, or the Delegate, as applicable, under the terms of the Company's 2020

Equity Plan or a replacement plan. The Annual RSU award may consist of multiple grants, and variable vesting schedules based upon time in service and/or performance goals.

- e. Additional Performance Awards. Executive will also be eligible to participate in or receive additional cash-based or equity-based performance programs or awards if and when such programs are established or awards are granted and certain criteria are met. The amount and terms of cash-based or equity-based performance programs or awards, if any, will be subject to approval by the Board or the Committee, and values and terms and conditions will be in line with your peers.
3. Employee Benefits. During the Employment Period, Executive shall be eligible to (a) receive flexible time off ("FTO") in accordance with the Company's FTO policy, as it may be amended from time to time and (b) 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.
 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 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, (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 or (iii) Executive's death, or Executive resigns from such employment for Good Reason, 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 in accordance with the terms therein and in this Agreement, Executive will receive a one-time severance payment of an amount equal to Executive's Base Salary, as then in effect, for twelve (12) months (the "Severance Period") plus the annual target Cash Bonus, less all required tax withholdings and other applicable deductions, which will be paid in accordance with the Company's regular payroll procedures commencing on the Release Deadline (as defined in Section 7(a)); provided that the first payment shall include any amounts that would have been paid to Executive if payment had commenced on the date of Executive's separation from service.
- 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 end of the Severance Period, 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. Acceleration of Vesting in the Event of Termination without Cause. In the event that Executive is terminated by Company or resigns for Good Reason (but not in the case of the Executive's death or the Executive becoming Disabled) and such termination or resignation otherwise meets the requirements of this Section 6(a), then any unvested equity awards granted prior to the effective date of the Separation Agreement between Executive and the Company (the "Separation Agreement Effective Date") that has not vested as of the Separation Agreement Effective Date Date of such termination of employment will continue to vest in accordance with the

terms of the applicable equity award grant agreement for the period of one year following the Separation Agreement Effective Date.

- b. Termination without Cause or Resignation for Good Reason within the Change in Control Protection Period. If, during the Change in Control Protection Period, (x) the Company terminates Executive's employment with the Company without Cause, or (y) Executive resigns from such employment for Good Reason, then, subject to Section 7 (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:
- 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 in accordance with the terms therein and in this Agreement, Executive will receive a lump sum severance payment equal to eighteen (18) months (the "CIC Severance Period") of Executive's Base Salary as in effect immediately prior to the date of Executive's termination of employment plus annual target Cash Bonus, 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.
 - iii. 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 end of the CIC Severance Period, 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. 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 and any unvested and outstanding performance-based awards shall be subject to the terms and conditions of the Equity Plan and the award agreement by and between Executive and the Company pursuant to which such award was granted.

- c. 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 during the twelve (12) month period immediately following a Change in Control), 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, but will not be entitled to any other compensation or benefits from the Company except to the extent required by law (for example, COBRA).
- d. 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.
- e. 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, whether at law, tort or contract, in equity, or under this Agreement (other than the payment of accrued but unpaid wages, as required by law, and any unreimbursed reimbursable expenses). Executive will be entitled to no other severance, benefits, compensation or other payments or rights 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.
- f. 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.

- a. Release of Claims Agreement. The receipt of any severance payments or benefits pursuant to Section 6 of this Agreement is subject to Executive signing and not revoking a separation agreement and release of claims in a form substantially similar, as determined 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.

- b. Confidentiality Agreement. Executive's receipt of any payments or benefits under Section 6 will be subject to Executive continuing to comply with the terms of the Confidentiality Agreement (as defined in Section 11(a) below).
- c. 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. And 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.

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 or her duties and responsibilities to the Company or Executive's violation of any written Company policy;
 - ii. Executive's commission of any act of fraud, theft, embezzlement, 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;
 - 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 or her obligations under any written agreement or covenant with the Company.
- b. Change in Control. "Change in Control" shall have the meaning ascribed to such term in the Equity Plan.
- c. Change in Control Protection Period. "Change in Control Protection Period" means the period beginning one month 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 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 consent:
- i. A material diminution in or other substantial adverse alteration in the nature or scope of Executive's duties, authority or responsibilities, relative to Executive's duties, authority or responsibilities in effect immediately prior

to such reduction, including, without limitation, Executive ceasing to be the Chief Financial Officer of the Company, any requirement that Executive report to someone other than the CEO or Board;

- ii. A material reduction in Executive's Base Salary (except where there is a reduction applicable to all similarly situated executive officers generally);
- iii. A material change in the geographic location of Executive's primary work facility or location; provided, that a relocation of less than fifty (50) miles from Executive's then-present work location will not be considered a material change in geographic location;
- iv. Any failure or refusal by any successor-in-interest to the Company to assume all of Company's obligations under this Agreement;
- v. Any attempt by the Company or any successor-in-interest to the Company to cancel or otherwise terminate Executive's Company equity awards, except by way of the substitution for or replacement of Executive's Company equity awards with substantially equivalent equity awards;
- vi. Any failure by the Company to maintain commercially reasonable directors and officers liability insurance; or
- vii. A material breach by the Company of a material provision of this Agreement.

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 thirty (30) 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 will 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 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 will 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 will 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 will 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. Pre-Employment Conditions.

- a. Confidentiality Agreement. Executive's acceptance of this offer and Executive's Employment with the Company is contingent upon the execution, and delivery to an officer of the Company, of the Company's Employee Nondisclosure, Non-Solicitation, Confidentiality and Developments Agreement, a copy of which is attached hereto as Attachment [B] for Executive's review and execution (the "Confidentiality Agreement"), prior to or on the Effective Date.
- b. 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 within three (3) business days of the Effective Date, or the Employment relationship with Executive may be terminated.
- c. Verification of Information. This Agreement is also contingent upon the successful verification of the information Executive provided to the Company during Executive's application process, as well as a general background check performed by the Company to confirm Executive's suitability for Employment. By accepting this Agreement, Executive warrants that all information provided by Executive is true and correct to the best of Executive's knowledge, Executive agrees to execute any and all documentation necessary for the Company to conduct a background check and Executive expressly releases the Company from any claim or cause of action arising out of the Company's verification of such information.

12. Successors.

- a. 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.
- b. 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.

13. Notice Prior to Resignation without Good Reason. Executive agrees that it is reasonable and necessary for the Company to protect its confidential and proprietary

information and to ensure a smooth transition in the event that Executive's employment is terminated. Thus, Executive agrees that, in the event Executive resigns from employment with the Company without Good Reason, Executive will provide ninety (90) days advance written notice of Executive's resignation to Executive's immediate manager (the "Notice Period").

- a. Subject to the terms of this Agreement, during the Notice Period, Executive (i) will remain an Executive of the Company; (ii) will undertake all such duties and responsibilities as may reasonably be assigned by the Company including, but not limited to, assisting the Company with the transition of Executive's duties with the Company and maintaining the Company's business, business relationships and goodwill; (iii) will comply with all Company policies, this Agreement, and any other agreement with the Company concerning Executive's employment; and (iv) will not work, consult or provide services on a full or part time basis for another person, Company, entity or corporation on a paid or unpaid basis.
- b. Provided Executive remains employed during the Notice Period, Executive will (i) continue to receive Executive's base salary; and (ii) remain eligible to participate in the Company's benefit plans and programs in which Executive is participating at the time of Executive's resignation, subject to the terms of those plans and programs. However, after Executive has provided notice, Executive will no longer be eligible to receive any commission, bonus, or other discretionary incentive payments or awards, even if the Notice Period includes the date on which a commission, bonus, or other discretionary incentive payment or award would have been paid to Executive had Executive not provided notice.
- c. Executive agrees that the Company, in its sole discretion, may reduce the Notice Period by accelerating the termination of Executive's employment to an earlier date that the Company selects, and the payment of all compensation and benefits shall cease as of such earlier termination date. Executive further agrees that, during the Notice Period, the Company may elect, in its sole discretion, to: (i) withdraw any powers vested in, or duties assigned to, the Executive; (ii) discontinue or limit the Executive's access to information or the Company's systems; and (iii) prohibit the Executive from further entry to its premises.

Executive agrees that this Paragraph does not confer any guarantee with respect to the continuation of Executive's employment with the Company nor in any way limits the Company's right to terminate Executive's employment at-will.

14. Limitations on Publicity. Except for actions in the course of employment for the benefit of the Company or as may be authorized by the Company in writing, Executive will not be involved in the preparation of any book, article, story, video or film about the Company, its business or activities, and Executive will not give interviews about those subjects. For purposes of clarity, Executive will request approval from the Company before speaking or

being part of panels at industry, technology, CFO and CxO conferences and related interviews, which approval will not be unreasonably withheld.

15. Miscellaneous Provisions.

- a. 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.
- b. Headings. All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.
- c. 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 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 upon sixty (60) days advance written notice.
- d. 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.

- e. Entire Agreement. This Agreement and the Confidentiality Agreement contain the entire understanding of the parties with respect to the subject matter hereof and supersede all other prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof.
- f. 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.
- g. Choice of Law and Severability. This Agreement shall be interpreted in accordance with the laws of the State of California without giving effect to provisions governing the choice of law. 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.
- h. 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.
- i. 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.
- j. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall 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.

- k. 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 your acceptance of this Agreement, please sign and date this letter in the space provided below and return it to the Company.

Very truly yours,

Andrew Toy

Andrew Toy, CEO

Agreed to and Accepted by:

DocuSigned by:
Peter Kuipers
98E162CD02E44E7...

Peter Kuipers

Pleasanton, CA

Address

Date: 4/16/2024

**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, Andrew Toy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended September 30, 2024, 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 periods 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 8, 2024

By:

/s/ Andrew Toy

Andrew Toy
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, Peter Kuipers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended September 30, 2024, 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 periods 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 8, 2024

By:

/s/ Peter Kuipers
Peter Kuipers
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 three months ended September 30, 2024, 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 8, 2024

By:

/s/ Andrew Toy

Andrew Toy
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 three months ended September 30, 2024, 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 8, 2024

By:

/s/ Peter Kuipers

Peter Kuipers
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)