UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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, 2025

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 001-41591

SKYWARD SPECIALTY INSURANCE GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**14-1957288**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
800 Gessner Road, Suite 600 **Houston, Texas**	**77024-4284**
(Address of Principal Executive Offices)	(Zip Code)

(713) 935-4800
Registrant’s telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01	SKWD	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 and post 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 Act). Yes ☐ No ☒

As of October 31, 2025, the registrant had 40,487,365 shares of common stock outstanding.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

($ in thousands, except share and per share amounts)	**September 30, 2025** (Unaudited)	December 31, 2024
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (net of allowance for credit losses of $7,000 and $0, respectively) (amortized cost of $1,800,068 and $1,320,266, respectively)	**$ 1,805,218**	$ 1,292,218
Fixed maturity securities, held-to-maturity, at amortized cost (net of allowance for credit losses of $236 and $243, respectively)	**34,568**	39,153
Equity securities, at fair value	**1,182**	106,254
Mortgage loans, at fair value	**9,998**	26,490
Equity method investments	**85,368**	98,594
Other long-term investments	**50,078**	33,182
Short-term investments, at fair value	**247,376**	274,929
Total investments	**2,233,788**	1,870,820
Cash and cash equivalents	**160,068**	121,603
Restricted cash	**38,197**	35,922
Premiums receivable, net	**583,148**	321,641
Reinsurance recoverables, net	**923,406**	857,876
Ceded unearned premium	**276,354**	203,901
Deferred policy acquisition costs	**144,932**	113,183
Deferred income taxes	**28,022**	30,486
Goodwill and intangible assets, net	**88,417**	87,348
Other assets	**117,714**	86,698
Total assets	**$ 4,594,046**	$ 3,729,478
Liabilities and stockholders' equity		
Liabilities:		
Reserves for losses and loss adjustment expenses	**$ 2,061,774**	$ 1,782,383
Unearned premiums	**885,669**	637,185
Deferred ceding commission	**50,995**	40,434
Reinsurance and premium payables	**276,750**	177,070
Funds held for others	**123,304**	102,665
Accounts payable and accrued liabilities	**114,570**	76,206
Notes payable	**100,000**	100,000
Subordinated debt, net of debt issuance costs	**19,561**	19,536
Total liabilities	**3,632,623**	2,935,479
Stockholders' equity		
Common stock, $0.01 par value, 500,000,000 shares authorized, 40,487,365 and 40,127,908 shares issued and outstanding, respectively	**405**	401
Additional paid-in capital	**727,561**	718,598
Accumulated other comprehensive income (loss)	**9,539**	(22,120)
Retained earnings	**223,918**	97,120
Total stockholders' equity	**961,423**	793,999
Total liabilities and stockholders' equity	**$ 4,594,046**	$ 3,729,478

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

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)

($ in thousands, except share and per share amounts)	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Revenues:				
Net earned premiums	**$ 351,797**	$ 269,557	**$ 947,705**	$ 763,482
Commission and fee income	**1,904**	1,818	**6,440**	5,897
Net investment income	**22,180**	19,535	**60,107**	59,866
Net investment gains	**6,881**	10,173	**16,920**	16,755
Other loss	**(236)**	(195)	**(216)**	(202)
Total revenues	**382,526**	300,888	**1,030,956**	845,798
Expenses:				
Losses and loss adjustment expenses	**213,780**	170,521	**582,351**	473,489
Underwriting, acquisition and insurance expenses	**101,676**	79,817	**273,823**	226,270
Interest expense	**1,919**	2,229	**5,629**	7,405
Amortization expense	**455**	351	**1,164**	1,099
Other expenses	**4,149**	1,117	**6,212**	3,350
Total expenses	**321,979**	254,035	**869,179**	711,613
Income before income taxes	**60,547**	46,853	**161,777**	134,185
Income tax expense	**14,646**	10,185	**34,979**	29,763
Net income	**$ 45,901**	$ 36,668	**$ 126,798**	$ 104,422
Comprehensive income				
Net income	**$ 45,901**	$ 36,668	**$ 126,798**	$ 104,422
Other comprehensive income:				
Unrealized gains and losses on investments:				
Net change in unrealized gains on investments, net of tax	**6,740**	31,396	**30,000**	24,527
Reclassification adjustment for gains (losses) on securities no longer held, net of tax	**5,465**	(1,963)	**1,659**	(3,277)
Total other comprehensive income	**12,205**	29,433	**31,659**	21,250
Comprehensive income	**$ 58,106**	$ 66,101	**$ 158,457**	$ 125,672
Per share data:				
Basic earnings per share	**$ 1.13**	$ 0.91	**$ 3.14**	$ 2.61
Diluted earnings per share	**$ 1.10**	$ 0.89	**$ 3.03**	$ 2.53
Weighted-average common shares outstanding				
Basic	**40,487,069**	40,098,345	**40,377,864**	40,039,269
Diluted	**41,868,449**	41,428,557	**41,784,976**	41,302,108

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

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	Three months ended September 30,	
($ in thousands, except share amounts)	**2025**	2024
Common shares:		
Balance at beginning of period	**40,486,656**	40,096,132
Issuance of shares	**709**	3,799
Balance at September 30	**40,487,365**	40,099,931
Common stock:		
Balance at beginning of period	**$ 405**	$ 401
Issuance of common stock	**—**	—
Balance at September 30	**$ 405**	$ 401
Additional paid-in capital:		
Balance at beginning of period	**$ 724,159**	$ 713,542
Issuance of common stock	**3,402**	2,553
Balance at September 30	**$ 727,561**	$ 716,095
Stock notes receivable:		
Balance at beginning of period	**$ —**	$ (5,233)
Employee equity transactions	**—**	5,233
Balance at September 30	**$ —**	$ —
Accumulated other comprehensive income (loss):		
Balance at beginning of period	**$ (2,666)**	$ (31,136)
Other comprehensive income, net of tax	**12,205**	29,433
Balance at September 30	**$ 9,539**	$ (1,703)
Retained earnings:		
Balance at beginning of period	**$ 178,017**	$ 46,046
Net income	**45,901**	36,668
Balance at September 30	**$ 223,918**	$ 82,714
Total stockholders' equity	**$ 961,423**	$ 797,507

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

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY (UNAUDITED)

($ in thousands, except share amounts)	Nine months ended September 30, 2025	2024
Common shares:		
Balance at beginning of year	**40,127,908**	39,863,756
Issuance of shares	**359,457**	236,175
Balance at September 30	**40,487,365**	40,099,931
Common stock:		
Balance at beginning of year	**$ 401**	$ 399
Issuance of common stock	**4**	2
Balance at September 30	**$ 405**	$ 401
Additional paid-in capital:		
Balance at beginning of year	**$ 718,598**	$ 710,855
Issuance of common stock	**8,963**	5,240
Balance at September 30	**$ 727,561**	$ 716,095
Stock notes receivable:		
Balance at beginning of year	**$ —**	$ (5,562)
Employee equity transactions	**—**	5,562
Balance at September 30	**$ —**	$ —
Accumulated other comprehensive income (loss):		
Balance at beginning of year	**$ (22,120)**	$ (22,953)
Other comprehensive income, net of tax	**31,659**	21,250
Balance at September 30	**$ 9,539**	$ (1,703)
Retained earnings (accumulated deficit):		
Balance at beginning of year	**$ 97,120**	$ (21,708)
Net income	**126,798**	104,422
Balance at September 30	**$ 223,918**	$ 82,714
Total stockholders’ equity	**$ 961,423**	$ 797,507

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

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine months ended September 30,	
($ in thousands)	**2025**	2024
Cash flows from operating activities:		
Net income	**$ 126,798**	$ 104,422
Adjustments to reconcile net income to net cash provided by operating activities	**229,510**	178,793
Net cash provided by operating activities	**356,308**	283,216
Cash flows from investing activities:		
Purchase of fixed maturity securities, available-for-sale	**(664,018)**	(425,642)
Purchase of equity securities	**(13,213)**	(14,156)
Purchase of equity method investments and other long-term investments	**(3,222)**	(22,377)
Purchase of intangible assets and goodwill	**(2,000)**	—
Investment in direct and indirect loans	**15,412**	18,445
Purchase of property and equipment	**(3,747)**	(3,148)
Proceeds from the sales of fixed maturity securities, available-for-sale	**61,461**	17,540
Maturities, calls, transfers and paydowns of fixed maturity securities, available-for-sale	**122,761**	96,306
Maturities, calls and paydowns of fixed maturity securities held-to-maturity	**3,506**	5,345
Proceeds from the sales of equity securities	**126,738**	22,993
Sales of and distributions from equity method and other long-term investments	**9,274**	10,054
Change in short-term investments	**27,562**	63,868
Change in receivable/payable for securities	—	34
Cash provided by deposit accounting	**3,918**	2,775
Net cash used in investment activities	**(315,568)**	(227,963)
Cash flows from financing activities:		
Repayment of stock notes receivable	—	5,561
Proceeds from long term borrowings	—	107,000
Payments on long term borrowings and trust preferred	—	(116,794)
Net cash used in financing activities	—	(4,233)
Net increase in cash and cash equivalents and restricted cash	**40,740**	51,020
Cash and cash equivalents and restricted cash at beginning of period[(1)]	**157,525**	100,336
Cash and cash equivalents and restricted cash at end of period[(1)]	**$ 198,265**	$ 151,356
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 4,671**	$ 6,943
Cash paid for income taxes	**$ 31,822**	$ 22,968

[(1)] *The sum of cash and cash equivalents and restricted cash from the consolidated balance sheets*

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

1. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements of Skyward Specialty Insurance Group, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America for interim financial reporting and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all the disclosures required by GAAP for complete consolidated financial statements. Readers are urged to review the Company's Annual Report on Form 10-K for the year ended December 31, 2024 for a more complete description of the Company's business and accounting policies. In the opinion of management, all adjustments necessary for a fair statement of the condensed consolidated financial statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results of operations for the full year. The consolidated balance sheet as of December 31, 2024 was derived from the Company's audited annual consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from these estimates.

Updates to Significant Accounting Policies

The following accounting policy has been updated to align with reporting of peer companies.

Investments

Available-for-sale

The allowance for credit losses is limited to the amount by which fair value is below amortized cost. Prior to September 30, 2025, changes in the allowance for credit losses were recognized in net investment income on the consolidated statements of operations. As of September 30, 2025, changes in the allowance for credit losses are recognized in net investment gains. Prior periods have been updated to conform to the current period presentation. Credit losses that are limited by the fair value of the security are recognized in stockholders' equity, net of taxes, as a component of accumulated other comprehensive (loss) income. Unrealized losses that are not credit-related continue to be recognized in stockholders' equity, net of taxes, as a component of accumulated other comprehensive (loss) income.

Held to maturity

Investments in fixed maturity securities that are held-to-maturity are carried at amortized cost net of an allowance for credit losses. The allowance for credit losses represents the current estimate of expected credit losses. The Company develops a historical loss rate from Moody's multi-year cumulative loss rates for asset backed securities. The historical loss rate is adjusted for current conditions and reasonable and supportable forecasts. Prior to September 30, 2025, changes in the allowance for credit losses were recognized in net investment income on the consolidated statements of operations. As of September 30, 2025, changes in the allowance for credit losses are recognized in net investment gains. Prior periods have been updated to conform to the current period presentation.

Consolidation

Variable interest entity

The Company consolidates an entity in which it has a controlling financial interest by first considering if an entity meets the definition of a variable interest entity ("VIE") for which the Company is deemed to be the primary beneficiary, or if the Company has the power to control an entity through a majority of voting interest or through other arrangements. A VIE is an entity that either (i) lacks sufficient equity to finance its activities without additional subordinated financial support from other parties; (ii) whose equity holders lack the characteristics of a controlling financial interest; and/or (iii) is established with non-substantive voting rights. The Company's assessment may involve subjectivity in the determination of which activities most significantly affect the VIE’s performance, and estimates about current and future fair value of the assets held by the VIE and financial performance of the VIE. In performing the related party analysis, the Company considers both qualitative and quantitative factors, including, but not limited to: the characteristics and size of its investment relative to the related party; the Company’s and the related party's ability to control or significantly influence key decisions of the VIE including consideration of involvement by de facto agents; the obligation or likelihood for the Company or the related party to fund operating losses of the VIE; and the similarity and significance of the VIE’s business activities to those of the Company and the related party. The determination of whether an entity is a VIE, and whether the Company is the primary beneficiary, may involve significant judgment, and depends upon facts and circumstances specific to an entity at the time of the assessment.

At each reporting period, the Company reassesses whether changes in facts and circumstances cause a change in the status of an entity as a VIE, and/or a change in the Company's consolidation assessment. Changes in consolidation status are applied prospectively. An entity may be consolidated as a result of this reassessment, in which case, the assets, liabilities and noncontrolling interest in the entity are recorded at fair value upon initial consolidation. Any existing equity interest held by the Company in the entity prior to the Company obtaining control will be remeasured at fair value, which may result in a gain or loss recognized upon initial consolidation. The Company may also deconsolidate a subsidiary as a result of this reassessment, which may result in a gain or loss recognized upon deconsolidation depending on the carrying values of deconsolidated assets and liabilities compared to the fair value of any interests retained.

After performing the above assessments, the Company has determined one entity meets the definition of a VIE for which the Company is the primary beneficiary. See Note 6 for further details and required disclosures.

Derivatives

The Company uses commodity derivatives to assume risk and manage its exposures in the insurance industry. Commodity derivatives expose the Company to potentially unfavorable price changes to the underlying commodities. The Company accounts for its derivatives in accordance with FASB ASC Topic 815, Derivatives and Hedging, which requires all derivatives to be recorded at fair value on the Company’s balance sheet as either assets or liabilities, depending on their rights or obligations, with changes in fair value reflected in current earnings. The Company meets the criteria in the guidance to net the assets and liabilities, which the Company includes in “other assets” on the condensed consolidated balance sheets. While the Company considers these exchange-traded futures and forward purchase and sale contracts to be effective economic hedges, the Company has not elected hedge accounting treatment. The fair value of the Company’s derivatives is estimated by reference to quoted prices or broker quotes, where available, or in the absence of quoted prices or broker quotes, the use of industry or internal valuation models. See Note 7 for further details and required disclosures.

2. Investments

The following tables set forth the amortized cost and the fair value by investment category at September 30, 2025 and December 31, 2024:

($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
September 30, 2025					
Fixed maturity securities, available-for-sale:					
U.S. government securities	**$ 75,931**	**$ 286**	**$ (30)**	**$ —**	**$ 76,187**
Corporate securities and miscellaneous	**594,623**	**14,213**	**(4,034)**	**(7,000)**	**597,802**
Municipal securities	**100,748**	**1,648**	**(2,393)**	**—**	**100,003**
Residential mortgage-backed securities	**497,582**	**7,904**	**(10,310)**	**—**	**495,176**
Commercial mortgage-backed securities	**71,950**	**1,046**	**(612)**	**—**	**72,384**
Other asset-backed securities	**459,234**	**5,560**	**(1,128)**	**—**	**463,666**
Total fixed maturity securities, available-for-sale	**$ 1,800,068**	**$ 30,657**	**$ (18,507)**	**$ (7,000)**	**$ 1,805,218**
Fixed maturity securities, held-to-maturity:					
Other asset-backed securities	**$ 34,804**	**$ 2,699**	**$ —**	**$ (236)**	**$ 37,267**
Total fixed maturity securities, held-to-maturity	**$ 34,804**	**$ 2,699**	**$ —**	**$ (236)**	**$ 37,267**

($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Allowance for Credit Losses	Fair Value
December 31, 2024					
Fixed maturity securities, available-for-sale:					
U.S. government securities	$ 26,577	$ 35	$ (126)	$ —	$ 26,486
Corporate securities and miscellaneous	433,298	5,618	(13,288)	—	425,628
Municipal securities	89,966	116	(5,366)	—	84,716
Residential mortgage-backed securities	408,585	1,875	(16,627)	—	393,833
Commercial mortgage-backed securities	70,262	545	(1,443)	—	69,364
Other asset-backed securities	291,578	2,447	(1,834)	—	292,191
Total fixed maturity securities, available-for-sale	$ 1,320,266	$ 10,636	$ (38,684)	$ —	$ 1,292,218
Fixed maturity securities, held-to-maturity:					
Other asset-backed securities	$ 39,396	$ —	$ (436)	$ (243)	$ 38,717
Total fixed maturity securities, held-to-maturity	$ 39,396	$ —	$ (436)	$ (243)	$ 38,717

2. Investments (continued)

The following table sets forth the amortized cost and fair value of available-for-sale fixed maturity securities by contractual maturity at September 30, 2025:

($ in thousands)	Amortized Cost	Fair Value
Due in less than one year	$ 41,043	$ 40,596
Due after one year through five years	445,407	444,540
Due after five years through ten years	231,147	235,749
Due after ten years	53,705	53,107
Mortgage-backed securities	569,532	567,560
Other asset-backed securities	459,234	463,666
Total	$ 1,800,068	$ 1,805,218

Expected maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Also, changing interest rates, tax considerations or other factors may result in portfolio sales prior to maturity.

The Company's fixed maturity securities, held-to-maturity, at September 30, 2025 consisted entirely of asset backed securities that were not due at a single maturity date.

At September 30, 2025, the Company had U.S. government agencies mortgage-backed fixed maturity securities, with a carrying value of approximately $67.3 million pledged as collateral for a loan (the "FHLB Loan") from the Federal Home Loan Bank of Dallas ("FHLB") pursuant to an Advances and Security Agreement between the Company and FHLB (the "Advances and Security Agreement"). In accordance with the terms of the FHLB Loan, the Company retains all rights regarding these pledged securities.

At September 30, 2025, the Company had assets with fair values of approximately $55.3 million pledged as collateral for performance obligations under reinsurance agreements. In accordance with the terms of the trust agreements, the Company retains all rights regarding these securities, of which $45.7 million are residential mortgage-backed securities, $7.4 million of cash and cash equivalents and other assets and $2.2 million of short-term investments.

The following tables set forth the gross unrealized losses and the corresponding fair values of investments, aggregated by length of time that individual securities had been in a continuous unrealized loss position as of September 30, 2025 and 2024:

	Less than 12 Months		12 Months or More		Total	
($ in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
September 30, 2025						
Fixed maturity securities, available-for-sale:						
U.S. government securities	$ 5,342	$ —	$ 2,051	$ (30)	$ 7,393	$ (30)
Corporate securities and miscellaneous	52,842	(149)	69,438	(3,885)	122,280	(4,034)
Municipal securities	11,359	(311)	23,913	(2,082)	35,272	(2,393)
Residential mortgage-backed securities	64,023	(527)	79,215	(9,783)	143,238	(10,310)
Commercial mortgage-backed securities	996	(1)	10,412	(611)	11,408	(612)
Other asset-backed securities	48,244	(116)	18,502	(1,012)	66,746	(1,128)
Total fixed maturity securities, available-for-sale	182,806	(1,104)	203,531	(17,403)	386,337	(18,507)

2. Investments (continued)

($ in thousands)	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2024						
Fixed maturity securities, available-for-sale:						
U.S. government securities	$ 15,938	$ (34)	$ 2,297	$ (92)	$ 18,235	$ (126)
Corporate securities and miscellaneous	136,888	(2,060)	81,232	(11,228)	218,120	(13,288)
Municipal securities	41,930	(1,046)	27,687	(4,320)	69,617	(5,366)
Residential mortgage-backed securities	201,407	(3,366)	82,496	(13,261)	283,903	(16,627)
Commercial mortgage-backed securities	9,411	(126)	13,178	(1,317)	22,589	(1,443)
Other asset-backed securities	75,119	(721)	29,851	(1,113)	104,970	(1,834)
Total fixed maturity securities, available-for-sale	480,693	(7,353)	236,741	(31,331)	717,434	(38,684)
Fixed maturity securities, held-to-maturity:						
Other asset-backed securities	2,144	(2)	36,573	(434)	38,717	(436)
Total fixed maturity securities, held-to-maturity:	2,144	(2)	36,573	(434)	38,717	(436)
Total	$ 482,837	$ (7,355)	$ 273,314	$ (31,765)	$ 756,151	$ (39,120)

The Company regularly monitors its available-for-sale fixed maturity securities that have fair values less than cost or amortized cost for signs of impairment, an assessment that requires significant management judgment regarding the evidence known. Such judgments could change in the future as more information becomes known, which could negatively impact the amounts reported. Among the factors that management considers for fixed maturity securities are the financial condition of the issuer including receipt of scheduled principal and interest cash flows, and intent to sell, including if it is more likely than not that the Company will be required to sell the investments before recovery.

As of September 30, 2025, the Company had 515 lots of fixed maturity securities in an unrealized loss position. The Company does not have an intent to sell these securities and it is not more likely than not that the Company will be required to sell these securities before maturity or recovery of its cost basis. The Company reviewed its investments at September 30, 2025 and determined that for two available-for-sale securities in the “corporate securities and miscellaneous” category, credit impairments existed, based on new recovery analysis that showed deteriorating conditions raising credit concerns. Other than the securities discussed previously, the Company determined that no other credit impairment existed in the gross unrealized holding losses, due to the reasons discussed below:

- *U.S. government securities and municipal securities*: These securities were issued by the U.S. Treasury Department, Federal government-sponsored entities or by state and local governments. The decline in fair values was attributable to changes in interest rates and not credit quality. The Company does not intend to sell these securities and it is likely that it will not do so before their anticipated recovery. Therefore, the Company does not consider these impaired securities.

2. Investments (continued)

- *Corporate securities and miscellaneous*: Corporations in various industries issued these securities. The decline in fair values was attributable to changes in interest rates and not credit quality. The Company reviewed the issuers of these securities to identify any significant adverse change in financial condition, a change in the quality of credit enhancement (if any), a ratings decrease, or negative outlook assignment from a major credit rating agency, and any failure to make interest or principal payments. After these reviews, the Company determined that the decline in fair values was attributable to changes in interest rates and not credit quality. The Company does not intend to sell these securities and it is likely that it will not do so before their anticipated recovery. Therefore, the Company does not consider these impaired securities.
- *Residential mortgage-backed securities, commercial mortgage-backed securities, and other asset-backed securities*: The decline in fair values was attributable to changes in interest rates and not credit quality. The Company does not intend to sell these securities and it is likely that it will not do so before their anticipated recovery. Therefore, the Company does not consider these impaired securities.

The following table sets forth the changes in the allowance for credit losses on available-for-sale securities and held-to-maturity securities during the nine months ended September 30, 2025 and 2024:

($ in thousands)	Fixed Maturity Securities, Available-For-Sale	Fixed Maturity Securities, Held-to-Maturity
Balance at December 31, 2024	**$ —**	**$ 243**
Current period provision for credit losses	**—**	**7**
Balance at March 31, 2025	**$ —**	**$ 250**
Current period provision for credit losses	**6,150**	**18**
Balance at June 30, 2025	**$ 6,150**	**$ 268**
Current period provision for credit losses	**850**	**—**
Recoveries of amounts previously written off	**—**	**(32)**
Balance at September 30, 2025	**$ 7,000**	**$ 236**

	Fixed Maturity Securities, Held-to-Maturity
Balance at December 31, 2023	$ 329
Balance at March 31, 2024	$ 329
Recoveries of amounts previously written off	(104)
Balance at June 30, 2024	$ 225
Current period provision for credit losses	14
Balance at September 30, 2024	$ 239

2. Investments (continued)

The following table sets forth the components of net investment gains for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
Gross realized gains				
Fixed maturity securities, available-for-sale	**$ 701**	$ 575	**$ 1,606**	$ 1,405
Equity securities	**17,076**	1,591	**34,262**	3,165
Other	**109**	62	**709**	170
Total	**17,886**	2,228	**36,577**	4,740
Gross realized losses				
Fixed maturity securities, available-for-sale	**(1,191)**	(11)	**(9,788)**	(871)
Equity securities	**(745)**	(280)	**(3,000)**	(2,571)
Other	**(82)**	(142)	**(192)**	(152)
Total	**(2,018)**	(433)	**(12,980)**	(3,594)
Net unrealized gains (losses) on investments				
Equity securities	**(14,551)**	7,512	**(22,900)**	14,802
Mortgage loans	**(69)**	866	**195**	807
Other	**5,633**	—	**16,028**	—
Net investment gains	**$ 6,881**	$ 10,173	**$ 16,920**	$ 16,755

The following table sets forth the proceeds from sales of available-for-sale fixed maturity securities and equity securities for the nine months ended September 30, 2025 and 2024:

	Nine months ended September 30,	
($ in thousands)	**2025**	2024
Fixed maturity securities, available-for-sale	**$ 61,461**	$ 17,540
Equity securities	**126,738**	22,993

2. Investments (continued)

The following table sets forth the components of net investment income for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
Income (loss):				
Fixed maturity securities, available-for-sale	**$ 21,354**	$ 15,461	**$ 57,095**	$ 41,099
Fixed maturity securities, held-to-maturity	**(453)**	953	**(453)**	3,205
Equity securities	**95**	591	**1,204**	1,969
Equity method investments	**345**	(1,144)	**(2,541)**	2,596
Mortgage loans	**283**	1,158	**1,214**	4,165
Indirect loans	**(1,504)**	(401)	**(6,494)**	(1,874)
Short-term investments and cash	**3,260**	3,709	**10,159**	11,370
Other	**836**	836	**2,607**	2,360
Total investment income	**24,216**	21,163	**62,791**	64,890
Investment expenses	**(2,036)**	(1,628)	**(2,684)**	(5,024)
Net investment income	**$ 22,180**	$ 19,535	**$ 60,107**	$ 59,866

The following table sets forth the change in net unrealized gains (losses) on the Company's investment portfolio, net of deferred income taxes, included in other comprehensive loss for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
Fixed maturity securities	**$ 15,505**	$ 37,257	**$ 40,192**	$ 26,898
Deferred income taxes	**(3,300)**	(7,824)	**(8,533)**	(5,648)
Total	**$ 12,205**	$ 29,433	**$ 31,659**	$ 21,250

3. Fair Value Measurements

The Company's financial instruments include assets and liabilities carried at fair value, as well as assets and liabilities carried at cost or amortized cost but disclosed at fair value in its consolidated financial statements. In determining fair value, the market approach is generally applied, which uses prices and other relevant data based on market transactions involving identical or comparable assets and liabilities.

The Company uses data primarily provided by third-party investment managers or pricing vendors to determine the fair value of its investments. Periodic analyses are performed on prices received from third parties to determine whether the prices are reasonable estimates of fair value. The analyses include a review of month-to-month price fluctuations and, as needed, a comparison of pricing services' valuations to other pricing services' valuations for the identical security.

The Company classifies its financial instruments into the following three-level hierarchy:

Level 1 - Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 - Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 - Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The following methods and assumptions were used in estimating the fair value disclosures for financial instruments in the accompanying consolidated financial statements and in these notes:

U.S. government securities, mutual funds and common stock

The Company uses unadjusted quoted prices for identical instruments in an active exchange to measure fair value which represent Level 1 inputs.

Preferred stocks, municipal securities, corporate securities and miscellaneous

The Company uses a pricing model that utilizes market-based inputs such as trades in an illiquid market for a particular security or trades in active markets for securities with similar characteristics. The model considers other inputs such as benchmark yields, issuer spreads, security terms and conditions, and other market data. These represent Level 2 fair value inputs.

Commercial mortgage-backed securities, residential mortgage-backed securities and other asset-backed securities

The Company uses a pricing model that utilizes market-based inputs that may include dealer quotes, market spreads, and yield curves. It may evaluate individual tranches in a security by determining cash flows using the security's terms and conditions, collateral performance, credit information benchmark yields and estimated prepayments. These represent Level 2 fair value inputs.

Fixed maturity securities, available for sale classified as Level 3

The Company has corporate securities and miscellaneous, other asset-backed securities that are managed by an independent asset manager and priced by an independent pricing provider. The provider estimates the value of the securities using the discount net present value of cash flows method using an unobservable discount rate. The discount rate spread represents the risk associated with future cash flows, including inflation, opportunity cost and the time value of money. This rate represents Level 3 fair value inputs.

3. Fair Value Measurements (continued)

The following table sets forth the range of the discount rate as of September 30, 2025 and December 31, 2024:

	September 30, 2025	December 31, 2024
High	**11.11 %**	8.00 %
Low	**4.72 %**	5.70 %
Weighted average	**6.31 %**	6.60 %

Mortgage loans

Mortgage loans have variable interest rates and are collateralized by real property. The Company determines fair value of mortgage loans using the income approach utilizing inputs that are observable and unobservable (Level 3). The unobservable input consists of the spread applied to a prime rate used to discount cash flows. The spread represents the incremental cost of capital based on the borrower's ability to make future payments and the value of the collateral relative to the loan balance and is subject to judgment and uncertainty.

The following table sets forth the range and weighted average, weighted by relative fair value, of the spread as of September 30, 2025 and December 31, 2024:

	September 30, 2025	December 31, 2024
High	**7.56 %**	10.00 %
Low	**6.84 %**	7.00 %
Weighted average	**7.09 %**	7.93 %

Derivatives

Included in other assets are derivatives which consist of certain exchange traded options contracts entered into by the Company. The fair values of these options are measured using quoted prices in active markets on the relevant exchange, specifically utilizing either the volume-weighted average price of trades in similar contracts during a specified time window, or the last trade settlement price when no trades occur within that period. This method represents Level 1 inputs.

3. Fair Value Measurements (continued)

The following tables set forth the Company's investments and derivatives within the fair value hierarchy at September 30, 2025 and December 31, 2024:

September 30, 2025 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available-for-sale:				
U.S. government securities	$ **76,187**	$ **—**	$ **—**	$ **76,187**
Corporate securities and miscellaneous	**—**	**496,195**	**101,607**	**597,802**
Municipal securities	**—**	**100,003**	**—**	**100,003**
Residential mortgage-backed securities	**—**	**495,176**	**—**	**495,176**
Commercial mortgage-backed securities	**—**	**72,384**	**—**	**72,384**
Other asset-backed securities	**—**	**446,046**	**17,620**	**463,666**
Total fixed maturity securities, available-for-sale	**76,187**	**1,609,804**	**119,227**	**1,805,218**
Fixed maturity securities, held-to-maturity:				
Other asset-backed securities	**—**	**—**	**37,267**	**37,267**
Total fixed maturity securities, held-to-maturity	**—**	**—**	**37,267**	**37,267**
Equity securities:				
Common stocks	**—**	**—**	**—**	**—**
Preferred stocks	**—**	**1,182**	**—**	**1,182**
Mutual funds	**—**	**—**	**—**	**—**
Total equity securities	**—**	**1,182**	**—**	**1,182**
Mortgage loans	**—**	**—**	**9,998**	**9,998**
Short-term investments	**247,376**	**—**	**—**	**247,376**
Derivatives	**16,843**	**—**	**—**	**16,843**
Total	$ **340,406**	$ **1,610,986**	$ **166,492**	$ **2,117,884**

3. Fair Value Measurements (continued)

December 31, 2024 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available-for-sale:				
U.S. government securities	$ 26,486	$ —	$ —	$ 26,486
Corporate securities and miscellaneous	—	354,815	70,813	425,628
Municipal securities	—	84,716	—	84,716
Residential mortgage-backed securities	—	393,833	—	393,833
Commercial mortgage-backed securities	—	69,364	—	69,364
Other asset-backed securities	—	285,084	7,107	292,191
Total fixed maturity securities, available-for-sale	26,486	1,187,812	77,920	1,292,218
Fixed maturity securities, held-to-maturity:				
Other asset-backed securities	—	—	38,717	38,717
Total fixed maturity securities, held-to-maturity:	—	—	38,717	38,717
Equity securities:				
Common stocks	64,251	—	—	64,251
Preferred stocks	—	1,164	—	1,164
Mutual funds	40,839	—	—	40,839
Total equity securities	105,090	1,164	—	106,254
Mortgage loans	—	—	26,490	26,490
Short-term investments	274,929	—	—	274,929
Total	$ 406,505	$ 1,188,976	$ 143,127	$ 1,738,608

3. Fair Value Measurements (continued)

The following tables set forth the changes in the fair value of instruments carried at fair value with a Level 3 measurement during the nine months ended September 30, 2025 and 2024:

($ in thousands)	Fixed Maturity Securities, Available-For-Sale	Mortgage Loans
Balance at December 31, 2024	**$ 77,920**	**$ 26,490**
Total losses for the period recognized in net investment gains	**(110)**	**(66)**
Issuances	**—**	**5**
Settlements	**—**	**(10,417)**
Purchases	**5,164**	**—**
Sales/Disposals	**(199)**	**—**
Total unrealized gains for the period recognized in accumulated comprehensive income (loss)	**682**	**—**
Balance at March 31, 2025	**$ 83,457**	**$ 16,012**
Total losses for the period recognized in net investment gains attributable to the change in unrealized gains or losses relating to assets held as of period end	**$ —**	**$ (84)**
Total (losses) gains for the period recognized in net investment gains	**(4,081)**	**330**
Issuances	**—**	**8**
Settlements	**—**	**(6,182)**
Transfers into Level 3	**6,144**	**—**
Purchases	**8,838**	**—**
Sales/Disposals	**(237)**	**—**
Total unrealized gains for the period recognized in accumulated comprehensive income (loss)	**747**	**—**
Balance at June 30, 2025	**$ 94,868**	**$ 10,168**
Total gains for the period recognized in net investment gains attributable to the change in unrealized gains or losses relating to assets held as of period end	**$ —**	**$ 92**
Total losses for the period recognized in net investment gains	**(920)**	**(69)**
Settlements	**—**	**(101)**
Purchases	**24,921**	**—**
Sales/Disposals	**(809)**	**—**
Total unrealized gains for the period recognized in accumulated comprehensive income (loss)	**1,167**	**—**
Balance at September 30, 2025	**$ 119,227**	**$ 9,998**
Total losses for the period recognized in net investment gains attributable to the change in unrealized gains or losses relating to assets held as of period end	**$ —**	**$ (69)**

3. Fair Value Measurements (continued)

($ in thousands)	Fixed Maturity Securities, Available-For-Sale	Equity Securities	Mortgage Loans
Balance at December 31, 2023	$ —	$ —	$ 50,070
Total gains for the period recognized in net investment gains (losses)	—	—	971
Issuances	—	—	187
Settlements	—	—	(6,919)
Balance at March 31, 2024	$ —	$ —	$ 44,309
Total gains for the period recognized in net investment gains (losses) attributable to the change in unrealized gains or losses relating to assets held as of period end	$ —	$ —	$ 952
Total losses for the period recognized in net investment gains (losses)	—	—	(1,030)
Issuances	—	—	449
Settlements	—	—	(58)
Balance at June 30, 2024	$ —	$ —	$ 43,670
Total losses for the period recognized in net investment gains (losses) attributable to the change in unrealized gains or losses relating to assets held as of period end	$ —	$ —	$ (1,031)
Total (losses) gains for the period recognized in net investment gains (losses)	(118)	246	866
Total unrealized gains for the period recognized in accumulated comprehensive income (loss)	1,592	—	—
Transfers into Level 3	23,533	—	—
Purchases	23,820	5,571	—
Sales/Disposals	(153)	—	—
Issuances	—	—	8
Settlements	—	—	(8,277)
Balance at September 30, 2024	$ 48,674	$ 5,817	$ 36,267
Total gains for the period recognized in net investment gains (losses) attributable to the change in unrealized gains or losses relating to assets held as of period end	$ —	$ 246	$ 829

The transfers into Level 3 during the nine months ended September 30, 2025 were the result of securities that began receiving valuations from asset managers that utilized unobservable inputs at the end of the period.

The Company measures certain assets, including investments in indirect loans and loan collateral, equity method investments and other invested assets, at fair value on a nonrecurring basis only when they are deemed to be impaired.

In addition to the preceding disclosures on assets and liabilities recorded at fair value in the consolidated balance sheets, the Company is also required to disclose the fair values of certain other financial instruments for which it is practicable to estimate fair value. Estimated fair value amounts, defined as the quoted market price of a financial instrument, have been determined using available market information and other appropriate valuation methodologies. However, considerable judgments are required in developing the estimates of fair value where quoted market prices are not available. Accordingly, these estimates are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions or estimating methodologies may have an effect on the estimated fair value amounts.

The following methods and assumptions were used in estimating the fair value disclosures of other financial instruments:

Fixed maturity securities, held-to-maturity: Fixed maturity securities, held-to-maturity consists of senior and junior notes with target rates of return. As of September 30, 2025, the Company determined the fair value of these instruments using the income approach utilizing inputs that are unobservable (Level 3).

3. Fair Value Measurements (continued)

Investment in RedBird Capital Partners: Included in other long-term investments is an investment in a limited partnership with RedBird Capital Partners, which invests in Bishop Street Underwriters, LLC ("Bishop Street"), a managing general agent (MGA). The investment had a fair value of $47.0 million at September 30, 2025, which was determined using the net asset value. The Company employs procedures to assess the reasonableness of the fair value of the investment including obtaining and reviewing the audited financial statements. The unfunded commitment related to the investment was $21.5 million at September 30, 2025. The Company may sell its interest in the investment with the appropriate prior written notice and approval by the general partner. In accordance with Accounting Standard Codification 820-10, this investment is measured at fair value using the net asset value per share practical expedient and has not been classified in the fair value hierarchy.

Notes payable: The carrying value approximates the estimated fair value for notes payable as the notes payable accrue interest at current market rates plus a spread. The Company determines fair value using the income approach utilizing inputs that are observable (Level 2).

Subordinated debt: Subordinated debt consists of the Unsecured Subordinated Notes, due May 24, 2039 and have a fixed interest rate. The Company determines the fair value of these instruments using the income approach utilizing inputs that are observable (Level 2).

The following table sets forth the Company's carrying and fair values of notes payable and subordinated debt as of September 30, 2025 and December 31, 2024:

	September 30, 2025		December 31, 2024	
($ in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes payable				
FHLB Loan	**$ 57,000**	**$ 57,474**	$ 57,000	$ 56,200
Revolving credit facility	**43,000**	**43,000**	43,000	43,000
Notes payable	**$ 100,000**	**$ 100,474**	$ 100,000	$ 99,200
Subordinated debt				
Unsecured subordinated notes	**$ 19,561**	**$ 20,989**	$ 19,536	$ 20,541
Subordinated debt, net of debt issuance costs	**$ 19,561**	**$ 20,989**	$ 19,536	$ 20,541

Other financial instruments qualify as insurance-related products and are specifically exempted from fair value disclosure requirements.

4. Mortgage Loans

The Company has invested in Separately Managed Accounts ("SMA1" and "SMA2"). As of September 30, 2025 and December 31, 2024, the Company held direct investments in mortgage loans from various creditors through SMA1 and SMA2.

The Company's mortgage loan portfolios are primarily senior loans on real estate across the U.S. The loans earn interest at a fixed spread above a prime rate and mature in approximately 2 to 4 years from loan origination. The principal amounts of the loans are approximately 64% of the property's appraised value at the time the loans were made.

The following table sets forth the carrying value of the Company's mortgage loans as of September 30, 2025 and December 31, 2024:

($ in thousands)	**September 30, 2025**	December 31, 2024
Commercial	**$ 3,407**	$ 8,474
Retail	—	10,032
Hospitality	**6,591**	7,984
	$ 9,998	$ 26,490

4. Mortgage Loans (continued)

The following table sets forth the Company's gross investment income for mortgage loans for the three and nine months ended September 30, 2025 and 2024:

($ in thousands)	Three months ended September 30, 2025	2024	Nine months ended September 30, 2025	2024
Commercial	**$ 108**	$ 376	**$ 325**	$ 1,685
Retail	**—**	513	**304**	1,473
Hospitality	**175**	269	**585**	1,007
	$ 283	$ 1,158	**$ 1,214**	$ 4,165

The uncollectible amounts on loans, on an individual loan basis, are determined based upon consultations and advice from the Company's specialized investment manager and consideration of any adverse situations that could affect the borrower's ability to repay, the estimated value of underlying collateral, and other relevant factors. The Company writes off the uncollectible amount in the period it was determined to be uncollectible. There was no write-off for uncollectible amounts during the three and nine months ended September 30, 2025 and 2024, respectively.

As of September 30, 2025 and as of December 31, 2024, no mortgage loans were in the process of foreclosure and there were no mortgage loans that were not producing income for the previous 12 months.

5. Equity Method Investments and Other

The following table sets forth the carrying value and ownership percentage of the Company's equity method investments as of September 30, 2025 and December 31, 2024:

($ in thousands)	**September 30, 2025**		December 31, 2024	
	Carrying Value	Ownership %	Carrying Value	Ownership %
Arena Special Opportunities Fund, LP units	**$ 28,547**	**14.2 %**	$ 34,936	15.3 %
JVM Funds LLC units	**15,044**	**10.1 %**	17,229	10.1 %
Hudson Ventures Fund 2 LP units	**5,275**	**2.5 %**	4,967	2.5 %
RISCOM	**4,427**	**20.0 %**	5,013	20.0 %
Brewer Lane Ventures Fund II LP units	**1,691**	**2.4 %**	1,040	2.4 %
Dowling Capital Partners LP units	**805**	**5.0 %**	666	5.0 %
Arena SOP LP units	**—**	**11.2 %**	1,474	10.9 %
	$ 55,789		$ 65,325	

5. Equity Method Investments and Other (continued)

The following table sets forth the components of net investment income (loss) from equity method investments for the three and nine months ended September 30, 2025 and 2024:

($ in thousands)	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
RISCOM	**$ 487**	$ 493	**$ 1,414**	$ 1,168
Dowling Capital Partners LP units	**232**	67	**448**	1,449
Hudson Ventures Fund II LP units	**187**	(594)	**252**	(436)
Brewer Lane Ventures Fund II LP	**(25)**	(31)	**118**	(87)
JVM Funds LLC	**(222)**	(261)	**(737)**	(1,280)
Arena SOP LP units	**—**	(612)	**(1,474)**	67
Arena Special Opportunities Fund, LP units	**(314)**	(206)	**(2,562)**	1,715
	$ 345	$ (1,144)	**$ (2,541)**	$ 2,596

The following table sets forth the unfunded commitment of equity method investments as of September 30, 2025 and December 31, 2024:

($ in thousands)	September 30, 2025	December 31, 2024
Brewer Lane Ventures Fund II LP units	**$ 3,355**	$ 4,077
Dowling Capital Partners LP units	**386**	386
Hudson Ventures Fund 2 LP units	**216**	397
Red Bird Capital Partners LP units	**21,506**	24,400
	$ 25,463	$ 29,260

The difference between the cost of an investment and its proportionate share of the underlying equity in net assets is allocated to the various assets and liabilities of the equity method investment. The Company amortizes the difference in net assets over the same useful life of a similar asset as the underlying equity method investment. For investment in RISCOM, a similar asset would be agent relationships. The Company amortizes this difference over a 15-year useful life.

The following table sets forth the Company's recorded investment in RISCOM compared to its share of underlying equity as of September 30, 2025 and December 31, 2024:

($ in thousands)	September 30, 2025	December 31, 2024
Investment in RISCOM:		
Underlying equity	**$ 3,352**	$ 3,756
Difference	**1,075**	1,258
Recorded investment balance	**$ 4,427**	$ 5,013

The following table sets forth the Company's recorded investment in JVM Funds LLC compared to its share of underlying equity as of September 30, 2025 and December 31, 2024:

($ in thousands)	September 30, 2025	December 31, 2024
Investment in JVM Funds LLC:		
Underlying equity	**$ 14,552**	$ 16,624
Difference	**492**	605
Recorded investment balance	**$ 15,044**	$ 17,229

5. Equity Method Investments and Other (continued)

Investment in Indirect Loans and Loan Collateral

As of September 30, 2025 and December 31, 2024, the Company held indirect investments in collateralized loans and loan collateral through SMA1 and SMA2.

The carrying value of the SMA1 and SMA2 as of September 30, 2025 and December 31, 2024 were as follows:

($ in thousands)	**September 30, 2025**	December 31, 2024
SMA1	**$ 16,049**	$ 20,296
SMA2	**13,530**	12,973
Investment in indirect loans and loan collateral	**$ 29,579**	$ 33,269

6. Variable Interest Entity

Pursuant to GAAP consolidation guidance, Skyward consolidates Separate Account HSIC-01 ("HSIC-01"), established by Mangrove Risk Solutions Bermuda Ltd. ("Mangrove"). HSIC-01 is a VIE for which the Company is the primary beneficiary. The purpose of the VIE is to hedge price volatility risks of certain insurance products by investing in dairy and livestock commodities. The Company directly manages the business; therefore, it considers itself the primary beneficiary. The Company does not provide performance guarantees and has no other financial obligation to provide funding to HSIC-01, other than its own capital commitments. The assets of consolidated variable interest entities may only be used to settle obligations of these entities. In addition, there is no recourse to the assets of HSIC-01 other than to satisfy associated liabilities.

The following table presents the assets of HSIC-01, included in the condensed consolidated balance sheet as of September 30, 2025. The assets presented below only include third-party net assets and exclude any intercompany balances, which were eliminated upon consolidation.

($ in thousands)	**September 30, 2025**
Assets	
Cash and cash equivalents	**24,822**
Other assets	**16,843**
Total assets	**$ 41,665**

7. Derivatives

The Company uses derivatives as part of its financial risk management programs to mitigate price risk related to certain insurance contracts exposed to commodity price risk due to fluctuations in relevant market prices, including cattle and milk. To mitigate revenue volatility and support financial stability, the Company employs a hedging strategy that utilizes derivatives, specifically put options, as part of its risk management framework. The primary objective of holding these derivative instruments is to manage exposure to adverse price movements. The activity in these instruments generally reflects current market conditions and shifts in risk exposures throughout the year. The notional value of derivative contracts held and the degree of hedged exposure are actively managed and may vary depending on the prevailing pricing environment in cattle, hogs, and milk markets. The Company does not use derivatives for speculative or trading purposes. All derivative positions are intended to support the overall risk transfer objectives of the business. The Company has not elected hedge accounting for these derivatives.

The following table presents the notional amounts and fair value of derivative assets in the condensed consolidated balance sheets at September 30, 2025:

($ in thousands)	**Derivative Assets**	
	Notional Amount	Fair Value
Economic hedges	**$ 130,601**	**$ 16,843**

7. **Derivatives (continued)**

The Company presents the net gain (loss) recognized on derivative instruments in economic hedging relationships in “losses and loss adjustment expenses” on the condensed consolidated statements of operations. For the three and nine months ended September 30, 2025, the Company recognized $5.2 million, respectively, of pre-tax net gains in losses and loss adjustment expenses.

8. Segment

The Company has one reportable segment through which it offers a broad array of commercial property and casualty products and solutions on a non-admitted (or E&S) and admitted basis, predominantly in the United States. The segment is made up of nine distinct underwriting divisions, or “continuing business,” and has dedicated underwriting leadership supported by high-quality technical staff with deep experience in their respective niches. The Company defines its segment on the basis of the way in which internally reported financial information is regularly reviewed by the Chief Operating Decision Maker (“CODM”) to analyze financial performance, make decisions and allocate resources. The Company’s CODM is the chief executive officer.

The accounting policies of the segment are the same as those described in Note 1 “Summary of Significant Accounting Policies” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2024. The CODM assesses performance for the segment and decides how to allocate resources based on gross written premiums by net underwriting division, underwriting income, and income before income taxes that also is reported on the condensed consolidated statements of operations as consolidated income before income taxes. The measure of segment assets is reported on the balance sheet as total consolidated assets.

Gross written premiums by underwriting division, net underwriting income, and consolidated net income are used to monitor budget versus actual results. The chief operating decision maker also uses net underwriting income, annualized return on equity and growth in book value per share in competitive analysis by benchmarking to the Company’s competitors. The competitive analysis along with the monitoring of budgeted versus actual results are used in assessing performance of the segment and in establishing management’s compensation.

The following table presents gross written premiums by underwriting division for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
Accident & Health	**$ 63,147**	$ 43,490	**$ 186,805**	$ 128,479
Agriculture and Credit (Re)insurance	**168,105**	17,044	**327,525**	96,957
Captives	**67,956**	53,630	**213,318**	184,137
Construction & Energy Solutions	**66,576**	70,309	**215,760**	222,745
Global Property	**27,649**	37,540	**158,327**	183,083
Professional Lines	**35,598**	40,310	**114,911**	120,655
Specialty Programs	**82,771**	54,434	**231,401**	166,256
Surety	**43,737**	34,592	**122,272**	106,076
Transactional E&S	**50,950**	48,665	**156,417**	146,506
Total continuing business	**606,489**	400,014	**1,726,736**	1,354,894
Exited business	**20**	—	**13**	(17)
Total gross written premiums	**$ 606,509**	$ 400,014	**$ 1,726,749**	$ 1,354,877

8. Segment (continued)

The following table presents information about reported segment net underwriting income, significant segment expenses and a reconciliation of net underwriting income to net income for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
Underwriting income				
Revenues:				
Net earned premiums	**$ 351,797**	$ 269,557	**$ 947,705**	$ 763,482
Commission and fee income	**1,904**	1,818	**6,440**	5,897
Total underwriting revenues	**353,701**	271,375	**954,145**	769,379
Expenses:				
Losses and LAE	**213,780**	170,521	**582,351**	473,489
Amortization of policy acquisition costs	**49,243**	37,365	**138,369**	105,273
Other operating and general expenses	**52,433**	42,452	**135,454**	120,997
Total underwriting expenses	**315,456**	250,338	**856,174**	699,759
Net underwriting income	**$ 38,245**	$ 21,037	**$ 97,971**	$ 69,620
Reconciliation of net underwriting income to net income:				
Net underwriting income	**$ 38,245**	$ 21,037	**$ 97,971**	$ 69,620
Add:				
Net investment income	**22,180**	19,535	**60,107**	59,866
Net investment gains	**6,881**	10,173	**16,920**	16,755
Other loss	**(236)**	(195)	**(216)**	(202)
Less:				
Interest expense	**1,919**	2,229	**5,629**	7,405
Amortization expense	**455**	351	**1,164**	1,099
Other expenses	**4,149**	1,117	**6,212**	3,350
Income before income taxes	**60,547**	46,853	**161,777**	134,185
Income tax expense	**14,646**	10,185	**34,979**	29,763
Net income	**$ 45,901**	$ 36,668	**$ 126,798**	$ 104,422

The following table presents annualized return on equity for the three and nine months ended September 30, 2025 and 2024 and book value per share as of September 30, 2025 and December 31, 2024:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	**2025**	2024
Annualized return on equity	**19.7 %**	19.3 %	**19.3 %**	19.1 %

	September 30, 2025	December 31, 2024
Book value per share	**$ 23.75**	$ 19.79

9. Income Taxes

The following table sets forth the Company's income tax expense and effective tax rates for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
Income tax expense	**$ 14,646**	$ 10,185	**$ 34,979**	$ 29,763
Effective tax rate	**24.2%**	21.7%	**21.6%**	22.2%

The effective tax rate will differ from the statutory rate of 21 percent due to permanent differences for disallowed expenses for tax and beneficial adjustments for tax-exempt income, dividends-received deduction, non-deductible expenses and discrete items. The effective tax rate for the three and nine months ended September 30, 2025 increased 2.5% and decreased 0.6%, respectively, when compared to the same 2024 periods. The effective tax rate for the three months ended September 30, 2025 was primarily impacted by a permanent tax item related to non-deductible acquisition expenses, which increased the effective tax rate by 1.1%.

The Company paid income taxes of $11.0 million and $31.8 million during the three and nine months ended September 30, 2025, respectively, and $8.5 million and $23.0 million during the three and nine months ended September 30, 2024, respectively.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted in the U.S. The OBBA includes significant provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and the restoration of favorable tax treatment for certain business provisions. The legislation has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. These legislative changes did not and are not expected to have a material impact on the Company's third quarter or future effective tax rates. The Company has included the estimated impact of the OBBBA in its third quarter financial results, the period of enactment.

10. Losses and Loss Adjustment Expenses

The following table sets forth the reconciliation of unpaid losses and loss adjustment expenses ("LAE") as reported in the condensed consolidated balance sheets as of and for the nine months ended September 30, 2025 and 2024:

	Nine months ended September 30,	
($ in thousands)	**2025**	2024
Reserves for losses and LAE, beginning of period	**$ 1,782,383**	$ 1,314,501
Less: reinsurance recoverable on unpaid claims, beginning of period	**(670,846)**	(455,484)
Reserves for losses and LAE, beginning of period, net of reinsurance	**1,111,537**	859,017
Incurred, net of reinsurance, related to:		
Current period	**587,584**	474,289
Prior years	**—**	—
Total incurred, net of reinsurance	**587,584**	474,289
Paid, net of reinsurance, related to:		
Current period	**84,583**	82,653
Prior years	**292,605**	224,760
Total paid	**377,188**	307,413
Net reserves for losses and LAE, end of period	**1,321,933**	1,025,893
Plus: reinsurance recoverable on unpaid claims, end of period	**739,841**	542,884
Reserves for losses and LAE, end of period	**$ 2,061,774**	$ 1,568,777

11. Commission and Fee Income

Skyward Underwriters Agency, Inc. ("SUA"), a subsidiary of the Company, is a managing general insurance agent and reinsurance broker for property and casualty and accident and health risks in specialty niche markets. Commission and fee income is primarily generated from SUA for the placement of insurance policies on either a third-party insurance or reinsurance company.

The following table sets forth the Company's disaggregated revenues from contracts with customers for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
SUA commission revenue	**$ 779**	$ 1,436	**$ 3,054**	$ 3,125
SUA fee income	**1,650**	1,027	**4,422**	2,437
Other	**(525)**	(645)	**(1,036)**	335
Total commission and fee income	**$ 1,904**	$ 1,818	**$ 6,440**	$ 5,897

The Company's contract assets from commission and fee income as of September 30, 2025 and December 31, 2024 were $2.6 million and $1.4 million, respectively.

12. Underwriting, Acquisition and Insurance Expenses

The following table sets forth the components of underwriting, acquisition and insurance expenses for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
Amortization of policy acquisition costs	**$ 49,243**	$ 37,365	**$ 138,369**	$ 105,273
Other operating and general expenses	**52,433**	42,452	**135,454**	120,997
Total underwriting, acquisition and insurance expenses	**$ 101,676**	$ 79,817	**$ 273,823**	$ 226,270

13. Reinsurance

Certain premiums and benefits are assumed from and ceded to other insurance companies under various reinsurance agreements. The reinsurance agreements provide the Company with increased capacity to write larger risks and maintain its exposure to loss within its capital resources. The Company remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations.

The following tables set forth the effects of reinsurance on written and earned premiums and losses and loss adjustment expenses for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,			
	2025		2024	
($ in thousands)	Written	Earned	Written	Earned
Direct premiums	**$ 414,475**	**$ 417,896**	$ 347,444	$ 349,980
Assumed premiums	**192,034**	**117,008**	52,570	69,436
Ceded premiums	**(165,342)**	**(183,107)**	(131,692)	(149,859)
Net premiums	**$ 441,167**	**$ 351,797**	$ 268,322	$ 269,557
Ceded losses and LAE incurred		**$ 126,632**		$ 108,152

13. Reinsurance (continued)

	Nine months ended September 30,			
	2025		2024	
($ in thousands)	Written	Earned	Written	Earned
Direct premiums	**$ 1,283,866**	**$ 1,196,111**	$ 1,118,683	$ 1,012,550
Assumed premiums	**442,883**	**282,155**	236,194	202,408
Ceded premiums	**(603,098)**	**(530,561)**	(502,326)	(451,476)
Net premiums	**$ 1,123,651**	**$ 947,705**	$ 852,551	$ 763,482
Ceded losses and LAE incurred		**$ 400,537**		$ 300,725

The following table sets forth the components of reinsurance recoverables and ceded unearned premium as of September 30, 2025 and December 31, 2024:

($ in thousands)	**September 30, 2025**	December 31, 2024
Ceded unpaid losses and LAE	**$ 739,841**	$ 670,846
Ceded paid losses and LAE	**185,860**	166,663
Loss portfolio transfer	**—**	22,662
Allowance for credit losses	**(2,295)**	(2,295)
Reinsurance recoverables	**$ 923,406**	$ 857,876
Ceded unearned premium	**$ 276,354**	$ 203,901

The Company entered into agreements with several of its reinsurers, whereby the reinsurer established funded trust accounts with the Company as the sole beneficiary. These trust accounts provide the Company additional security to collect claim recoverables under reinsurance contracts and the Company does not carry these on the balance sheet because the Company will only have custody over these accounts upon the failure of the reinsurer to pay amounts due. At September 30, 2025, the market value of these accounts was approximately $220.4 million. The trust amount will be adjusted periodically, by mutual agreement, based on claim payments and loss reserve recoverables.

Certain ceded reinsurance contracts that transfer only significant timing risk and do not transfer sufficient underwriting risk are accounted for using the deposit method of accounting. The Company’s deposit asset at September 30, 2025 and December 31, 2024 was $22.0 million and $25.9 million, respectively, and was included in other assets on the condensed consolidated balance sheets.

14. Earnings Per Share

The following table sets forth the computation of basic and diluted net earnings per share for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands, except for share and per share amounts)	**2025**	2024	**2025**	2024
Numerator				
Net income	**$ 45,901**	$ 36,668	**$ 126,798**	$ 104,422
Denominator				
Basic weighted-average common shares	**40,487,069**	40,098,345	**40,377,864**	40,039,269
Dilutive effect of stock units	**880,353**	932,030	**901,598**	895,468
Dilutive effect of options	**501,027**	398,182	**505,514**	367,371
Diluted weighted-average common share equivalents	**41,868,449**	41,428,557	**41,784,976**	41,302,108
Basic earnings per share	**$ 1.13**	$ 0.91	**$ 3.14**	$ 2.61
Diluted earnings per share	**$ 1.10**	$ 0.89	**$ 3.03**	$ 2.53

The following table presents anti-dilutive instruments that were excluded from the calculation of diluted weighted-average common share equivalents during the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	**2025**	2024
Stock units	**27,208**	7,152	**91,206**	165,072
Options	**350**	16	**87**	561

15. Related Party Transactions

RISCOM

RISCOM provides the Company with wholesale brokerage services. RISCOM and the Company also have a managing general agency agreement. The Company holds a 20% ownership interest in RISCOM.

Net earned premium and gross commission expense related to these agreements for the three and nine months ended September 30, 2025 and 2024 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
Net earned premium	**$ 30,675**	$ 27,456	**$ 89,521**	$ 79,511
Commissions	**7,026**	6,448	**22,191**	19,682

Premiums receivable as of September 30, 2025 and December 31, 2024 were $15.2 million and $12.6 million, respectively.

Other

Advisory and professional services fees and expense reimbursements paid to various affiliated stockholders and directors for the three and nine months ended September 30, 2025 were $0.2 million and $0.5 million, compared to $0.2 million and $0.4 million for the three and nine months ended September 30, 2024.

See Note 5 for investments involving affiliated companies and additional related party transactions.

16. Commitments and Contingencies

Apollo Acquisition

On September 2, 2025, the Company entered into two share purchase agreements (the "Apollo Majority SPAs") with institutional and management shareholders, respectively, of Apollo Group Holdings Limited ("Apollo") (the "Majority Sellers"). Pursuant to the Apollo Majority SPAs, in accordance with the terms and subject to the conditions therein, the Company has agreed to acquire all of the issued shares of Apollo held by the Majority Sellers, representing approximately 87% of the issued share capital of Apollo. In addition, the closing of the transaction ("completion") is conditioned upon the Company acquiring 100% of the issued share capital of Apollo at completion pursuant to additional short-form share purchase agreements (the "Apollo Minority SPAs" and together with the Apollo Majority SPAs, the "Apollo SPAs") to be entered into either prior to or at completion with the remaining minority shareholders of Apollo (the "Minority Sellers" and together with the Majority Sellers, the "Sellers"). The consideration for the entire issued share capital of Apollo under the Apollo SPAs is $555.0 million, approximately 33% of which will be satisfied by the issuance of 3,679,332 unregistered shares of common stock of the Company to certain Sellers and the remainder in cash. The acquisition is expected to close in the first quarter of 2026, subject to the satisfaction of closing conditions, including regulatory approvals. In connection with the Apollo SPAs, on September 2, 2025, the Company entered into debt commitment letters (the "Apollo Commitment Letters") pursuant to which Barclays Bank PLC (the "Lender") has committed to provide us with debt financing in the form of (i) up to two senior unsecured delayed draw term loan credit facilities of up to $300.0 million in total, and (ii) in case the borrower is not able to obtain consent from lenders under its existing revolving credit agreement to the transactions under the Apollo SPAs, a senior unsecured bridge facility of up to $150.0 million, in each case, on the terms and subject to the conditions set forth in the Apollo Commitment Letters.

Litigation

The Company is named as a defendant in various legal actions arising from claims made under insurance policies and contracts. Those actions are considered by the Company in estimating the losses and loss adjustment expense reserves. Also, from time to time, the Company is a defendant in various legal actions that relate to bad faith claims, disputes with third parties or that involve alleged errors and omissions. The Company records accruals for these items to the extent the losses are probable and reasonably estimable. Although the ultimate outcome of these matters cannot be determined at this time, based on present information, the availability of insurance coverage and advice received from outside legal counsel, the Company believes the resolution of any such matters will not, individually or in the aggregate, have a material adverse effect on the Company’s consolidated financial position, results of operations or cash flows.

Indemnification

In conjunction with the sale of business assets and subsidiaries, the Company has provided indemnifications to certain buyers. Certain indemnifications cover typical representations and warranties related to the responsibilities to perform under the sales contracts. The amount of potential exposure covered by the indemnifications is difficult to determine because the indemnifications cover a variety of matters, operations and scenarios. Certain of these indemnifications have no time limit. At this time, the Company does not have reason to believe any such significant claims exist.

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

The term "Skyward Specialty" as used below refers only to Skyward Specialty Insurance Group, Inc. and the terms "our Company," "we," "us," and "our" as used below refer to Skyward Specialty Insurance Group and its consolidated subsidiaries. The term "third quarter" as used below refers to the three and nine months ended September 30 for the time period then ended. We discuss certain key metrics which provide useful information about our business and the operational factors underlying our financial performance. Many of these metrics are generally standard among insurance companies and help to provide comparability with our peers. Select insurance, accounting, operating and financial terms for Skyward Specialty are defined in the sections entitled "Select Insurance and Financial Terms" and "Key Operating and Financial Metrics" included in our 2024 Form 10-K for the year ended December 31, 2024 (the "2024 Form 10-K").

The discussion and analysis below include certain forward-looking statements that are subject to risks, uncertainties and other factors described in "Risk Factors" in our 2024 Form 10-K. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors.

The results of operations for the three and nine months ended September 30, 2025 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2025, or for any other future period. The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Part I, Item 1 of this Quarterly Report, and in conjunction with our audited consolidated financial statements and the notes thereto included in our 2024 Form 10-K.

The accompanying condensed consolidated financial statements and related notes have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP").

Overview

Founded in 2006, Skyward Specialty is a specialty insurance holding company incorporated in Delaware. We have one reportable segment through which we offer a broad array of commercial property and casualty products and solutions on a non-admitted (or E&S) and admitted basis, predominantly in the United States. We focus our business on markets that are underserved, dislocated and/or for which standard insurance coverages are insufficient or inadequate to meet the needs of businesses, including our customers and prospective customers operating in these markets. Our customers typically require highly specialized, customized underwriting solutions and claims capabilities. As such, we develop and deliver tailored insurance products and services to address each of the niche markets we serve.

On September 2, 2025, we entered into two share purchase agreements (the "Apollo Majority SPAs") with institutional and management shareholders, respectively, of Apollo Group Holdings Limited ("Apollo") (the "Majority Sellers"). Pursuant to the Apollo Majority SPAs, in accordance with the terms and subject to the conditions therein, we have agreed to acquire all of the issued shares of Apollo held by the Majority Sellers, representing approximately 87% of the issued share capital of Apollo. In addition, the closing of the transaction ("completion") is conditioned upon the Company acquiring 100% of the issued share capital of Apollo at completion pursuant to additional short-form share purchase agreements (the "Apollo Minority SPAs" and together with the Apollo Majority SPAs, the "Apollo SPAs") to be entered into either prior to or at completion with the remaining minority shareholders of Apollo (the "Minority Sellers" and together with the Majority Sellers, the "Sellers"). The consideration for the entire issued share capital of Apollo under the Apollo SPAs is $555.0 million, approximately 33% of which will be satisfied by the issue of common stock of the Company to certain Sellers and the remainder in cash. The acquisition is expected to close in the first quarter of 2026, subject to the satisfaction of closing conditions, including regulatory approvals. In connection with the Apollo SPAs, on September 2, 2025, we entered into debt commitment letters (the "Apollo Commitment Letters") pursuant to which Barclays Bank PLC (the "Lender") has committed to provide us with debt financing in the form of (i) up to two senior unsecured delayed draw term loan credit facilities of up to $300.0 million in total, and (ii) in case the borrower is not able to obtain consent from lenders under its existing revolving credit agreement to the transactions under the Apollo SPAs, a senior unsecured bridge facility of up to $150.0 million, in each case, on the terms and subject to the conditions set forth in the Apollo Commitment Letters. As of September 30, 2025, we have recognized $3.1 million in acquisition-related expenses associated with this pending transaction.

During the first quarter of 2025, we updated our underwriting divisions to align with how management currently oversees the business, allocates resources and evaluates operating performance. We added a ninth division, Agriculture and Credit (Re)insurance, which includes the Global Agriculture unit, previously reported with Global Property, and the Mortgage and Credit units, and focuses on specialty classes for which reinsurance provides a more attractive market entry. The Industry Solutions division is now the Construction & Energy Solutions division and the Inland Marine unit is now included in the Transactional E&S division. Programs is now Specialty Programs. Prior reporting periods have been conformed to reflect the new presentation.

All of our insurance company subsidiaries are group rated and have financial strength ratings of "A" (Excellent) with stable outlook from the A.M. Best Company.

Results of Operations

The following table summarizes our results for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
Gross written premiums	**$ 606,509**	$ 400,014	**$ 1,726,749**	$ 1,354,877
Ceded written premiums	**(165,342)**	(131,692)	**(603,098)**	(502,326)
Net written premiums	**$ 441,167**	$ 268,322	**$ 1,123,651**	$ 852,551
Net earned premiums	**$ 351,797**	$ 269,557	**$ 947,705**	$ 763,482
Commission and fee income	**1,904**	1,818	**6,440**	5,897
Losses and LAE	**213,780**	170,521	**582,351**	473,489
Underwriting, acquisition and insurance expenses	**101,676**	79,817	**273,823**	226,270
Underwriting income[(1)]	**$ 38,245**	$ 21,037	**$ 97,971**	$ 69,620
Net investment income	**$ 22,180**	$ 19,535	**$ 60,107**	$ 59,866
Net investment gains	**$ 6,881**	$ 10,173	**$ 16,920**	$ 16,755
Income before income taxes	**$ 60,547**	$ 46,853	**$ 161,777**	$ 134,185
Net income	**$ 45,901**	$ 36,668	**$ 126,798**	$ 104,422
Adjusted operating income[(1)]	**$ 44,008**	$ 29,416	**$ 118,574**	$ 93,361
Loss and LAE ratio	**60.8 %**	63.3 %	**61.4 %**	62.0 %
Expense ratio	**28.4 %**	28.9 %	**28.2 %**	28.9 %
Combined ratio	**89.2 %**	92.2 %	**89.6 %**	90.9 %
Annualized return on equity	**19.7 %**	19.3 %	**19.3 %**	19.1 %
Annualized return on tangible equity[(1)]	**21.8 %**	21.8 %	**21.4 %**	21.7 %
Annualized adjusted return on equity[(1)]	**18.9 %**	15.5 %	**18.0 %**	17.1 %
Annualized adjusted return on tangible equity[(1)]	**20.9 %**	17.5 %	**20.0 %**	19.4 %

[(1)] See "Reconciliation of Non-GAAP Financial Measures" in this Item 2

Reconciliation of Non-GAAP Financial Measures

Adjusted Operating Income

The following table provides a reconciliation of adjusted operating income to net income for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,				Nine months ended September 30,			
	2025		2024		**2025**		2024	
($ in thousands)	Pre-tax	After-tax	Pre-tax	After-tax	Pre-tax	After-tax	Pre-tax	After-tax
Income as reported	**$ 60,547**	**$ 45,901**	$ 46,853	$ 36,668	**$ 161,777**	**$ 126,798**	$ 134,185	$ 104,422
Less (add):								
Net investment gains	**6,881**	**5,217**	10,173	8,037	**16,920**	**13,262**	16,755	13,236
Net impact of LPT	**—**	**—**	318	251	**—**	**—**	800	632
Other loss	**(236)**	**(179)**	(195)	(154)	**(216)**	**(169)**	(202)	(160)
Other expenses	**(4,149)**	**(3,145)**	(1,117)	(882)	**(6,212)**	**(4,869)**	(3,350)	(2,647)
Adjusted operating income	**$ 58,051**	**$ 44,008**	$ 37,674	$ 29,416	**$ 151,285**	**$ 118,574**	$ 120,182	$ 93,361

Underwriting Income

The following table provides a reconciliation of underwriting income to income before federal income tax expense for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
Income before income taxes	**$ 60,547**	$ 46,853	**$ 161,777**	$ 134,185
Add:				
Interest expense	**1,919**	2,229	**5,629**	7,405
Amortization expense	**455**	351	**1,164**	1,099
Other expenses	**4,149**	1,117	**6,212**	3,350
Less:				
Net investment income	**22,180**	19,535	**60,107**	59,866
Net investment gains	**6,881**	10,173	**16,920**	16,755
Other loss	**(236)**	(195)	**(216)**	(202)
Underwriting income	**$ 38,245**	$ 21,037	**$ 97,971**	$ 69,620

Tangible Stockholders' Equity

The following table provides a reconciliation of tangible stockholders' equity to stockholders' equity for the periods ended September 30, 2025 and 2024:

($ in thousands)	**2025**	2024
Stockholders' equity	**$ 961,423**	$ 797,507
Less: Goodwill and intangible assets	**88,417**	87,607
Tangible stockholders' equity	**$ 873,006**	$ 709,900

Annualized Adjusted Return on Equity

The following table provides a reconciliation of annualized adjusted return on equity to annualized return on equity for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
Numerator: annualized adjusted operating income	**$ 176,032**	$ 117,664	**$ 158,099**	$ 124,481
Denominator: average stockholders' equity	**$ 930,669**	$ 760,564	**$ 877,711**	$ 729,269
Annualized adjusted return on equity	**18.9 %**	15.5 %	**18.0 %**	17.1 %

Annualized Return on Tangible Equity

Annualized return on tangible equity for the three and nine months ended September 30, 2025 and 2024 reconciles to annualized return on equity as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
Numerator: annualized net income	**$ 183,604**	$ 146,672	**$ 169,064**	$ 139,229
Denominator: average tangible stockholders' equity	**$ 842,063**	$ 672,826	**$ 789,829**	$ 641,248
Annualized return on tangible equity	**21.8 %**	21.8 %	**21.4 %**	21.7 %

Annualized Adjusted Return on Tangible Equity

Annualized adjusted return on tangible equity for the three and nine months ended September 30, 2025 and 2024 reconciles to annualized return on equity as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2025**	2024	**2025**	2024
Numerator: annualized adjusted operating income	**$ 176,032**	$ 117,664	**$ 158,099**	$ 124,481
Denominator: average tangible stockholders' equity	**$ 842,063**	$ 672,826	**$ 789,829**	$ 641,248
Annualized adjusted return on tangible equity	**20.9 %**	17.5 %	**20.0 %**	19.4 %

Underwriting Results

Premiums

The following tables present gross written premiums by underwriting division for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,			
($ in thousands)	**2025**	2024	Change	% Change
Accident & Health	**$ 63,147**	$ 43,490	$ 19,657	45.2%
Agriculture and Credit (Re)insurance	**168,105**	17,044	151,061	886.3%
Captives	**67,956**	53,630	14,326	26.7%
Construction & Energy Solutions	**66,576**	70,309	(3,733)	(5.3%)
Global Property	**27,649**	37,540	(9,891)	(26.3%)
Professional Lines	**35,598**	40,310	(4,712)	(11.7%)
Specialty Programs	**82,771**	54,434	28,337	52.1%
Surety	**43,737**	34,592	9,145	26.4%
Transactional E&S	**50,950**	48,665	2,285	4.7%
Total gross written premiums[1]	**$ 606,489**	$ 400,014	$ 206,475	51.6%

[1] *Excludes exited business*

	Nine months ended September 30,			
($ in thousands)	**2025**	2024	Change	% Change
Accident & Health	**$ 186,805**	$ 128,479	$ 58,326	45.4%
Agriculture and Credit (Re)insurance	**327,525**	96,957	230,568	237.8%
Captives	**213,318**	184,137	29,181	15.8%
Construction & Energy Solutions	**215,760**	222,745	(6,985)	(3.1%)
Global Property	**158,327**	183,083	(24,756)	(13.5%)
Professional Lines	**114,911**	120,655	(5,744)	(4.8%)
Specialty Programs	**231,401**	166,256	65,145	39.2%
Surety	**122,272**	106,076	16,196	15.3%
Transactional E&S	**156,417**	146,506	9,911	6.8%
Total gross written premiums[1]	**$ 1,726,736**	$ 1,354,894	$ 371,842	27.4%

[1] *Excludes exited business*

The increases in gross written premiums for the third quarter and first nine months of 2025, when compared to the same 2024 periods, were primarily driven by growth from the agriculture and credit (re)insurance division. Specialty programs, accident & health, captives and surety also contributed meaningfully to the growth, partially offset by decreases in gross written premiums in the global property, professional lines and construction and energy solutions divisions.

Net written premiums for the third quarter of 2025 were $441.2 million compared to $268.3 million for the same 2024 period, an increase of $172.8 million or 64.4%. Net written premiums for the first nine months of 2025 were $1,123.7 million compared to $852.6 million for the same 2024 period, an increase of $271.1 million or 31.8%. The increases in net written premiums was primarily driven by the same reasons that drove the increases in gross written premiums discussed above.

Net earned premiums for the third quarter of 2025 were $351.8 million compared to $269.6 million for the same 2024 period, an increase of $82.2 million or 30.5%. Net earned premiums for the first nine months of 2025 were $947.7 million compared to $763.5 million for the same 2024 period, an increase of $184.2 million or 24.1%. The increases in net earned premiums was primarily driven by the same reasons that drove the increases in gross written premiums discussed above.

For additional information regarding our reinsurance programs, see the "Reinsurance" discussion included in this Item 2.

Losses and LAE

The following tables set forth the components of the loss and LAE ratios and adjusted loss and LAE ratios for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,			
	2025		2024	
($ in thousands)	Losses and LAE	% of Net Earned Premiums	Losses and LAE	% of Net Earned Premiums
Losses and LAE:				
Non-cat loss and LAE	**$ 211,760**	**60.2 %**	$ 163,385	60.6 %
Cat loss and LAE[1]	**2,020**	**0.6 %**	7,454	2.8 %
Prior accident year development - LPT	**—**	**— %**	(318)	(0.1)%
Total losses and LAE	**$ 213,780**	**60.8 %**	$ 170,521	63.3 %

[1] *Current accident year*

	Nine months ended September 30,			
	2025		2024	
($ in thousands)	Losses and LAE	% of Net Earned Premiums	Losses and LAE	% of Net Earned Premiums
Losses and LAE:				
Non-cat loss and LAE	**$ 569,831**	**60.1 %**	$ 462,835	60.6 %
Cat loss and LAE[1]	**12,520**	**1.3 %**	11,454	1.5 %
Prior accident year development - LPT	**—**	**— %**	(800)	(0.1)%
Total losses and LAE	**$ 582,351**	**61.4 %**	$ 473,489	62.0 %

[1] *Current accident year*

The loss ratios for the third quarter and first nine months of 2025 improved 2.5 points and 0.6 points when compared to the same 2024 periods, respectively, primarily driven by the business mix shift. Catastrophe losses in the third quarter of 2025 decreased when compared to the same 2024 period, which was impacted by higher catastrophe losses, primarily from Hurricanes Helene and Beryl. The first nine months of 2025 were impacted by convective storms in the Midwest and the California wildfires.

The non-cat loss and LAE ratios for the third quarter and first nine months of 2025 improved 0.4 points and 0.5 points, respectively, when compared to the same 2024 periods, primarily driven by the business mix shift.

Expense Ratio

The following tables set forth the components of the expense ratios for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,			
	2025		2024	
($ in thousands)	Expenses	% of Net Earned Premiums	Expenses	% of Net Earned Premiums
Net policy acquisition expenses	**$ 49,243**	**14.0%**	$ 37,365	13.9%
Other operating and general expenses	**52,433**	**14.9%**	42,452	15.7%
Underwriting, acquisition and insurance expenses	**101,676**	**28.9%**	79,817	29.6%
Less: commission and fee income	**(1,904)**	**(0.5%)**	(1,818)	(0.7%)
Total net expenses	**$ 99,772**	**28.4%**	$ 77,999	28.9%

	Nine months ended September 30,			
	2025		2024	
($ in thousands)	Expenses	% of Net Earned Premiums	Expenses	% of Net Earned Premiums
Net policy acquisition expenses	**$ 138,369**	**14.6%**	$ 105,273	13.9%
Other operating and general expenses	**135,454**	**14.3%**	120,997	15.8%
Underwriting, acquisition and insurance expenses	**273,823**	**28.9%**	226,270	29.7%
Less: commission and fee income	**(6,440)**	**(0.7%)**	(5,897)	(0.8%)
Total net expenses	**$ 267,383**	**28.2%**	$ 220,373	28.9%

The expense ratios for the third quarter and first nine months of 2025 improved 0.5 points and 0.7 points, respectively, when compared to the same 2024 periods due to earnings leverage partially offset by higher acquisition costs due to the business mix shift.

The expense ratios for all periods presented exclude the impact of IPO related stock compensation, Apollo acquisition-related expenses and secondary offering expenses, which are reported in other expenses in our condensed consolidated statements of operations and comprehensive income.

Investment Results

The following table sets forth the components of net investment income and net investment gains (losses) for the three and nine months ended September 30, 2025 and 2024:

	Three months ended September 30,		Nine months ended September 30,	
$ in thousands	**2025**	2024	**2025**	2024
Short-term investments & cash and cash equivalents	**$ 4,130**	$ 4,537	**$ 12,745**	$ 13,645
Fixed income	**20,806**	15,458	**55,358**	41,722
Equities	**133**	596	**1,321**	1,974
Alternative and strategic investments	**(2,889)**	(1,056)	**(9,317)**	2,525
Net investment income	**$ 22,180**	$ 19,535	**$ 60,107**	$ 59,866
Net unrealized (losses) gains on securities still held	**$ (8,987)**	$ 8,378	**$ (6,677)**	$ 15,609
Net realized gains	**15,868**	1,795	**23,597**	1,146
Net investment gains	**$ 6,881**	$ 10,173	**$ 16,920**	$ 16,755

Net investment income for the third quarter and first nine months of 2025 increased $2.6 million and $0.2 million, respectively when compared to the same 2024 periods, driven by increased income from our fixed income portfolio due to a higher book yield of 5.3% at September 30, 2025 compared to 5.0% at September 30, 2024 and larger asset base.

The alternative and strategic investments portfolio continued to be impacted by the decline in the fair value of limited partnership investments. The decreases in income from the short-term investments and cash and cash equivalents was due to an overall decrease in yields when compared to the same 2024 periods. The decrease in income from equities was due to the sale of almost all of the equity portfolio in the third quarter of 2025.

When a fixed maturity has been determined to have an impairment, the impairment charge is separated into an amount representing the credit loss, which is recognized in earnings as a realized loss and on the balance sheet as an allowance for credit losses netted with the amortized cost of fixed maturities. Future increases in fair value, if related to credit factors, are recognized through earnings limited to the amount previously recognized as an allowance for credit losses. The amount related to non-credit factors is recognized in accumulated other comprehensive income and future increases or decreases in fair value, if not credit losses, are included in accumulated other comprehensive (loss) income. We reviewed our available-for-sale fixed maturities at June 30, 2025 and recognized a provision for credit losses of $6.2 million for two available-for-sale “corporate securities and miscellaneous” securities. At September 30, 2025, we recognized an additional provision for credit losses of $0.8 million for one available-for-sale “corporate securities and miscellaneous” security. Other than the securities discussed previously, we determined that no other credit impairment existed at September 30, 2025. See Note 2, “Investments” to our condensed consolidated financial statements included in Item 1 of this Form 10-Q for additional information.

Investments

Composition of Investment Portfolio

The following table sets forth the components of our investment portfolio at carrying value at September 30, 2025 and December 31, 2024:

	2025		2024	
($ in thousands)	Carrying Value	% of Total	Carrying Value	% of Total
Cash and cash equivalents	**$ 160,068**	**6.7 %**	$ 121,603	6.1 %
Short-term investments	**247,376**	**10.3 %**	274,929	13.8 %
Fixed income	**1,815,216**	**75.8 %**	1,318,708	66.2 %
Equities	**1,182**	**0.1 %**	106,254	5.3 %
Alternative and strategic investments	**170,014**	**7.1 %**	170,929	8.6 %
Total portfolio	**$ 2,393,856**	**100.0 %**	$ 1,992,423	100.0 %

Fixed income

Our fixed income portfolio primarily consists of investment grade fixed income securities, which are predominantly highly-rated and liquid bonds, and commercial mortgage loans.

The following table sets forth the components of our fixed income securities at September 30, 2025 and December 31, 2024:

	2025		2024	
($ in thousands)	Carrying Value	% of Total	Carrying Value	% of Total
U.S. government securities	**$ 76,187**	**4.2 %**	$ 26,486	2.0 %
Corporate securities and miscellaneous	**597,802**	**32.9 %**	425,628	32.3 %
Municipal securities	**100,003**	**5.5 %**	84,716	6.4 %
Residential mortgage-backed securities	**495,176**	**27.3 %**	393,833	29.9 %
Commercial mortgage-backed securities	**72,384**	**4.0 %**	69,364	5.2 %
Other asset-backed securities	**463,666**	**25.5 %**	292,191	22.2 %
Total fixed income portfolio, available-for-sale	**1,805,218**	**99.4 %**	1,292,218	98.0 %
Commercial mortgage loans	**$ 9,998**	**0.6 %**	$ 26,490	2.0 %
Total fixed income portfolio	**$ 1,815,216**	**100.0 %**	$ 1,318,708	100.0 %

The weighted average credit rating of our available-for-sale fixed income portfolio was "A+" at September 30, 2025 and "AA-" at December 31, 2024. The following table sets forth the credit quality of our available-for-sale fixed income portfolio at September 30, 2025 and December 31, 2024:

	2025		2024	
($ in thousands)	Fair Value	% of Total	Fair Value	% of Total
AAA	**$ 311,740**	**17.3 %**	$ 483,099	37.3 %
AA	**559,945**	**31.0 %**	141,177	10.9 %
A	**556,134**	**30.8 %**	429,703	33.3 %
BBB	**352,332**	**19.5 %**	216,602	16.8 %
BB and Lower	**25,067**	**1.4 %**	21,637	1.7 %
Total fixed income portfolio, available-for-sale	**$ 1,805,218**	**100.0 %**	$ 1,292,218	100.0 %

Our commercial mortgage loans are primarily senior loans on real estate across the U.S.

The average duration of our fixed income portfolio was approximately 4.07 years and 4.34 years, respectively, as of September 30, 2025 and December 31, 2024.

Equities

The equities portfolio primarily consisted of domestic preferred stocks, common equities, exchange traded funds, limited partnerships, limited liability corporations and other types of equity interests, 100.0% of which were publicly traded. During the third quarter of 2025, we sold almost all of our equities portfolio, retaining only our preferred stocks.

Alternative and strategic investments

Alternative investments consists of promissory notes, limited partnerships, joint ventures and equity interests. The underlying investments are primarily floating rate senior secured loans, comprised of short duration, collateralized, asset-oriented credit investments. The limited partnerships and joint ventures are subject to future increases or decreases in asset value as asset values are monetized and the income is distributed. Strategic investments consists of equity interests in private entities within the insurance industry.

Other Items

Income Taxes

Income tax expense for the three and nine months ended September 30, 2025 was $14.6 million and $35.0 million, respectively, compared to $10.2 million and $29.8 million, respectively, for the same 2024 periods. Our effective tax rates for the three and nine months ended September 30, 2025 were 24.2% and 21.6%, respectively, compared to 21.7% and 22.2% for the same 2024 periods, respectively. The effective tax rate for the three months ended September 30, 2025 was primarily impacted by a permanent tax item related to non-deductible acquisition expenses, which increased the effective tax rate by 1.1%. For additional information, see Note 9 of our condensed consolidated financial statements included in Item 1 of this Form 10-Q.

Liquidity and Capital Resources

Sources and Uses of Funds

Our most significant source of cash is from premiums received from our insureds, which, for most policies, we receive at the beginning of the coverage period, net of the related commission amount for the policies. Our most significant cash outflow is for claims that arise when a policyholder incurs an insured loss. Because the payment of claims occurs after the receipt of the premium, often years later, we invest the cash in various investment securities that generally earn interest and dividends. We also use cash to pay for operating expenses such as salaries, rent and taxes and capital expenditures such as technology systems. We use reinsurance to manage the risk that we take on our policies. We cede, or pay out, part of the premiums we receive to our reinsurers and collect cash back when losses subject to our reinsurance coverage are paid.

The timing of our cash flows from operating activities can vary among periods due to the timing by which payments are made or received. Some of our payments and receipts, including loss settlements and subsequent reinsurance receipts, can be significant, and as a result their timing can influence cash flows from operating activities in any given period. Management believes that cash receipts from premiums and proceeds from investment income are sufficient to cover cash outflows in the foreseeable future.

Our cash flows for the nine months ended September 30, 2025 and 2024:

($ in thousands)	2025	2024
Cash and cash equivalents provided by (used in):		
Operating activities	**$ 356,308**	$ 283,216
Investing activities	**(315,568)**	(227,963)
Financing activities	**—**	(4,233)
Change in cash and cash equivalents and restricted cash	**$ 40,740**	$ 51,020

The increase in cash provided by operating activities in 2025 when compared to 2024 was primarily due to positive cash flow from our insurance operations. Cash from operations can vary from period to period due to the timing of premium receipts, claim payments and reinsurance activity. Cash flows from operations in each of the past two years were used primarily to fund investing activities.

Net cash used in investing activities in 2025 and 2024 was primarily driven by purchases of fixed maturity securities.

Credit Agreements

FHLB Loan

On August 30, 2024, we entered into a loan (the "FHLB Loan") with the Federal Home Loan Bank of Dallas (the "FHLB") pursuant to its Advances and Security Agreement. The FHLB Loan is a 4.5-year term loan in the principal amount of $57.0 million. The FHLB Loan provides for interest-only payments during its term, with principal due in full at maturity. The interest rate is fixed over the term of the loan at 4.00%. The FHLB Loan is fully secured by a pledge of specific investment securities of HSIC. We used the proceeds to fund the redemption of the March 15, 2024 draw on the Revolving Credit Facility and redeemed $7.0 million of the March 29, 2023 draw on the Revolving Credit Facility (see "Revolving Credit Facility" below for additional information regarding the redemption).

Revolving Credit Facility

On March 29, 2023, we entered into an unsecured revolving credit facility (the "Revolving Credit Facility") with a syndicate of participating banks. The Revolving Credit Facility provides us with up to a $150.0 million revolving credit facility and a letter of credit sub-facility of up to $30.0 million.

On March 14, 2024, we drew $50.0 million on the Revolving Credit Facility and used the proceeds and existing cash to fund the redemption of the Debentures (see "Debentures" below for additional information regarding the redemption).

On August 30, 2024, we fully redeemed the March 15, 2024 draw on the Revolving Credit Facility and redeemed $7.0 million of the March 29, 2023 draw on the Revolving Credit Facility. As of September 30, 2025, we had $43.0 million outstanding under the Revolving Credit Facility with another $107.0 million of undrawn capacity.

Interest on the Revolving Credit Facility is payable quarterly. The interest rate on the Revolving Credit Facility is the SOFR plus a margin of between 150 and 190 basis points based on the ratio of debt to total capital and a credit spread adjustment of 10 basis points. At September 30, 2025, the six-month SOFR on the Revolving Credit Facility was 3.87%, plus a margin of 1.60%.

We are subject to covenants on the Revolving Credit Facility based on minimum net worth, maximum debt to capital ratio, minimum A.M. Best Rating and minimum liquidity. As of September 30, 2025, we are in compliance with all covenants.

Debentures

In August 2006, we received $58.0 million of proceeds from a debenture offering through a statutory trust, Delos Capital Trust (the "Trust"). The sole asset of the Trust consists of Fixed/Floating Rate Junior Subordinated Deferrable Interest Debentures (the "Trust Preferred") with a principal amount of $59.8 million issued by us and cash of $1.8 million from the issuance of Trust common shares purchased by us equal to 3% of the Trust capitalization. On March 15, 2024, the Company redeemed the Debentures and paid $1.4 million of accrued interest.

Subordinated Debt

In May 2019, we issued unsecured subordinated notes (the "Notes") with an aggregate principal amount of $20.0 million. Interest on the subordinated notes is 7.25% fixed for the first eight years and 8.25% fixed thereafter. Early retirement of the debt ahead of the eight-year commitment requires all interest payments to be paid in full, as well as the return of all capital. Principal payment is due at maturity on May 24, 2039 and interest is payable quarterly.

At September 30, 2025 the ratio of total debt outstanding, including the FHLB Loan, the Revolving Credit Facility and the Notes, to total capitalization (defined as total debt plus stockholders' equity) was 11.1% and at December 31, 2024, the ratio of total debt outstanding, including the Term Loan, the Revolver, the Trust Preferred and the Notes, to total capitalization was 13.1%.

Share Repurchase Program

In October 2024, the Board of Directors approved a share repurchase program authorizing the repurchase of up to $50.0 million of our common stock. The shares may be repurchased from time to time in open market purchases, privately-negotiated transactions, block purchases, accelerated share repurchase agreements or a combination of methods, including through Rule 10b5-1 trading plans. The timing, manner, price and amount of any repurchases under the share repurchase program will be determined by us in our discretion. The share repurchase program does not require us to repurchase any specific number of shares, and may be modified, suspended or terminated at any time. As of September 30, 2025, no shares had been repurchased under this plan.

Reinsurance

We strategically purchase reinsurance from third parties which enhances our business by protecting capital from severity events (either large single event losses or catastrophes) and reducing volatility in our earnings. Our reinsurance contracts are predominantly one year in length and renew annually throughout the year, primarily in January and April. At each annual renewal, we consider several factors that influence any changes to our reinsurance purchases, including any plans to change the underlying insurance coverage we offer, updated loss activity, the level of our capital and surplus, changes in our risk appetite and the cost and availability of reinsurance treaties.

We purchase quota share reinsurance, excess of loss reinsurance, and facultative reinsurance coverage to limit our exposure from losses on any one occurrence. The mix of reinsurance purchased considers efficiency, cost, our risk appetite and specific factors of the underlying risks we underwrite.

- ***Quota share reinsurance*** refers to a reinsurance contract whereby the reinsurer agrees to assume a specified percentage of the ceding company's losses arising out of a defined class of business in exchange for a corresponding percentage of premiums, net of a ceding commission.
- ***Excess of loss reinsurance*** refers to a reinsurance contract whereby the reinsurer agrees to assume all or a portion of the ceding company's losses for an individual claim or an event in excess of a specified amount in exchange for a premium payable amount negotiated between the parties, which includes our catastrophe reinsurance program.
- ***Facultative coverage*** refers to a reinsurance contract on individual risks as opposed to a group or class of business. It is used for a variety of reasons, including supplementing the limits provided by the treaty coverage or covering risks or perils excluded from treaty reinsurance.

For the three and nine months ended September 30, 2025 our net retention on a written basis (calculated as net written premiums as a percentage of gross written premiums) was 72.7% and 65.1%, respectively, compared to 67.1% and 62.9% for the same 2024 periods, respectively.

The following is a summary of our reinsurance programs as of September 30, 2025:

Line of Business	Maximum Company Retention
Accident & Health	$0.90 million per occurrence
Commercial Auto[1]	$1.00 million per occurrence
Excess Casualty[1][2]	$1.25 million per occurrence
General Liability[1]	$1.50 million per occurrence
Ocean Marine[2]	$3.00 million per occurrence
Professional Lines[2]	$5.21 million per occurrence
Property[3]	$3.50 million per occurrence
Representation and Warranty	$3.25 million per occurrence
Surety[2]	$5.00 million per occurrence
Workers' Compensation[2]	$2.33 million per occurrence

[1] Legal defense expenses can force exposure above the maximum company retention for Excess Casualty, Commercial Auto and General Liability.

[2] Reinsurance is subject to a loss ratio cap or aggregate level of loss cover that exceeds a modeled 1:250-year PML event.

[3] Catastrophe loss protection is purchased up to $36.0 million in excess of $12.0 million retention, which provides cover for a 1:250-year PML event.

Credit and Financial Strength Ratings

On August 14, 2025, A.M. Best affirmed Skyward Specialty's financial strength rating of A (Excellent) with a stable outlook.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in market risk from the information provided in our Annual Report on Form 10-K for the year ended December 31, 2024.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required financial disclosure.

As previously disclosed within Item 9A. Controls and Procedures of our 2024 Form 10-K, management concluded that a material weakness existed related to the ineffective implementation of information technology general controls ("ITGCs") in the area of user access for systems that support the Company's financial reporting processes as well as the related process-level IT dependent manual and automated controls that rely upon the affected ITGCs, or information coming from IT systems with affected ITGCs. As part of our efforts to remediate the material weakness, new controls and procedures have been designed and continue to be implemented as previously disclosed within Item 9A. Controls and Procedures of our 2024 Form 10-K. Therefore, our CEO and CFO concluded that, as of September 30, 2025, our disclosure controls and procedures were not effective. Despite the foregoing, our CEO and CFO have certified that, based on their knowledge, the financial statements, and other financial information included in this Form 10-Q, fairly present in all material respects our financial condition, results of operations and cash flows as of, and for, the periods presented in this Form 10-Q.

Status of Remediation Activities

With the oversight of the Audit Committee, our management has implemented, and is in process of implementing, additional measures to improve our internal control over ITGCs to remediate the material weakness identified above, including (i) conducting a thorough review of existing ITGCs to identify areas of weakness, (ii) enhancing access controls, (iii) strengthening system access procedures and (iv) providing regular training and awareness programs for employees to ensure they understand ITGC policies and procedures and adhere to best practices for maintaining data integrity and security. We are committed to continuing to improve our ITGCs.

We cannot assure you that the measures we have taken to date, and are continuing to implement, will be sufficient to remediate the identified material weakness, or to avoid potential future material weaknesses or significant deficiencies. While we believe our efforts have improved our internal control over ITGCs, remediation of the material weakness will require further validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles. We have invested, and expect to continue to invest, significant resources to improve our ITGCs.

Changes in Internal Control over Financial Reporting

Except for the ongoing remediation efforts relating to the material weaknesses identified above, there has been no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the year ended September 30, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are party to legal proceedings which arise in the ordinary course of business. We believe that the outcome of such matters, individually and in the aggregate, will not have a material adverse effect on our consolidated financial position.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risks and uncertainties described under the heading "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2024 (our "2024 Form 10-K"), as supplemented by the risk factor captioned "Security breaches, loss of data, cyberattacks, and other information technology failures could disrupt our operations, damage our reputation, and adversely affect our business, operations, and financial results" in our Quarterly Report on Form 10-Q for the period ended March 31, 2025 (our "Q1 10-Q"). Additionally, the following risk factors have been identified.

Our pending acquisition of Apollo involves a number of risks, the occurrence of which could adversely affect our business, financial condition, and operating results.

On September 2, 2025, we entered into the Apollo SPAs to acquire Apollo. The acquisition involves certain risks, the occurrence of which could adversely affect our business, financial condition, and operating results, including:

- delays in completing the acquisition within the expected time period and the risk that the acquisition may not be completed at all;
- diversion of management's attention to complete the acquisition and integrate Apollo's operations thereafter;
- disruption to our existing operations and plans or inability to effectively manage our expanded operations after the closing of the acquisition;
- potential loss of key Apollo employees, partners or customers, or other adverse effects on existing business relationships with partners or customers; and
- our expanded operations may not achieve the growth prospects, synergies or other financial results that we have projected for the acquisition.

The agreements that will govern indebtedness to be incurred or assumed in connection with our acquisition of Apollo are expected to contain various covenants that will impose restrictions on that may affect our ability to operate our businesses.

The agreements that will govern indebtedness to be incurred or assumed in connection with our acquisition of Apollo, including pursuant to the related debt financing contemplated by a debt commitment letter, are expected to contain various affirmative and negative covenants that will, subject to certain significant exceptions, restrict our ability to, among other things, have liens on our property, incur additional indebtedness, enter into sale and lease-back transactions, make loans, advances or other investments, make non-ordinary course asset sales, declare or pay dividends or make other distributions with respect to equity interests, and/or merge or consolidate with any other person or sell or convey certain of our assets to any one person, among other things. In addition, the debt financing may contain financial maintenance covenants that will require us to maintain a certain leverage ratio and an interest coverage ratio at the end of each fiscal quarter. Our ability to comply with these provisions may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could accelerate our repayment obligations under the applicable definitive documentation or under other debt agreements.

The significant additional indebtedness that we will incur in connection with our acquisition of Apollo could adversely affect us, including by decreasing our business flexibility, increasing our interest expense and causing our credit ratings to be downgraded.

We will have increased indebtedness following completion of the acquisition in comparison to what we have had on a recent historical basis. This additional indebtedness may reduce the flexibility in our operations. If we cannot service our indebtedness, we may have to take actions such as pursuing sales of additional debt or equity securities, or reducing or delaying expansion efforts, strategic acquisitions, investments, or partnerships.

Artificial intelligence is an evolving and rapidly growing technology which may impact our business and operations.

The rapid growth and development of artificial intelligence and machine learning may alter the competitive landscape in which we operate. Our employees utilize artificial intelligence for risk selection, pricing and claims handling to aid in their effectiveness and efficiency and we continue to research and implement artificial intelligence-based solutions in an effort to improve our business. Notwithstanding this, our competitive position may be harmed if competitors are able leverage artificial intelligence solutions more quickly or more effectively. In addition, while we do not rely solely on information and analysis production through artificial intelligence in our decision making, if the content, analyses or recommendations that artificial intelligence applications assist in producing are, or are alleged to be, deficient, inaccurate or biased, such as due to limitations in algorithms, insufficient or biased base data or flawed training methodologies, our business, financial condition, results of operations and reputation may be adversely affected. Further, as artificial intelligence technology and products are continuously evolving, and we may incur costs to adopt and deploy technologies that could become obsolete earlier than expected. There can be no assurance that we will realize the desired or anticipated benefits from artificial intelligence.

There is also uncertainty in the legal and regulatory landscape for artificial intelligence, which is not fully developed, and any laws, regulations or industry standards adopted in response to the emergence of artificial intelligence may be burdensome, could entail significant costs, and may restrict or impede our ability to successfully develop, adopt and deploy artificial intelligence technologies efficiently and effectively. Furthermore, state insurance regulators could have input on usage of artificial intelligence and machine learning.

Any of these factors could adversely impact our business, financial condition and results of operations.

There have been no other material changes in our risk factors in the nine months ended September 30, 2025 from those disclosed in our 2024 Form 10-K and our Q1 10-Q.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

On September 8, 2025, Sandip Kapadia entered into a new Rule 10b5-1 Trading Arrangement. On September 10, 2025, Tom Schmitt terminated an existing Rule 10b5-1 Trading Arrangement and entered into a new Rule 10b5-1 Trading Arrangement on September 11, 2025 replacing the previous plan. The material terms of the trading plans and the termination of Mr. Schmitt's plan are set forth in the table below. All plans were entered into during an open insider trading window and are intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act and our policies regarding transactions in our securities.

Disclosure Events	Name *(Title)*	Date of Adoption, Amendment, or Termination	Nature of Trading Arrangement	Duration of Trading Arrangement	Aggregate Number of Securities
1	Sandip Kapadia *(*President, Reinsurance & Head of Actuarial*)*	Adoption September 8, 2025	Rule 10b5-1(c) Trading Arrangement	12/8/2025 – 2/27/2026	Up to 7,716 shares
2	Tom Schmitt *(Chief People Officer)*	Termination on September 10, 2025 of plan entered into on May 9, 2025	Rule 10b5-1(c) Trading Arrangement	11/10/2025 – 6/9/2026	Up to 8,485 shares
3	Tom Schmitt *(*Chief People Officer*)*	Adoption of new plan replacing above plan on September 11, 2025	Rule 10b5-1(c) Trading Arrangement	12/11/2025 – 6/9/2026	Up to 8,485 shares

Item 6. Exhibits

(a) Exhibits.

Exhibit Number	Exhibit Description
2.1	Agreement for the Sale and Purchase of Shares in Apollo Group Holdings Limited - Institutional Sellers dated September 2, 2025 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on September 8, 2025).
2.2	Agreement for the Sale and Purchase of Shares in Apollo Group Holdings Limited - Management Sellers dated September 2, 2025 (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed with the Commission on September 8, 2025).
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on January 18, 2023).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Commission on January 18, 2023).
4.1	Amended and Restated Stockholders' Agreement, by and among the Company and the stockholders listed therein (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1, filed with the SEC on November 14, 2022).
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of 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 and Accounting Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of 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.
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 with Embedded Linkbase Documents
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

(b) *Financial Statement Schedules*. All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

		Skyward Specialty Insurance Group, Inc.
Date: November 6, 2025	By:	/s/ Andrew Robinson
		Andrew Robinson Chairman and Chief Executive Officer (Principal Executive Officer)
Date: November 6, 2025	By:	/s/ Mark Haushill
		Mark Haushill Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew Robinson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Skyward Specialty Insurance Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 6, 2025	By:	/s/ Andrew Robinson
		Name:	Andrew Robinson
		Title:	Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark Haushill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Skyward Specialty Insurance Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date:	November 6, 2025	By:	/s/ Mark Haushill
		Name:	Mark Haushill
		Title:	Chief Financial Officer

EXHIBIT 32.1

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 Skyward Specialty Insurance Group, Inc. (the "Company") for the nine months ended September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Andrew Robinson, as Chief Executive Officer of the Company, and Mark Haushill, Chief Financial Officer, hereby certify pursuant to Title 18, Chapter 63, Section 1350 of the United States Code, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	November 6, 2025	By:	/s/ Andrew Robinson
		Name:	Andrew Robinson
		Title:	Chairman and Chief Executive Officer
Date:	November 6, 2025	By:	/s/ Mark Haushill
		Name:	Mark Haushill
		Title:	Chief Financial Officer