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, 2024

OR

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

For the transition period from ____________ to ____________

Commission file number 001-41591

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 November 1, 2024, the registrant had 40,099,931 shares of common stock outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

($ in thousands, except share and per share amounts)	**September 30, 2024** (Unaudited)	December 31, 2023
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost of $1,359,700 and $1,047,713, respectively)	**$ 1,357,500**	$ 1,017,651
Fixed maturity securities, held-to-maturity, at amortized cost (net of allowance for credit losses of $239 and $329, respectively)	**39,321**	42,986
Equity securities, at fair value	**124,719**	118,249
Mortgage loans, at fair value	**36,267**	50,070
Equity method investments	**102,111**	110,653
Other long-term investments	**23,802**	3,852
Short-term investments, at fair value	**206,358**	270,226
Total investments	**1,890,078**	1,613,687
Cash and cash equivalents	**105,573**	65,891
Restricted cash	**45,783**	34,445
Premiums receivable, net	**327,176**	179,235
Reinsurance recoverables, net	**686,725**	596,334
Ceded unearned premium	**236,962**	186,121
Deferred policy acquisition costs	**119,910**	91,955
Deferred income taxes	**18,502**	21,991
Goodwill and intangible assets, net	**87,607**	88,435
Other assets	**80,547**	75,341
Total assets	**$ 3,598,863**	$ 2,953,435
Liabilities and stockholders' equity		
Liabilities:		
Reserves for losses and loss adjustment expenses	**$ 1,568,777**	$ 1,314,501
Unearned premiums	**692,452**	552,532
Deferred ceding commission	**44,984**	37,057
Reinsurance and premium payables	**200,967**	150,156
Funds held for others	**102,219**	58,588
Accounts payable and accrued liabilities	**73,001**	50,880
Notes payable	**100,000**	50,000
Subordinated debt, net of debt issuance costs	**18,956**	78,690
Total liabilities	**2,801,356**	2,292,404
Stockholders' equity		
Common stock, $0.01 par value, 500,000,000 shares authorized, 40,099,931 and 39,863,756 shares issued and outstanding, respectively	**401**	399
Additional paid-in capital	**716,095**	710,855
Stock notes receivable	**—**	(5,562)
Accumulated other comprehensive loss	**(1,703)**	(22,953)
Retained earnings (accumulated deficit)	**82,714**	(21,708)
Total stockholders' equity	**797,507**	661,031
Total liabilities and stockholders' equity	**$ 3,598,863**	$ 2,953,435

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)

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands, except share and per share amounts)	**2024**	2023	**2024**	2023
Revenues:				
Net earned premiums	**$ 269,557**	$ 227,033	**$ 763,482**	$ 604,211
Commission and fee income	**1,818**	2,085	**5,897**	5,817
Net investment income	**19,521**	13,089	**59,956**	26,318
Net investment gains (losses)	**10,187**	(2,984)	**16,665**	3,328
Other loss	**(195)**	—	**(202)**	—
Total revenues	**300,888**	239,223	**845,798**	639,674
Expenses:				
Losses and loss adjustment expenses	**170,521**	138,536	**473,489**	377,841
Underwriting, acquisition and insurance expenses	**79,817**	68,315	**226,270**	176,653
Interest expense	**2,229**	2,632	**7,405**	7,250
Amortization expense	**351**	463	**1,099**	1,336
Other expenses	**1,117**	1,482	**3,350**	4,061
Total expenses	**254,035**	211,428	**711,613**	567,141
Income before income taxes	**46,853**	27,795	**134,185**	72,533
Income tax expense	**10,185**	6,084	**29,763**	15,814
Net income	**36,668**	21,711	**104,422**	56,719
Net income attributable to participating securities	**—**	—	**—**	1,492
Net income attributable to common stockholders	**$ 36,668**	$ 21,711	**$ 104,422**	$ 55,227
Comprehensive income				
Net income	**$ 36,668**	$ 21,711	**$ 104,422**	$ 56,719
Other comprehensive income:				
Unrealized gains and losses on investments:				
Net change in unrealized gains (losses) on investments, net of tax	**31,396**	(8,722)	**24,527**	(5,309)
Reclassification adjustment for losses on securities no longer held, net of tax	**(1,963)**	(3,667)	**(3,277)**	(4,879)
Total other comprehensive income (loss)	**29,433**	(12,389)	**21,250**	(10,188)
Comprehensive income	**$ 66,101**	$ 9,322	**$ 125,672**	$ 46,531
Per share data:				
Basic earnings per share	**$ 0.91**	$ 0.59	**$ 2.61**	$ 1.56
Diluted earnings per share	**$ 0.89**	$ 0.57	**$ 2.53**	$ 1.50
Weighted-average common shares outstanding				
Basic	**40,098,345**	36,743,393	**40,039,269**	35,502,843
Diluted	**41,428,557**	38,403,843	**41,302,108**	37,830,431

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)	**2024**	2023
Common shares:		
Balance at beginning of period	**40,096,132**	37,674,063
Issuance of shares	**3,799**	3,458
Balance at September 30	**40,099,931**	37,677,521
Common stock:		
Balance at beginning of period	**$ 401**	$ 377
Balance at September 30	**$ 401**	$ 377
Additional paid-in capital:		
Balance at beginning of period	**$ 713,542**	$ 642,988
Issuance of common stock	**2,553**	2,304
Balance at September 30	**$ 716,095**	$ 645,292
Stock notes receivable:		
Balance at beginning of period	**$ (5,233)**	$ (6,718)
Employee equity transactions	**5,233**	1,093
Balance at September 30	**$ —**	$ (5,625)
Accumulated other comprehensive loss:		
Balance at beginning of period	**$ (31,136)**	$ (41,284)
Other comprehensive gain (loss), net of tax	**29,433**	(12,389)
Balance at September 30	**$ (1,703)**	$ (53,673)
Retained earnings (accumulated deficit):		
Balance at beginning of period	**$ 46,046**	$ (72,685)
Net income	**36,668**	21,711
Balance at September 30	**$ 82,714**	$ (50,974)
Total stockholders’ equity	**$ 797,507**	$ 535,397

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, 2024	2023
Preferred shares:		
Balance at beginning of year	—	1,969,660
Preferred stock conversion to common shares	—	(1,969,660)
Balance at September 30	—	—
Common shares:		
Balance at beginning of year	**39,863,756**	16,599,666
Issuance of shares	**236,175**	4,772,742
Preferred stock conversion to common shares	—	16,305,113
Balance at September 30	**40,099,931**	37,677,521
Preferred stock:		
Balance at beginning of year	**$ —**	$ 20
Preferred stock conversion to common shares	—	(20)
Balance at September 30	**$ —**	$ —
Common stock:		
Balance at beginning of year	**$ 399**	$ 168
Issuance of common stock	**2**	—
Preferred stock conversion to common shares	—	161
Proceeds from equity offerings, net	—	48
Balance at September 30	**$ 401**	$ 377
Treasury stock:		
Balance at beginning of year	**$ —**	$ (2)
Preferred stock conversion to common shares	—	2
Balance at September 30	**$ —**	$ —
Additional paid-in capital:		
Balance at beginning of year	**$ 710,855**	$ 577,289
Issuance of common stock	**5,240**	6,179
Preferred stock conversion to common shares	—	(143)
Proceeds from equity offerings, net	—	61,967
Balance at September 30	**$ 716,095**	$ 645,292
Stock notes receivable:		
Balance at beginning of year	**$ (5,562)**	$ (6,911)
Employee equity transactions	**5,562**	1,286
Balance at September 30	**$ —**	$ (5,625)
Accumulated other comprehensive loss:		
Balance at beginning of year	**$ (22,953)**	$ (43,485)
Other comprehensive income (loss), net of tax	**21,250**	(10,188)
Balance at September 30	**$ (1,703)**	$ (53,673)
Retained earnings (accumulated deficit):		
Balance at beginning of year	**$ (21,708)**	$ (105,417)
Cumulative effect on adoption of ASU No. 2016-13	—	(2,276)
Net income	**104,422**	56,719
Balance at September 30	**$ 82,714**	$ (50,974)
Total stockholders’ equity	**$ 797,507**	$ 535,397

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)	**2024**	2023
Cash flows from operating activities		
Net income	**$ 104,422**	$ 56,719
Adjustments to reconcile net income to net cash provided by operating activities	**178,793**	161,820
Net cash provided by operating activities	**283,216**	218,539
Cash flows from investing activities:		
Purchase of fixed maturity securities, available-for-sale	**(425,642)**	(342,088)
Purchase of illiquid investments	**—**	(1,156)
Purchase of equity securities	**(14,156)**	(22,436)
Purchase of equity method investments	**(22,377)**	—
Investment in direct and indirect loans	**18,445**	(3,313)
Purchase of property and equipment	**(3,148)**	—
Sales and maturities of investment securities	**142,184**	110,695
Distributions from equity method investments	**—**	1,704
Proceeds from equity method and other long-term investments	**10,054**	—
Change in short-term investments	**63,868**	(72,891)
Change in receivable/payable for securities	**34**	14,442
Cash provided by deposit accounting	**2,775**	8,631
Other, net	**—**	(1,421)
Net cash used in investment activities	**(227,963)**	(307,833)
Cash flows from financing activities:		
Employee share purchases	**—**	1,287
Repayment of stock notes receivable	**5,561**	—
Proceeds from long term borrowings	**107,000**	50,000
Payments on long term borrowings and trust preferred	**(116,794)**	(50,000)
Proceeds from initial public offering	**—**	66,262
Net cash (used in) provided by financing activities	**(4,233)**	67,549
Net increase (decrease) in cash and cash equivalents and restricted cash	**51,020**	(21,745)
Cash and cash equivalents and restricted cash at beginning of period[1]	**100,336**	125,011
Cash and cash equivalents and restricted cash at end of period[1]	**$ 151,356**	$ 103,266
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 6,943**	$ 8,503
Cash paid for federal income taxes	**$ 22,480**	$ 10,000

[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, 2023 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, 2023 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.

2. Investments

The following tables set forth the amortized cost and the fair value by investment category at September 30, 2024 and December 31, 2023:

($ in thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
September 30, 2024					
Fixed maturity securities, available-for-sale:					
U.S. government securities	**$ 29,416**	**$ 460**	**$ (235)**	**$ —**	**$ 29,641**
Corporate securities and miscellaneous	**497,305**	**12,109**	**(11,307)**	**—**	**498,107**
Municipal securities	**102,865**	**1,245**	**(4,624)**	**—**	**99,486**
Residential mortgage-backed securities	**399,951**	**8,757**	**(11,413)**	**—**	**397,295**
Commercial mortgage-backed securities	**66,704**	**1,050**	**(1,525)**	**—**	**66,229**
Other asset-backed securities	**263,459**	**4,433**	**(1,150)**	**—**	**266,742**
Total fixed maturity securities, available-for-sale	**$ 1,359,700**	**$ 28,054**	**$ (30,254)**	**$ —**	**$ 1,357,500**
Fixed maturity securities, held-to-maturity:					
Other asset-backed securities	**$ 39,560**	**$ 4**	**$ (1,450)**	**$ (239)**	**$ 37,875**
Total fixed maturity securities, held-to-maturity	**$ 39,560**	**$ 4**	**$ (1,450)**	**$ (239)**	**$ 37,875**

2. Investments (continued)

($ in thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Allowance for Credit Losses	Fair Value
December 31, 2023					
Fixed maturity securities, available-for-sale:					
U.S. government securities	$ 44,685	$ 202	$ (721)	$ —	$ 44,166
Corporate securities and miscellaneous	392,773	6,408	(15,761)	—	383,420
Municipal securities	98,266	655	(6,143)	—	92,778
Residential mortgage-backed securities	292,568	3,556	(14,498)	—	281,626
Commercial mortgage-backed securities	31,411	449	(1,926)	—	29,934
Other asset-backed securities	188,010	1,221	(3,504)	—	185,727
Total fixed maturity securities, available-for-sale	$ 1,047,713	$ 12,491	$ (42,553)	$ —	$ 1,017,651
Fixed maturity securities, held-to-maturity:					
Other asset-backed securities	$ 43,315	$ —	$ (1,969)	$ (329)	$ 41,017
Total fixed maturity securities, held-to-maturity	$ 43,315	$ —	$ (1,969)	$ (329)	$ 41,017

The following table sets forth the amortized cost and fair value of available-for-sale fixed maturity securities by contractual maturity at September 30, 2024:

($ in thousands)	Amortized Cost	Fair Value
Due in less than one year	**$ 35,936**	**$ 35,733**
Due after one year through five years	**346,637**	**344,147**
Due after five years through ten years	**202,691**	**205,283**
Due after ten years	**44,322**	**42,071**
Mortgage-backed securities	**466,655**	**463,524**
Other asset-backed securities	**263,459**	**266,742**
Total	**$ 1,359,700**	**$ 1,357,500**

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, 2024 consisted entirely of asset backed securities that were not due at a single maturity date.

At September 30, 2024, the Company had U.S. government agencies mortgage-backed fixed maturity securities, with a carrying value of approximately $62.4 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 Loans, the Company retains all rights regarding these pledged securities.

At September 30, 2024, the Company had assets with fair values of approximately $27.7 million pledged as collateral for the performance obligations under reinsurance agreements. In accordance with the terms of the trust agreements, the Company retains all rights regarding these securities, of which $24.9 million are residential mortgage-backed securities, $2.2 million of short-term investments and $0.6 million of cash and cash equivalents and other assets.

2. Investments (continued)

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, 2024 and December 31, 2023:

	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, 2024						
Fixed maturity securities, available-for-sale:						
U.S. government securities	$ —	$ —	$ 6,264	$ (235)	$ 6,264	$ (235)
Corporate securities and miscellaneous	11,689	(57)	158,937	(11,250)	170,626	(11,307)
Municipal securities	9,899	(77)	47,299	(4,547)	57,198	(4,624)
Residential mortgage-backed securities	19,453	(193)	105,880	(11,220)	125,333	(11,413)
Commercial mortgage-backed securities	—	—	17,731	(1,525)	17,731	(1,525)
Other asset-backed securities	31,803	(113)	38,198	(1,037)	70,001	(1,150)
Total fixed maturity securities, available-for-sale	72,844	(440)	374,309	(29,814)	447,153	(30,254)
Fixed maturity securities, held-to-maturity:						
Other asset-backed securities	—	—	35,749	(1,450)	35,749	(1,450)
Total fixed maturity securities, held-to-maturity:	—	—	35,749	(1,450)	35,749	(1,450)
Total	$ 72,844	$ (440)	$ 410,058	$ (31,264)	$ 482,902	$ (31,704)

2. Investments (continued)

	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
December 31, 2023						
Fixed maturity securities, available-for-sale:						
U.S. government securities	$ 7,342	$ (25)	$ 25,604	$ (696)	$ 32,946	$ (721)
Corporate securities and miscellaneous	26,742	(570)	174,947	(15,191)	201,689	(15,761)
Municipal securities	16,815	(290)	47,269	(5,853)	64,084	(6,143)
Residential mortgage-backed securities	37,634	(602)	103,495	(13,896)	141,129	(14,498)
Commercial mortgage-backed securities	4,942	(74)	15,290	(1,852)	20,232	(1,926)
Other asset-backed securities	27,887	(106)	75,253	(3,398)	103,140	(3,504)
Total fixed maturity securities, available-for-sale	121,362	(1,667)	441,858	(40,886)	563,220	(42,553)
Fixed maturity securities, held-to-maturity:						
Other asset-backed securities	—	—	41,017	(1,969)	41,017	(1,969)
Total fixed maturity securities, held-to-maturity:	—	—	41,017	(1,969)	41,017	(1,969)
Total	$ 121,362	$ (1,667)	$ 482,875	$ (42,855)	$ 604,237	$ (44,522)

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, 2024, the Company had 505 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 determined that no credit impairment existed in the gross unrealized holding losses because the credit ratings of these securities were consistent with the credit ratings when purchased and/or at origination, there were no adverse changes in financial condition of the issuer and no adverse credit quality events in underlying assets. The Company attributed the unrealized losses to the changes in interest rates.

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2. Investments (continued)

The following table sets forth the components of net investment gains (losses) for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Gross realized gains				
Fixed maturity securities, available-for sale	**$ 575**	$ 156	**$ 1,405**	$ 860
Equity securities	**1,591**	3,959	**3,165**	6,000
Other	**62**	—	**80**	1
Total	**2,228**	4,115	**4,650**	6,861
Gross realized losses				
Fixed maturity securities, available-for sale	**(11)**	(381)	**(871)**	(837)
Equity securities	**(280)**	(245)	**(2,571)**	(5,006)
Other	**(128)**	(82)	**(152)**	(84)
Total	**(419)**	(708)	**(3,594)**	(5,927)
Net unrealized gains (losses) on investments				
Equity securities	**7,512**	(6,417)	**14,802**	2,367
Mortgage loans	**866**	26	**807**	27
Net investment gains (losses)	**$ 10,187**	$ (2,984)	**$ 16,665**	$ 3,328

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, 2024 and 2023:

	Nine months ended September 30,	
($ in thousands)	**2024**	2023
Fixed maturity securities, available-for sale	**$ 17,540**	$ 25,465
Equity securities	**22,993**	38,581

The following table sets forth the components of net investment income for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Income:				
Fixed maturity securities, available-for sale	**$ 15,461**	$ 9,180	**$ 41,099**	$ 23,439
Fixed maturity securities, held-to-maturity	**939**	1,067	**3,295**	3,321
Equity securities	**591**	769	**1,969**	2,539
Equity method investments	**(1,144)**	(4)	**2,596**	(6,772)
Mortgage loans	**1,158**	1,249	**4,165**	3,997
Indirect loans	**(401)**	(761)	**(1,874)**	(4,009)
Short-term investments and cash	**3,709**	3,165	**11,370**	8,140
Other	**836**	(115)	**2,360**	(106)
Total investment income	**21,149**	14,550	**64,980**	30,549
Investment expenses	**(1,628)**	(1,461)	**(5,024)**	(4,231)
Net investment income	**$ 19,521**	$ 13,089	**$ 59,956**	$ 26,318

2. Investments (continued)

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, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Fixed maturity securities	**$ 37,257**	$ (15,706)	**$ 26,898**	$ (12,933)
Deferred income taxes	**(7,824)**	3,317	**(5,648)**	2,745
Total	**$ 29,433**	$ (12,389)	**$ 21,250**	$ (10,188)

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.

3. Fair Value Measurements (continued)

Fixed maturity securities, available for sale and equity securities classified as Level 3

The Company has corporate securities and miscellaneous, other asset-backed securities and preferred stock that are managed by an independent asset manager that uses an independent pricing model to estimate the value of the securities it manages. These represent Level 3 fair value inputs.

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 judgement and uncertainty.

The following table sets forth the range and weighted average, weighted by relative fair value, of the spread as of September 30, 2024 and December 31, 2023.

	September 30, 2024	December 31, 2023
High	**10.92 %**	9.50 %
Low	**3.61 %**	3.25 %
Weighted average	**7.47 %**	7.05 %

The following tables set forth the Company's investments within the fair value hierarchy at September 30, 2024 and December 31, 2023:

September 30, 2024 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available-for-sale:				
U.S. government securities	**$ 29,641**	**$ —**	**$ —**	**$ 29,641**
Corporate securities and miscellaneous	**—**	**456,797**	**41,310**	**498,107**
Municipal securities	**—**	**99,486**	**—**	**99,486**
Residential mortgage-backed securities	**—**	**397,295**	**—**	**397,295**
Commercial mortgage-backed securities	**—**	**66,229**	**—**	**66,229**
Other asset-backed securities	**—**	**259,378**	**7,364**	**266,742**
Total fixed maturity securities, available-for-sale	**29,641**	**1,279,185**	**48,674**	**1,357,500**
Fixed maturity securities, held-to-maturity:				
Other asset-backed securities	**—**	**—**	**37,875**	**37,875**
Total fixed maturity securities, held-to-maturity	**—**	**—**	**37,875**	**37,875**
Equity securities:				
Common stocks	**74,526**	**—**	**—**	**74,526**
Preferred stocks	**—**	**1,418**	**5,817**	**7,235**
Mutual funds	**42,958**	**—**	**—**	**42,958**
Total equity securities	**117,484**	**1,418**	**5,817**	**124,719**
Mortgage loans	**—**	**—**	**36,267**	**36,267**
Short-term investments	**206,358**	**—**	**—**	**206,358**
Total	**$ 353,483**	**$ 1,280,603**	**$ 128,633**	**$ 1,762,719**

3. Fair Value Measurements (continued)

December 31, 2023 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available-for-sale:				
U.S. government securities	$ 44,166	$ —	$ —	$ 44,166
Corporate securities and miscellaneous	—	383,420	—	383,420
Municipal securities	—	92,778	—	92,778
Residential mortgage-backed securities	—	281,626	—	281,626
Commercial mortgage-backed securities	—	29,934	—	29,934
Other asset-backed securities	—	185,727	—	185,727
Total fixed maturity securities, available-for-sale	44,166	973,485	—	1,017,651
Fixed maturity securities, held-to-maturity:				
Other asset-backed securities	—	—	41,017	41,017
Total fixed maturity securities, held-to-maturity:	—	—	41,017	41,017
Equity securities:				
Common stocks	67,425	—	—	67,425
Preferred stocks	—	7,358	—	7,358
Mutual funds	43,466	—	—	43,466
Total equity securities	110,891	7,358	—	118,249
Mortgage loans	—	—	50,070	50,070
Short-term investments	270,226	—	—	270,226
Total	$ 425,283	$ 980,843	$ 91,087	$ 1,497,213

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, 2024 and 2023:

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

3. Fair Value Measurements (continued)

($ in thousands)	Mortgage Loans
Balance at December 31, 2022	$ 52,842
Total gains for the period recognized in net investment gains (losses)	22
Issuances	892
Settlements	(11,421)
Balance at March 31, 2023	$ 42,335
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	$ (14)
Total losses for the period recognized in net investment gains (losses)	(21)
Issuances	30
Settlements	(9,582)
Balance at June 30, 2023	$ 32,762
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	$ 3
Total gains for the period recognized in net investment gains (losses)	26
Issuances	26,530
Settlements	—
Balance at September 30, 2023	$ 59,318
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	$ 26

The transfers into Level 3 during the three and nine months ended September 30, 2024 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 judgements 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, 2024, the Company determined the fair value of these instruments using the income approach utilizing inputs that are unobservable (Level 3).

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). The Company estimates the fair value of the FHLB Loan by discounting cash flows using a borrowing rate currently available to the Company for loans with similar terms (Level 3).

Subordinated debt: Subordinated debt consists of two debt instruments, the Junior Subordinated Interest Debentures, due September 15, 2036, and Unsecured Subordinated Notes, due May 24, 2039. The carrying value of the Junior Subordinated Interest Debentures approximates the estimated fair value as the instrument accrues interest at current market rates plus a spread. Unsecured Subordinated Notes 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).

3. Fair Value Measurements (continued)

The following table sets forth the Company's carrying and fair values of notes payable and subordinated debt as of September 30, 2024 and December 31, 2023:

($ in thousands)	September 30, 2024 Carrying Value	September 30, 2024 Fair Value	December 31, 2023 Carrying Value	December 31, 2023 Fair Value
Notes payable				
FHLB Loan	$ 57,000	$ 57,000	$ —	$ —
Revolving credit facility	$ 43,000	$ 43,000	$ 50,000	$ 50,000
Notes payable	$ 100,000	$ 100,000	$ 50,000	$ 50,000
Subordinated debt				
Junior subordinated interest debentures	$ —	$ —	$ 59,186	$ 59,794
Unsecured subordinated notes	18,956	21,535	19,504	21,378
Subordinated debt, net of debt issuance costs	$ 18,956	$ 21,535	$ 78,690	$ 81,172

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, 2024 and December 31, 2023, 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, mature in approximately 2 to 3 years from loan origination and the principal amounts of the loans range between 64% to 80% of the property's appraised value at the time the loans were made.

The carrying value of the Company's mortgage loans as of September 30, 2024 and December 31, 2023 were as follows:

($ in thousands)	September 30, 2024	December 31, 2023
Commercial	$ 14,697	$ 14,469
Retail	13,638	16,072
Hospitality	7,932	12,744
Industrial	—	6,785
	$ 36,267	$ 50,070

The following table sets forth the Company's gross investment income for mortgage loans for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	2024	2023	2024	2023
Commercial	$ 376	$ 588	$ 1,685	$ 1,637
Retail	513	364	1,473	1,375
Hospitality	269	204	1,007	497
Office	—	—	—	203
Multi-family	—	93	—	285
	$ 1,158	$ 1,249	$ 4,165	$ 3,997

4. Mortgage Loans (continued)

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, 2024 and 2023, respectively.

As of September 30, 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. As of December 31, 2023, approximately $7.1 million of mortgage loans were in the process of foreclosure.

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, 2024 and December 31, 2023:

($ in thousands)	**September 30, 2024**		December 31, 2023	
	Carrying Value	Ownership %	Carrying Value	Ownership %
Arena Special Opportunities Fund, LP units	**$ 38,137**	**15.9 %**	$ 41,046	16.2 %
JVM Funds LLC units	**17,831**	**10.1 %**	20,061	10.1 %
Arena SOP LP units	**2,530**	**12.6 %**	2,463	12.3 %
RISCOM	**4,689**	**20.0 %**	4,121	20.0 %
Hudson Ventures Fund 2 LP units	**4,634**	**2.5 %**	4,669	2.5 %
Dowling Capital Partners LP units	**652**	**5.0 %**	1,708	6.2 %
Brewer Lane Ventures Fund II LP units	**756**	**2.4 %**	560	2.5 %
	$ 69,229		$ 74,628	

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, 2024 and 2023:

	Three months ended September 30,		**Nine months ended September 30,**	
($ in thousands)	**2024**	2023	**2024**	2023
Dowling Capital Partners LP units	**$ 67**	$ 172	**$ 1,449**	$ 777
RISCOM	**493**	468	**1,168**	773
Brewer Lane Ventures Fund II LP	**(31)**	(25)	**(87)**	(54)
Hudson Ventures Fund II LP units	**(594)**	551	**(436)**	138
JVM Funds LLC	**(261)**	(252)	**(1,280)**	(893)
Universa Black Swan LP units	**—**	(84)	**—**	(988)
Arena SOP LP units	**(612)**	(1,160)	**67**	(3,938)
Arena Special Opportunities Fund, LP units	**(206)**	326	**1,715**	(2,587)
	$ (1,144)	$ (4)	**$ 2,596**	$ (6,772)

The following table sets forth the unfunded commitment of equity method investments as of September 30, 2024 and December 31, 2023:

($ in thousands)	**September 30, 2024**	December 31, 2023
Brewer Lane Ventures Fund II LP units	**$ 4,227**	$ 4,610
Hudson Ventures Fund 2 LP units	**447**	848
Dowling Capital Partners LP units	**386**	386
	$ 5,060	$ 5,844

5. Equity Method Investments and Other (continued)

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, 2024 and December 31, 2023:

($ in thousands)	**September 30, 2024**	December 31, 2023
Investment in RISCOM:		
Underlying equity	**$ 3,370**	$ 2,620
Difference	**1,319**	1,501
Recorded investment balance	**$ 4,689**	$ 4,121

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, 2024 and December 31, 2023:

($ in thousands)	**September 30, 2024**	December 31, 2023
Investment in JVM Funds LLC:		
Underlying equity	**$ 17,188**	$ 19,304
Difference	**643**	757
Recorded investment balance	**$ 17,831**	$ 20,061

Investment in Indirect Loans and Loan Collateral

As of September 30, 2024 and December 31, 2023, 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, 2024 and December 31, 2023 were as follows:

($ in thousands)	**September 30, 2024**	December 31, 2023
SMA1	**$ 20,915**	$ 30,816
SMA2	**11,967**	5,209
Investment in indirect loans and loan collateral	**$ 32,882**	$ 36,025

6. Notes Payable & Subordinated Debt

FHLB Loan

On August 30, 2024, the Company entered into the FHLB Loan pursuant to the 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. The Company used the proceeds to fund redemptions of the draws on the Revolving Credit Facility (see "Revolving Credit Facility" below for additional information regarding the redemption).

Revolving Credit Facility

The Company entered into an agreement to obtain a new unsecured revolving credit facility (the "Revolving Credit Facility") with a syndicate of participating banks during the first quarter of 2023. The Revolving Credit Facility provided the Company with up to a $150.0 million revolving credit facility and a letter of credit sub-facility of up to $30.0 million. As of December 31, 2023, the Company drew $50.0 million on the Revolving Credit Facility. During the nine months ended September 30, 2024, the Company drew an additional $50.0 million on the Revolving Credit Facility and used the

6. Notes Payable & Subordinated Debt (continued)

proceeds to pay off the principal on its existing Debentures (defined below). On September 6, 2024, the Company redeemed $57.0 million of the draws on the Revolving Credit Facility.

Interest on the Revolving Credit Facility is payable quarterly. The interest rate on the Revolving Credit Facility is the Secured Overnight Financing Rate (“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, 2024, the six-month SOFR on the Revolving Credit Facility was 4.25%, plus a margin of 1.60%.

The Company was 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, 2024, the Company was in compliance with all covenants.

Debentures

In August 2006, the Company 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 “Debentures”) with a principal amount of $59.8 million issued by the Company and cash of $1.8 million from the issuance of Trust common shares purchased by the Company equal to 3% of the Trust capitalization. On March 15, 2024, the Company redeemed the Debentures and paid $1.4 million of accrued interest.

7. 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, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Income tax expense	**$ 10,185**	$ 6,084	**$ 29,763**	$ 15,814
Effective tax rate	**21.7 %**	21.9 %	**22.2 %**	21.8 %

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 and non-deductible expenses.

The Company paid federal income taxes of $8.5 million and $22.5 million during the three and nine months ended September 30, 2024, respectively, and $10.0 million during the nine months ended September 30, 2023.

8. 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, 2024 and 2023:

($ in thousands)	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Reserves for losses and LAE, beginning of period	**$ 1,314,501**	$ 1,141,757
Less: reinsurance recoverable on unpaid claims, beginning of period	**(455,484)**	(435,986)
Reserves for losses and LAE, beginning of period, net of reinsurance	**859,017**	705,771
Incurred, net of reinsurance, related to:		
Current period	**474,289**	378,811
Prior years	**—**	—
Total incurred, net of reinsurance	**474,289**	378,811
Paid, net of reinsurance, related to:		
Current period	**82,653**	67,267
Prior years	**224,760**	187,256
Total paid	**307,413**	254,523
Net reserves for losses and LAE, end of period	**1,025,893**	830,059
Plus: reinsurance recoverable on unpaid claims, end of period	**542,884**	438,652
Reserves for losses and LAE, end of period	**$ 1,568,777**	$ 1,268,711

9. 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, 2024 and 2023:

($ in thousands)	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
SUA commission revenue	**$ 1,436**	$ 1,357	**$ 3,125**	$ 3,599
SUA fee income	**1,027**	672	**2,437**	1,933
Other	**(645)**	56	**335**	285
Total commission and fee income	**$ 1,818**	$ 2,085	**$ 5,897**	$ 5,817

The Company's contract assets from commission and fee income as of September 30, 2024 and December 31, 2023 were $2.4 million and $1.0 million, respectively.

10. 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, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Amortization of policy acquisition costs	**$ 37,365**	$ 34,071	**$ 105,273**	$ 78,442
Other operating and general expenses	**42,452**	34,244	**120,997**	98,211
Total underwriting, acquisition and insurance expenses	**$ 79,817**	$ 68,315	**$ 226,270**	$ 176,653

11. 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, 2024 and 2023:

	Three months ended September 30,			
	2024		2023	
($ in thousands)	Written	Earned	Written	Earned
Direct premiums	**$ 347,444**	**$ 349,980**	$ 308,215	$ 299,294
Assumed premiums	**52,570**	**69,436**	47,517	51,665
Ceded premiums	**(131,692)**	**(149,859)**	(75,036)	(123,926)
Net premiums	**$ 268,322**	**$ 269,557**	$ 280,696	$ 227,033
Ceded losses and LAE incurred		**$ 108,152**		$ 103,753

	Nine months ended September 30,			
	2024		2023	
($ in thousands)	Written	Earned	Written	Earned
Direct premiums	**$ 1,118,683**	**$ 1,012,550**	$ 947,977	$ 845,200
Assumed premiums	**236,194**	**202,408**	190,247	139,522
Ceded premiums	**(502,326)**	**(451,476)**	(441,650)	(380,511)
Net premiums	**$ 852,551**	**$ 763,482**	$ 696,574	$ 604,211
Ceded losses and LAE incurred		**$ 300,725**		$ 255,855

11. Reinsurance (continued)

The following table sets forth the components of reinsurance recoverables and ceded unearned premium as of September 30, 2024 and December 31, 2023:

	2024	2023
($ in thousands)	**September 30, 2024**	December 31, 2023
Ceded unpaid losses and LAE	**$ 542,884**	$ 455,484
Ceded paid losses and LAE	**131,812**	122,287
Loss portfolio transfer	**14,324**	20,858
Allowance for credit losses	**(2,295)**	(2,295)
Reinsurance recoverables	**$ 686,725**	$ 596,334
Ceded unearned premium	**$ 236,962**	$ 186,121

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, 2024, the market value of these accounts was approximately $196.4 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, 2024 and December 31, 2023 was $27.1 million and $29.9 million, respectively, and was included in other assets on the condensed consolidated balance sheets.

12. Earnings Per Share

The following table sets forth the compilation of basic and diluted net earnings per share for the three and nine months ended September 30, 2024 and 2023:

($ in thousands, except for share and per share amounts)	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Numerator				
Net income	**$ 36,668**	$ 21,711	**$ 104,422**	$ 56,719
Less: Undistributed income allocated to participating securities	**—**	—	**—**	(1,492)
Net income attributable to common stockholders (numerator for basic earnings per share)	**36,668**	21,711	**104,422**	55,227
Add back: Undistributed income allocated to participating securities	**—**	—	**—**	1,492
Net income (numerator for diluted earnings per share under the two-class method)	**$ 36,668**	$ 21,711	**$ 104,422**	$ 56,719
Denominator				
Basic weighted-average common shares	**40,098,345**	36,743,393	**40,039,269**	35,502,843
Dilutive effect of preferred shares	**—**	—	**—**	959,124
Dilutive effect of stock notes	**—**	706,794	**—**	684,017
Dilutive effect of stock units	**932,030**	799,982	**895,468**	609,601
Dilutive effect of options	**398,182**	153,674	**367,371**	74,846
Diluted weighted-average common share equivalents	**41,428,557**	38,403,843	**41,302,108**	37,830,431
Basic earnings per share	**$ 0.91**	$ 0.59	**$ 2.61**	$ 1.56
Diluted earnings per share	**$ 0.89**	$ 0.57	**$ 2.53**	$ 1.50

The Company's preferred shares participate in dividends and distributions with common stock on an as-converted basis and represent a participating security. Instruments awarded to employees that provide the holder the right to purchase common stock at a fixed price were included as potential common shares, weighted for the portion of the period they were granted, if dilutive.

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, 2024 and 2023:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Stock units	**7,152**	5,069	**165,072**	4,546
Options	**16**	2	**561**	364,714

12. Earnings Per Share (continued)

The following table presents common share equivalents of contingently issuable instruments that were excluded from basic earnings per share in the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Common shares	—	932,588	—	932,588

13. 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, 2024 and 2023 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Net earned premium	**$ 27,456**	$ 31,649	**$ 79,511**	$ 73,750
Commissions	**6,448**	6,119	**19,682**	19,122

Premiums receivable as of September 30, 2024 and December 31, 2023 were $16.2 million and $10.6 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, 2024 were $0.2 million and $0.4 million, compared to $0.5 million and $3.1 million, respectively, for the three and nine months ended September 30, 2023.

See Note 4 and 5 for investments involving affiliated companies and additional related party transactions.

14. Commitments and Contingencies

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 2023 Form 10-K for the year ended December 31, 2023 (the "2023 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 2023 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, 2024 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2024, 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 2023 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.

Each of our eight distinct underwriting divisions has dedicated underwriting leadership supported by high-quality technical staff with deep experience in their respective niches. We believe this structure and expertise allows us to serve the needs of our customers effectively and be a value-add partner to our distributors, while earning attractive risk-adjusted returns.

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, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Gross written premiums	**$ 400,014**	$ 355,732	**$ 1,354,877**	$ 1,138,224
Ceded written premiums	**(131,692)**	(75,036)	**(502,326)**	(441,650)
Net written premiums	**$ 268,322**	$ 280,696	**$ 852,551**	$ 696,574
Net earned premiums	**$ 269,557**	$ 227,033	**$ 763,482**	$ 604,211
Commission and fee income	**1,818**	2,085	**5,897**	5,817
Losses and LAE	**170,521**	138,536	**473,489**	377,841
Underwriting, acquisition and insurance expenses	**79,817**	68,315	**226,270**	176,653
Underwriting income[(1)]	**$ 21,037**	$ 22,267	**$ 69,620**	$ 55,534
Net investment income	**$ 19,521**	$ 13,089	**$ 59,956**	$ 26,318
Net investment gains (losses)	**$ 10,187**	$ (2,984)	**$ 16,665**	$ 3,328
Income before income taxes	**$ 46,853**	$ 27,795	**$ 134,185**	$ 72,533
Net income	**$ 36,668**	$ 21,711	**$ 104,422**	$ 56,719
Adjusted operating income[(1)]	**$ 29,405**	$ 25,029	**$ 93,432**	$ 56,532
Loss and LAE ratio	**63.3 %**	61.0 %	**62.0 %**	62.5 %
Expense ratio	**28.9 %**	29.2 %	**28.9 %**	28.3 %
Combined ratio	**92.2 %**	90.2 %	**90.9 %**	90.8 %
Adjusted loss and LAE ratio[(1)]	**63.4 %**	61.1 %	**62.1 %**	62.7 %
Expense ratio	**28.9 %**	29.2 %	**28.9 %**	28.3 %
Adjusted combined ratio[(1)]	**92.3 %**	90.3 %	**91.0 %**	91.0 %
Annualized return on equity	**19.3 %**	16.4 %	**19.1 %**	15.8 %
Annualized return on tangible equity[(1)]	**21.8 %**	19.7 %	**21.7 %**	19.4 %
Annualized adjusted return on equity[(1)]	**15.5 %**	18.9 %	**17.1 %**	15.8 %
Annualized adjusted return on tangible equity[(1)]	**17.5 %**	22.8 %	**19.4 %**	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, 2024 and 2023:

	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		**2024**		2023	
($ in thousands)	Pre-tax	After-tax	Pre-tax	After-tax	Pre-tax	After-tax	Pre-tax	After-tax
Income as reported	**$ 46,853**	**$ 36,668**	$ 27,795	$ 21,711	**$ 134,185**	**$ 104,422**	$ 72,533	$ 56,719
Less (add):								
Net investment gains (losses)	**10,187**	**8,048**	(2,984)	(2,357)	**16,665**	**13,165**	3,328	2,629
Net impact of LPT	**318**	**251**	266	210	**800**	**632**	970	766
Other loss	**(195)**	**(154)**	—	—	**(202)**	**(160)**	—	—
Other expenses	**(1,117)**	**(882)**	(1,482)	(1,171)	**(3,350)**	**(2,647)**	(4,061)	(3,208)
Adjusted operating income	**$ 37,660**	**$ 29,405**	$ 31,995	$ 25,029	**$ 120,272**	**$ 93,432**	$ 72,296	$ 56,532

Underwriting Income

The following table provides a reconciliation of underwriting income to income before federal income tax for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Income before federal income tax expense	**$ 46,853**	$ 27,795	**$ 134,185**	$ 72,533
Add:				
Interest expense	**2,229**	2,632	**7,405**	7,250
Amortization expense	**351**	463	**1,099**	1,336
Other expenses	**1,117**	1,482	**3,350**	4,061
Less:				
Net investment income	**19,521**	13,089	**59,956**	26,318
Net investment gains (losses)	**10,187**	(2,984)	**16,665**	3,328
Other loss	**(195)**	—	**(202)**	—
Underwriting income	**$ 21,037**	$ 22,267	**$ 69,620**	$ 55,534

Adjusted Loss Ratio / Adjusted Combined Ratio

The following table provides a reconciliation of the adjusted loss and LAE ratio and adjusted combined ratio to the loss and LAE ratio and combined ratio for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Net earned premiums	**$ 269,557**	$ 227,033	**$ 763,482**	$ 604,211
Losses and LAE	**170,521**	138,536	**473,489**	377,841
Pre-tax net impact of loss portfolio transfer	**318**	266	**800**	970
Adjusted losses and LAE	**$ 170,839**	$ 138,802	**$ 474,289**	$ 378,811
Loss ratio	**63.3 %**	61.0%	**62.0 %**	62.5 %
Less: Net impact of LPT	**(0.1)%**	(0.1)%	**(0.1)%**	(0.2)%
Adjusted loss ratio	**63.4 %**	61.1 %	**62.1 %**	62.7 %
Combined ratio	**92.2 %**	90.2 %	**90.9 %**	90.8 %
Less: Net impact of LPT	**(0.1)%**	(0.1)%	**(0.1)%**	(0.2)%
Adjusted combined ratio	**92.3 %**	90.3 %	**91.0 %**	91.0 %

Tangible Stockholders' Equity

The following table provides a reconciliation of tangible stockholders' equity to stockholders' equity for the periods ended September 30, 2024 and 2023:

($ in thousands)	**2024**	2023
Stockholders' equity	**$ 797,507**	$ 535,397
Less: Goodwill and intangible assets	**87,607**	88,808
Tangible stockholders' equity	**$ 709,900**	$ 446,589

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, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Numerator: annualized adjusted operating income	**$ 117,619**	$ 100,116	**$ 124,576**	$ 75,376
Denominator: average stockholders' equity	**$ 760,564**	$ 529,038	**$ 729,269**	$ 478,530
Annualized adjusted return on equity	**15.5 %**	18.9 %	**17.1 %**	15.8 %

Annualized Return on Tangible Equity

Annualized return on tangible equity for the three and nine months ended September 30, 2024 and 2023 reconciles to annualized return on equity as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Numerator: annualized net income	**$ 146,672**	$ 86,844	**$ 139,229**	$ 75,625
Denominator: average tangible stockholders' equity	**$ 672,826**	$ 440,043	**$ 641,248**	$ 389,191
Annualized return on tangible equity	**21.8 %**	19.7 %	**21.7 %**	19.4 %

Annualized Adjusted Return on Tangible Equity

Annualized adjusted return on tangible equity for the three and nine months ended September 30, 2024 and 2023 reconciles to annualized return on equity as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Numerator: annualized adjusted operating income	**$ 117,619**	$ 100,116	**$ 124,576**	$ 75,376
Denominator: average tangible stockholders' equity	**$ 672,826**	$ 440,043	**$ 641,248**	$ 389,191
Annualized adjusted return on tangible equity	**17.5 %**	22.8 %	**19.4 %**	19.4 %

Underwriting Results

Premiums

The following tables present gross written premiums by underwriting division for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,			
($ in thousands)	**2024**	2023	Change	% Change
Global Property & Agriculture	**$ 54,360**	$ 48,775	$ 5,585	11.5 %
Industry Solutions	**74,089**	79,798	(5,709)	(7.2 %)
Captives	**53,630**	41,886	11,744	28.0 %
Programs	**54,434**	41,735	12,699	30.4 %
Transactional E&S	**44,885**	30,699	14,186	46.2 %
Accident & Health	**43,490**	39,554	3,936	10.0 %
Professional Lines	**40,310**	48,259	(7,949)	(16.5 %)
Surety	**34,816**	24,977	9,839	39.4 %
Total gross written premiums[1]	**$ 400,014**	$ 355,683	$ 44,331	12.5 %

[1] *Excludes exited business*

($ in thousands)	Nine months ended September 30, 2024	2023	Change	% Change
Global Property & Agriculture	**$ 279,721**	$ 247,195	$ 32,526	13.2 %
Industry Solutions	**236,460**	226,680	9,780	4.3 %
Captives	**184,137**	127,249	56,888	44.7 %
Programs	**166,256**	143,032	23,224	16.2 %
Transactional E&S	**132,791**	90,948	41,843	46.0 %
Accident & Health	**128,479**	112,819	15,660	13.9 %
Professional Lines	**120,655**	114,420	6,235	5.4 %
Surety	**106,395**	75,899	30,496	40.2 %
Total gross written premiums[(1)]	**$ 1,354,894**	$ 1,138,242	$ 216,652	19.0 %

[(1)] Excludes exited business

The increase in gross written premiums for the third quarter and first nine months of 2024, when compared to the same 2023 periods, was driven by double-digit premium growth primarily from our transactional E&S, programs, captives, surety and global property & agriculture underwriting divisions.

During the third quarter and first nine months of 2023, the Company cancelled a quota share reinsurance contract. The following table provides a reconciliation of the impact of the cancellation of the quota share reinsurance contract on ceded written premiums, net retention, net written premiums and net earned premiums for the three and nine months ended September 30, 2023:

(unaudited)	2024 As Reported	2023 As Reported	2023 Adjustment	2023 Adjusted	% Change
Three months ended September 30,					
Ceded written premiums	**$ (131,692)**	$ (75,036)	$ (50,462)	$ (125,498)	4.9%
Net retention	**67.1%**	78.9%		64.7%	NM [(1)]
Net written premiums	**$ 268,322**	$ 280,696	$ (50,462)	$ 230,234	16.5%
Net earned premiums	**$ 269,557**	$ 227,033	$ (13,145)	$ 213,888	26.0%
Nine months ended September 30,					
Ceded written premiums	**$ (502,326)**	$ (441,650)	$ (50,462)	$ (492,112)	2.1%
Net retention	**62.9%**	61.2%		56.8%	NM [(1)]
Net written premiums	**$ 852,551**	$ 696,574	$ (50,462)	$ 646,112	32.0%
Net earned premiums	**$ 763,482**	$ 604,211	$ (13,145)	$ 591,066	29.2%

[(1)] Not meaningful

Net written premiums for the third quarter of 2024 were $268.3 million compared to $280.7 million for the same 2023 period. Net written premiums for the first nine months of 2024 were $852.6 million compared to $696.6 million for the same 2023 period. Excluding the impact of the quota share reinsurance contract cancellation, net written premiums for the third quarter and first nine months of 2024 increased 16.5% and 32.0%, respectively, when compared to the same 2023 periods, primarily driven by the same reasons that drove the increases in gross written premiums discussed above.

Net earned premiums for the third quarter of 2024 were $269.6 million compared to $227.0 million for the same 2023 period. Net earned premiums for the first nine months of 2024 were $763.5 million compared to $604.2 million for the same 2023 period. Excluding the impact of the quota share reinsurance contract cancellation, net earned premiums for the third quarter and first nine months of 2024 increased 26.0% and 29.2%, respectively, when compared to the same 2023 periods, 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.

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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, 2024 and 2023:

	Three months ended September 30,			
	2024		2023	
($ in thousands)	Losses and LAE	% of Net Earned Premiums	Losses and LAE	% of Net Earned Premiums
Losses and LAE:				
Non-cat loss and LAE[1]	**$ 163,385**	**60.6 %**	$ 137,802	60.7 %
Cat loss and LAE[1]	**7,454**	**2.8 %**	1,000	0.4 %
Prior accident year development - LPT	**(318)**	**(0.1)%**	(266)	(0.1)%
Total losses and LAE	**$ 170,521**	**63.3 %**	$ 138,536	61.0 %
Adjusted losses and LAE[2]:				
Non-cat loss and LAE[1]	**$ 163,385**	**60.6 %**	$ 137,802	60.7 %
Cat loss and LAE[1]	**7,454**	**2.8 %**	1,000	0.4 %
Total adjusted losses and LAE[2]	**$ 170,839**	**63.4 %**	$ 138,802	61.1 %

[1] Current accident year

[2] See "Reconciliation of Non-GAAP Financial Measures" included in this Item 2

	Nine months ended September 30,			
	2024		2023	
($ in thousands)	Losses and LAE	% of Net Earned Premiums	Losses and LAE	% of Net Earned Premiums
Losses and LAE:				
Non-cat loss and LAE[1]	**$ 462,835**	**60.6 %**	$ 367,767	60.9 %
Cat loss and LAE[1]	**11,454**	**1.5 %**	11,044	1.8 %
Prior accident year development - LPT	**(800)**	**(0.1)%**	(970)	(0.2)%
Total losses and LAE	**$ 473,489**	**62.0 %**	$ 377,841	62.5 %
Adjusted losses and LAE[2]:				
Non-cat loss and LAE[1]	**$ 462,835**	**60.6 %**	$ 367,767	60.9 %
Cat loss and LAE[1]	**11,454**	**1.5 %**	11,044	1.8 %
Total adjusted losses and LAE[2]	**$ 474,289**	**62.1 %**	$ 378,811	62.7 %

[1] Current accident year

[2] See "Reconciliation of Non-GAAP Financial Measures" included in this Item 2

The loss ratios for the third quarter and first nine months of 2024 increased 2.3 points and improved 0.5 points, respectively, when compared to the same 2023 periods. The third quarter of 2024 was impacted by higher catastrophe losses, primarily from Hurricanes Helene and Beryl. The non-cat loss and LAE ratio for the third quarter of 2024 was comparable to the same 2023 period. The non-cat loss and LAE ratio for the first nine months of 2024 improved 0.3 points when compared to the same 2023 period, primarily driven by the shift in the mix of business.

Expense Ratio

The following tables set forth the components of the expense ratios for the three and nine months ended September 30, 2024 and 2023:

($ in thousands)	Three months ended September 30, 2024 Expenses	2024 % of Net Earned Premiums	2023 Expenses	2023 % of Net Earned Premiums
Net policy acquisition expenses	**$ 37,365**	**13.9 %**	$ 34,071	15.0 %
Other operating and general expenses	**42,452**	**15.7 %**	34,244	15.1 %
Underwriting, acquisition and insurance expenses	**79,817**	**29.6 %**	68,315	30.1 %
Less: commission and fee income	**(1,818)**	**(0.7 %)**	(2,085)	(0.9 %)
Total net expenses	**$ 77,999**	**28.9 %**	$ 66,230	29.2 %

($ in thousands)	Nine months ended September 30, 2024 Expenses	2024 % of Net Earned Premiums	2023 Expenses	2023 % of Net Earned Premiums
Net policy acquisition expenses	**$ 105,273**	**13.9 %**	$ 78,442	13.0 %
Other operating and general expenses	**120,997**	**15.8 %**	98,211	16.3 %
Underwriting, acquisition and insurance expenses	**226,270**	**29.7 %**	176,653	29.3 %
Less: commission and fee income	**(5,897)**	**(0.8 %)**	(5,817)	(1.0 %)
Total net expenses	**$ 220,373**	**28.9 %**	$ 170,836	28.3 %

The expense ratios for the third quarter and first nine months of 2024 were comparable to the same 2023 periods.

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

Investment Results

Beginning January 1, 2024, we simplified the investment portfolio classifications to align with our strategy and the underlying risk characteristics of the portfolio. The prior period has been reclassified to conform to the current period presentation.

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, 2024 and 2023:

$ in thousands	Three months ended September 30, 2024	2023	Nine months ended September 30, 2024	2023
Short-term investments & cash and cash equivalents	**$ 4,537**	$ 3,022	**$ 13,645**	$ 8,007
Fixed income	**15,458**	9,488	**41,722**	24,867
Equities	**596**	650	**1,974**	1,332
Alternative and strategic investments	**(1,070)**	(71)	**2,615**	(7,888)
Net investment income	**$ 19,521**	$ 13,089	**$ 59,956**	$ 26,318
Net unrealized gains (losses) on securities still held	**$ 8,378**	$ (6,391)	**$ 15,609**	$ 2,394
Net realized gains	**1,809**	3,407	**1,056**	934
Net investment gains (losses)	**$ 10,187**	$ (2,984)	**$ 16,665**	$ 3,328

Net investment income for the third quarter and first nine months of 2024 increased $6.4 million and $33.6 million, respectively when compared to the same 2023 periods.

The increase in income from our fixed income portfolio for the third quarter and first nine months of 2024, when compared to the same 2023 periods, was due to (i) a larger asset base as we continued to increase our allocation to this part of our investment portfolio and (ii) a higher book yield of 5.0% at September 30, 2024 compared to 4.2% at September 30, 2023. The increase in income from short-term investments for the third quarter and first nine months of 2024 when compared to the same 2023 periods, was due to higher investment yields and a larger asset base. The increase in income from alternative and strategic investments for the first nine months of 2024 was driven by the increase in the fair value of limited partnership investments when compared to the same 2023 period. Net investment income for the third quarter of 2024 and 2023 was impacted by a decline in the fair value of limited partnership investments.

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 September 30, 2024 and determined that no credit impairment existed in the gross unrealized holding losses. 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, 2024 and December 31, 2023:

	2024		2023	
($ in thousands)	Carrying Value	% of Total	Carrying Value	% of Total
Cash and cash equivalents	**$ 105,573**	**5.3 %**	$ 65,891	3.9 %
Short-term investments	**206,358**	**10.3 %**	270,259	16.1 %
Fixed income	**1,393,767**	**69.9 %**	1,067,721	63.6 %
Equities	**124,719**	**6.2 %**	118,249	7.0 %
Alternative and strategic investments	**165,234**	**8.3 %**	157,458	9.4 %
Total portfolio	**$ 1,995,651**	**100.0 %**	$ 1,679,578	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, 2024 and December 31, 2023:

	2024		2023	
($ in thousands)	Carrying Value	% of Total	Carrying Value	% of Total
U.S. government securities	**$ 29,641**	**2.1 %**	$ 44,166	4.1 %
Corporate securities and miscellaneous	**498,107**	**35.8 %**	383,420	35.9 %
Municipal securities	**99,486**	**7.1 %**	92,778	8.7 %
Residential mortgage-backed securities	**397,295**	**28.5 %**	281,626	26.4 %
Commercial mortgage-backed securities	**66,229**	**4.8 %**	29,934	2.8 %
Other asset-backed securities	**266,742**	**19.1 %**	185,727	17.4 %
Total fixed income portfolio, available-for-sale	**1,357,500**	**97.4 %**	1,017,651	95.3 %
Commercial mortgage loans	**$ 36,267**	**2.6 %**	$ 50,070	4.7 %
Total fixed income portfolio	**$ 1,393,767**	**100.0 %**	$ 1,067,721	100.0 %

The weighted average credit rating of our available-for-sale fixed income portfolio was "AA-" by Standard & Poor's Financial Services, LLC ("Standard & Poor's") at September 30, 2024 and December 31, 2023. The following table sets forth the credit quality of our available-for-sale fixed income portfolio at September 30, 2024 and December 31, 2023, as rated by Standard & Poor's or equivalent designation:

	2024		2023	
($ in thousands)	Fair Value	% of Total	Fair Value	% of Total
AAA	**$ 531,730**	**39.2 %**	$ 493,252	48.6 %
AA	**150,040**	**11.1 %**	105,906	10.4 %
A	**419,722**	**30.9 %**	233,487	22.9 %
BBB	**232,416**	**17.1 %**	154,096	15.1 %
BB and Lower	**23,592**	**1.7 %**	30,910	3.0 %
Total fixed income portfolio, available-for-sale	**$ 1,357,500**	**100.0 %**	$ 1,017,651	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 3.89 years and 4.24 years, respectively, as of September 30, 2024 and December 31, 2023.

Equities

The equities portfolio primarily consists of domestic preferred stocks, common equities, exchange traded funds, limited partnerships, limited liability corporations and other types of equity interests, 95.3% of which are publicly traded.

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, 2024 was $10.2 million and $29.8 million, respectively, compared to $6.1 million and $15.8 million, respectively, for the same 2023 periods. Our effective tax rates for the three and nine months ended September 30, 2024 were 21.7% and 22.2%, respectively, compared to 21.9% and 21.8%, respectively, for the same 2023 periods. For additional information, see Note 7 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, 2024 and 2023 were:

($ in thousands)	**2024**	2023
Cash and cash equivalents provided by (used in):		
Operating activities	**$ 283,216**	$ 218,539
Investing activities	**(227,963)**	(307,833)
Financing activities	**(4,233)**	67,549
Change in cash and cash equivalents and restricted cash	**$ 51,020**	$ (21,745)

The increase in cash provided by operating activities in 2024 and 2023 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 2024 was primarily driven by purchases of fixed maturity securities, partially offset by sales and maturities of investment securities and sales of short-term investments. Net cash used in investing activities in 2023 was primarily driven by purchases of fixed maturity securities and short-term investments.

Net cash used in financing activities in 2024 was driven by net payments on debt.

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 redeem $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, 2024, 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, 2024, the six-month SOFR on the Revolving Credit Facility was 4.25%, 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, 2024, 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, 2024 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 13.0% and at December 31, 2023, the ratio of total debt outstanding, including the Term Loan, the Revolver, the Trust Preferred and the Notes, to total capitalization was 16.3%.

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.

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. 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, 2024 our net retention on a written basis (calculated as net written premiums as a percentage of gross written premiums) was 67.1% and 62.9%, respectively, compared to 78.9% and 61.2%, respectively, for the same 2023 periods.

The following is a summary of our reinsurance programs as of September 30, 2024:

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
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)	$4.00 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 $15.0 million retention, which provides cover for a 1:250-year PML event.

Credit and Financial Strength Ratings

On August 1, 2024, A.M. Best upgraded Skyward Specialty's financial strength rating to A (Excellent) from A- (Excellent) and revised the outlook to stable from positive.

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, 2023.

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. In connection with the preparation of this quarterly report on Form 10-Q, our management carried out an evaluation, under the supervision and with the participation of our management, including the CEO and CFO, as of September 30, 2024, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the last fiscal quarter 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

There have been no material changes in our risk factors in the quarter ended September 30, 2024 from those disclosed in our 2023 Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

During the quarter ended September 30, 2024, certain of our executives entered into written plans during an open insider trading window for the purchase or sale of our securities that are intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act and our policies regarding transactions in our securities.

The material terms of these trading plans are set forth in the table below.

Name *(Title)*	Date of Adoption	Nature of Trading Arrangement	Duration of Trading Arrangement	Aggregate Number of Securities
Andrew Robinson *(Chief Executive Officer)*	8/8/2024	Rule 10b5-1(c) Trading Arrangement	1/2/2025 – 1/31/2025	Up to 22,796 shares[(1)]
Andrew Robinson *(Chief Executive Officer)*	9/10/2024	Rule 10b5-1(c) Trading Arrangement	1/2/2025 – 5/30/2025	Up to 60,358 shares
Mark Haushill *(Chief Financial Officer)*	8/8/2024	Rule 10b5-1(c) Trading Arrangement	1/2/2025 – 1/31/2025	Up to 5,699 shares[(1)]
John Burkhart *(President, Specialty Lines and Industry Solutions)*	8/8/2024	Rule 10b5-1(c) Trading Arrangement	1/2/2025 – 1/31/2025	Up to 5,065 shares[(1)]
Kirby Hill *(President, Captives, Programs, Alternative Risks)*	8/8/2024	Rule 10b5-1(c) Trading Arrangement	1/2/2025 – 1/31/2025	Up to 5,445 shares[(1)]
Dan Bodnar *(Chief Information & Technology Officer)*	8/8/2024	Rule 10b5-1(c) Trading Arrangement	1/2/2025 – 1/31/2025	Up to 2,532 shares[(1)]
Dan Bodnar *(Chief Information & Technology Officer)*	9/11/2024	Rule 10b5-1(c) Trading Arrangement	1/2/2025 – 6/30/2025	Up to 2,699 shares
Sean Duffy *(Chief Claims Officer)*	8/8/2024	Rule 10b5-1(c) Trading Arrangement	1/2/2025 – 1/31/2025	Up to 4,305 shares[(1)]
Sean Duffy *(Chief Claims Officer)*	9/11/2024	Rule 10b5-1(c) Trading Arrangement	3/17/2025 – 12/31/2025	Up to 5,625 shares
Sandip Kapadia *(Chief Actuary & Analytics Officer)*	8/8/2024	Rule 10b5-1(c) Trading Arrangement	1/2/2025 – 1/31/2025	Up to 2,532 shares[(1)]
Sandip Kapadia *(Chief Actuary & Analytics Officer)*	9/12/2024	Rule 10b5-1(c) Trading Arrangement	1/2/2025 – 3/31/2025	Up to 5,362 shares
Tom Schmitt *(Chief People & Administrative Officer)*	8/8/2024	Rule 10b5-1(c) Trading Arrangement	1/2/2025 – 1/31/2025	Up to 3,799 shares[(1)]
Tom Schmitt *(Chief People & Administrative Officer)*	9/3/2024	Rule 10b5-1(c) Trading Arrangement	3/3/2025 – 12/31/2025	Up to 6,300 shares
Leslie Shaunty *(General Counsel & Secretary)*	8/8/2024	Rule 10b5-1(c) Trading Arrangement	1/2/2025 – 1/31/2025	Up to 2,532 shares[(1)]

[(1)] The number of shares of common stock sold under the Rule 10b5-1 trading arrangement will be limited to such number of shares necessary to satisfy applicable tax obligations upon the vesting of covered securities and is not yet determinable.

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Item 6. Exhibits

(a) Exhibits.

Exhibit Number	Exhibit Description
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 7, 2024	By:	/s/ Andrew Robinson
		Andrew Robinson Chairman and Chief Executive Officer (Principal Executive Officer)
Date: November 7, 2024	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€ and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date:	November 7, 2024	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€ and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date:	November 7, 2024	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, 2024, 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 7, 2024	By:	/s/ Andrew Robinson
		Name:	Andrew Robinson
		Title:	Chairman and Chief Executive Officer
Date:	November 7, 2024	By:	/s/ Mark Haushill
		Name:	Mark Haushill
		Title:	Chief Financial Officer