

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934**

Date of Report (date of earliest event reported): **May 9, 2023**

Skyward Specialty Insurance Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**800 Gessner Road, Suite 600
Houston, Texas**

(Address of principal executive offices and zip code)

001-41591

(Commission File Number)

14-1957288

(I.R.S. Employer Identification Number)

77024-4284

(Zip Code)

(713) 935-4800

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class

Common stock, par value \$0.01

Trading Symbol

SKWD

Name of each exchange on which registered

The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

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.

Item 2.02. Results of Operations and Financial Condition

On May 9, 2023, Skyward Specialty Insurance Group, Inc. (the “Company”) issued a press release announcing the results of the Company’s operations for the quarter and fiscal period ended March 31, 2023. The press release is furnished as Exhibit 99.1 to this Report and is hereby incorporated by reference in this Item 2.02.

As provided in General Instruction B.2 of Form 8-K, the information and exhibits contained in this Form 8-K shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated May 9, 2023
104.1	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

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

SKYWARD SPECIALTY INSURANCE GROUP, INC.

Date: May 9, 2023

/s/ Mark Haushill

Mark Haushill

Chief Financial Officer

Skyward Specialty Insurance Group Reports First Quarter 2023 Results

Houston, TX – May 9, 2023 – Skyward Specialty Insurance Group, Inc. (Nasdaq: SKWD) (“Skyward Specialty” or the “Company”) today reported first quarter 2023 net income of \$15.6 million, or \$0.42 per diluted share, compared to \$16.3 million, or \$0.50 per diluted share, for the same 2022 period. Adjusted operating income⁽¹⁾ for the first quarter of 2023 was \$15.5 million, or \$0.42 per diluted share, compared to \$19.8 million, or \$0.61 per diluted share, for the same 2022 period.

Highlights for the quarter included:

- Gross written premiums increased 27.5%.
- Underwriting income⁽¹⁾ of \$17.8 million compared to \$11.4 million for the first quarter of 2022.
- Combined ratio of 90.2% compared to 91.9% for the first quarter of 2022.
- Current accident year non-cat loss and LAE ratio of 61.1% compared to 63.5% for the first quarter of 2022.

⁽¹⁾ See "Reconciliation of Non-GAAP Financial Measures"

Skyward Specialty CEO Andrew Robinson commented, "Our strong momentum from year-end 2022 continued in the first quarter of 2023 with gross written premium growth of 27.5% and a 90.2% combined ratio. Despite a high catastrophe quarter for the industry, we were minimally impacted with only 1.8 points of catastrophe losses, a testament to our disciplined underwriting and diversified business mix."

"We continue to execute our "Rule our Niche" strategy, launching our global agriculture and inland marine underwriting units in the first quarter. We also continued to invest in underwriting teams and talent throughout the organization. Our first quarter results demonstrate that we are well positioned to continue to deliver value to our shareholders and business partners throughout 2023."

Results of Operations

Underwriting Results

Premiums <i>(\$ in thousands)</i> <i>unaudited</i>	Three months ended March 31		
	2023	2022	% Change
	Gross written premiums	\$ 360,498	\$ 282,642
Ceded written premiums	\$ (158,357)	\$ (147,241)	7.5%
Net retention	56.1%	47.9%	NM ⁽¹⁾
Net written premiums	\$ 202,141	\$ 135,401	49.3%
Net earned premiums	\$ 182,831	\$ 141,726	29.0%

⁽¹⁾ Not meaningful

The quarter to date 2023 increase in gross written premiums, when compared to the same 2022 period, was primarily driven by double-digit premium growth in our transactional E&S, global property and agriculture, professional lines, surety and captives underwriting divisions.

Combined Ratio <i>(unaudited)</i>	Three months ended March 31	
	2023	2022
Non-cat loss and LAE ⁽¹⁾	61.1 %	63.5 %
Cat loss and LAE ⁽¹⁾	1.8%	0.0 %
Prior accident year development - LPT ⁽²⁾	(0.1)%	0.0%
Loss Ratio	62.8 %	63.5 %
Net policy acquisition costs	11.6 %	9.5 %
Other operating and general expenses	16.6 %	19.1 %
Commission and fee income	(0.8)%	(0.2)%
Expense ratio	27.4 %	28.4 %
Combined ratio	90.2 %	91.9 %
<u><i>Adjusted Underwriting Ratios</i></u>		
Adjusted loss ratio ⁽²⁾	62.9 %	63.5 %
Expense ratio	27.4 %	28.4 %
Adjusted combined ratio ⁽²⁾	90.3 %	91.9 %

⁽¹⁾ Current accident year

⁽²⁾ See "Reconciliation of Non-GAAP Financial Measures"

The loss ratio for the first quarter of 2023 improved 0.7 points when compared to the same 2022 period. Catastrophe losses from wind and hail events, including tornadoes, added 1.8 points to the current quarter loss ratio compared to the first quarter of 2022, which was not impacted by catastrophe losses. The non-cat loss and LAE ratio improved 2.4 points when compared to the same 2022 period primarily driven by the continued run-off of exited business and the shift in the mix of business.

The expense ratio for the quarter improved 1.0 point when compared to the same 2022 period. The improvement was driven by (i) improvement in the other operating and general expenses ratio due to the increase in earned premiums and (ii) an increase in commission and fee income when compared to the same 2022 period. Partially offsetting the improvement was an increase in the net policy acquisition expense ratio due to the shift in our mix of business.

The expense ratio for the first quarter 2023 excludes the impact of IPO related stock compensation which is reported in other expenses in our condensed consolidated statements of operations and comprehensive (loss) income.

Investment Results

Net Investment Income (Loss) <i>\$ in thousands</i> <i>(unaudited)</i>	Three months ended March 31	
	2023	2022
Short-term and money market investments	\$ 1,780	\$ 3
Core fixed income	6,339	2,987
Opportunistic fixed income	(3,141)	11,447
Equities	(333)	710
Net investment income ⁽¹⁾	\$ 4,645	\$ 15,147
Net unrealized gains (losses) on securities still held	\$ 3,767	\$ (5,369)
Net realized (losses) gains	\$ (2,806)	\$ 931

⁽¹⁾ excludes income from operating cash of \$1 and \$2, respectively.

Net investment income for the first quarter 2023 decreased \$10.5 million when compared to the same 2022 period. Increased income from core fixed income and short-term and money market investments was offset by losses in opportunistic fixed income. The increase in income from our core fixed income portfolio was due to (i) a larger asset base as we continued to increase our allocation to this part of our investment portfolio and (ii) higher net investment yields of 3.7% compared to 2.7% for the same 2022 period. The increase in income from short-term and money market investments was due to (i) a larger asset base driven by the addition of the net IPO proceeds and (ii) higher investment yields of 3.5% compared to 0.0% for the same 2022 period. The opportunistic fixed income portfolio was impacted by a decline in the fair value of certain limited partnership investments.

Stockholders' Equity

Stockholders' equity was \$507.1 million at March 31, 2023 which represents an increase of 20.3% when compared to stockholders' equity of \$421.7 million at December 31, 2022. The increase in stockholders' equity was primarily due to net IPO proceeds of \$62.4 million and net income.

Conference Call

At 10 a.m. central time tomorrow, May 10, 2023, Skyward Specialty management will hold a conference call to discuss quarterly results with insurance industry analysts. Interested parties may listen to the discussion at investors.skywardinsurance.com under Events & Presentations. Additionally, investors can access the earnings call via conference call by registering via the conference link. Users will receive dial-in information and a unique PIN to join the call upon registering.

Non-GAAP Financial Measures

This release contains certain financial measures and ratios that are not required by, or presented in accordance with, generally accepted accounting principles in the United States ("GAAP"). We refer to these measures as "non-GAAP financial measures." We use these non-GAAP financial measures when planning, monitoring, and evaluating our performance.

We have chosen to exclude the net impact of the Loss Portfolio Transfer ("LPT"), all development on reserves fully or partially covered by the LPT and amortization of deferred gains associated with recoveries of prior LPT reserve strengthening in certain non-GAAP metrics, where noted, as the business subject to the LPT is not representative of our continuing business strategy. The business subject to the LPT is primarily related to policy years 2017 and prior, was generated and managed under prior leadership, and has either been exited or substantially repositioned during the reevaluation of our portfolio. We consider these non-GAAP financial measures to be useful metrics for our management and investors to facilitate operating performance comparisons from period to period. While we believe that these non-GAAP financial measures are useful in evaluating our business, this information should be considered supplemental in nature and is not meant to be a substitute for revenue or net income, in each case as recognized in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate such measures differently, which reduces their usefulness as comparative measures. For more information regarding these non-GAAP financial measures and a reconciliation of such measures to comparable GAAP financial measures, see the section entitled "Reconciliation of Non-GAAP Financial Measures."

About Skyward Specialty Insurance Group, Inc.

Skyward Specialty is a rapidly growing and innovative specialty insurance company, delivering commercial property and casualty products and solutions on a non-admitted and admitted basis. The Company operates through eight underwriting divisions - Accident & Health, Captives, Global Property & Agriculture, Industry Solutions, Professional Lines, Programs, Surety and Transactional E&S. SKWD stock is traded on the Nasdaq Global Select Market, which represents the top fourth of all Nasdaq listed companies.

Skyward Specialty's subsidiary insurance companies consist of Houston Specialty Insurance Company, Imperium Insurance Company, Great Midwest Insurance Company, and Oklahoma Specialty Insurance Company. These insurance companies are rated A- (Excellent) by A.M. Best Company. Additional information about Skyward Specialty can be found on our website at www.skywardinsurance.com.

Forward-Looking Statements

Except for historical information, all other information in this news release consists of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements are typically, but not always, identified through use of the words "believe," "expect," "enable," "may," "will," "could," "intends," "estimate," "anticipate," "plan," "predict," "probable," "potential," "possible," "should," "continue," and other words of similar meaning. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these uncertainties are described in Skyward Specialty's Form 10-K, and include (but are not limited to) legislative changes at both the state and federal level, state and federal regulatory rule making promulgations and adjudications, class action

litigation involving the insurance industry and judicial decisions affecting claims, policy coverages and the general costs of doing business, the potential loss of key members of our management team or key employees and our ability to attract and retain personnel, the impact of competition on products and pricing, inflation in the costs of the products and services insurance pays for, product development, geographic spread of risk, weather and weather-related events, other types of catastrophic events, our ability to obtain reinsurance coverage at prices and on terms that allow us to transfer risk and adequately protect our company against financial loss, and losses resulting from reinsurance counterparties failing to pay us on reinsurance claims. These forward-looking statements speak only as of the date of this release and the Company does not undertake any obligation to update or revise any forward-looking information to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

Skyward Specialty Insurance Group, Inc.

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Skyward Specialty Insurance Group, Inc.

Consolidated Balance Sheets

(\$ in thousands, except share and per share amounts)

(unaudited)	March 31, 2023	December 31, 2022
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost of \$718,395 and \$662,616, respectively)	\$ 673,137	\$ 607,572
Fixed maturity securities, held-to-maturity, at amortized cost (net of allowance for credit losses of \$321 as of March 31, 2023)	48,216	52,467
Equity securities, at fair value	120,465	120,169
Mortgage loans (at fair value as of March 31, 2023; at amortized cost as of December 31, 2022)	42,335	51,859
Other long-term investments	118,784	129,142
Short-term investments, at fair value	287,351	121,158
Total investments	1,290,288	1,082,367
Cash and cash equivalents	41,200	45,438
Restricted cash	64,047	79,573
Premiums receivable, net	178,954	139,215
Reinsurance recoverables, net	570,504	581,359
Ceded unearned premium	197,044	157,645
Deferred policy acquisition costs	80,103	68,938
Deferred income taxes	30,572	36,188
Goodwill and intangible assets, net	89,503	89,870
Other assets	79,110	82,846
Total assets	\$ 2,621,325	\$ 2,363,439
Liabilities and stockholders' equity		
Liabilities:		
Reserves for losses and loss adjustment expenses	\$ 1,173,176	\$ 1,141,757
Unearned premiums	501,218	442,509
Deferred ceding commission	40,824	29,849
Reinsurance and premium payables	185,748	113,696
Funds held for others	44,256	36,858
Accounts payable and accrued liabilities	40,328	48,499
Notes payable	50,000	50,000
Subordinated debt, net of debt issuance costs	78,629	78,609
Total liabilities	2,114,179	1,941,777
Stockholders' equity		
Series A preferred stock, \$0.01 par value; 10,000,000 and 2,000,000 shares authorized, 0 and 1,969,660 shares issued and outstanding, respectively	—	20
Common stock, \$0.01 par value, 500,000,000 and 168,000,000 shares authorized, 37,658,111 and 16,832,955 shares issued, respectively	377	168
Treasury stock, \$0.01 par value, 0 and 233,289 shares, respectively	—	(2)
Additional paid-in capital	641,368	577,289
Stock notes receivable	(6,718)	(6,911)
Accumulated other comprehensive loss	(35,744)	(43,485)
Accumulated deficit	(92,137)	(105,417)
Total stockholders' equity	507,146	421,662
Total liabilities and stockholders' equity	\$ 2,621,325	\$ 2,363,439

Skyward Specialty Insurance Group, Inc.

Consolidated Statements of Operations and Comprehensive Income (Loss)

(\$ in thousands, except share and per share amounts)

(unaudited)

Three months ended March 31

	2023	2022
Revenues:		
Net earned premiums	\$ 182,831	\$ 141,726
Commission and fee income	1,492	230
Net investment income	4,646	15,149
Net investment gains (losses)	961	(4,438)
Total revenues	189,930	152,667
Expenses:		
Losses and loss adjustment expenses	114,900	89,989
Underwriting, acquisition and insurance expenses	51,655	40,534
Interest expense	2,152	1,177
Amortization expense	387	387
Other expenses	1,114	—
Total expenses	170,208	132,087
Income before income taxes	19,722	20,580
Income tax expense	4,166	4,269
Net income	15,556	16,311
Net income attributable to participating securities	1,274	7,829
Net income attributable to common shareholders	\$ 14,282	\$ 8,482
Comprehensive income (loss):		
Net income	\$ 15,556	\$ 16,311
Other comprehensive income (loss):		
Unrealized gains and losses on investments:		
Net change in unrealized gains (losses) on investments, net of tax	7,788	(16,705)
Reclassification adjustment for (losses) gains on securities no longer held, net of tax	(47)	301
Total other comprehensive income (loss)	7,741	(16,404)
Comprehensive income (loss)	\$ 23,297	\$ (93)

Skyward Specialty Insurance Group, Inc.

Share and Per Share Data

(\$ in thousands, except share and per share amounts)

(unaudited)

Three months ended March 31

	2023	2022
Weighted average basic shares	32,848,243	16,376,720
Weighted average diluted shares	36,952,073	32,412,307
Basic earnings per share	\$ 0.43	\$ 0.52
Diluted earnings per share	\$ 0.42	\$ 0.50
Basic adjusted earnings per share	\$ 0.43	\$ 0.63
Diluted adjusted earnings per share	\$ 0.42	\$ 0.61
Annualized ROE ⁽¹⁾	13.4 %	15.3%
Annualized adjusted ROE ⁽²⁾	13.3 %	18.5 %
Annualized ROTE ⁽³⁾	16.6 %	19.4 %
Annualized adjusted ROTE ⁽⁴⁾	16.5 %	23.6 %

March 31

December 31

	2023	2022
Shares outstanding	37,658,111	16,599,666
Fully diluted shares outstanding	39,409,611	33,290,638
Book value per share	\$ 13.65	\$ 25.82
Fully diluted book value per share	\$ 13.04	\$ 12.87
Fully diluted tangible book value per share	\$ 10.77	\$ 10.17

⁽¹⁾ Annualized ROE is net income expressed on an annualized basis as a percentage of average beginning and ending stockholders' equity during the period

⁽²⁾ Annualized adjusted ROE is adjusted operating income expressed on an annualized basis as a percentage of average beginning and ending stockholders' equity during the period

⁽³⁾ Annualized ROTE is net income expressed on an annualized basis as a percentage of average beginning and ending tangible stockholders' equity during the period

⁽⁴⁾ Annualized adjusted ROTE is adjusted operating income expressed on an annualized basis as a percentage of average beginning and ending tangible stockholders' equity during the period

Skyward Specialty Insurance Group, Inc.
Reconciliation of Non-GAAP Financial Measures

Adjusted operating income (loss) – We define adjusted operating income (loss) as net income (loss) excluding the impact of certain items that may not be indicative of underlying business trends, operating results, or future outlook, net of tax impact. We use adjusted operating income as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Adjusted operating income (loss) should not be viewed as a substitute for net income (loss) calculated in accordance with GAAP, and other companies may define adjusted operating income differently.

(\$ in thousands) (unaudited)	Three months ended March 31			
	2023		2022	
	Pre-tax	After-tax	Pre-tax	After-tax
Income as reported	\$ 19,722	\$ 15,556	\$ 20,580	\$ 16,311
Add:				
Other expenses	1,114	880	—	—
Less:				
Net impact of loss portfolio transfer	242	191	—	—
Net investment gains (losses)	961	759	(4,438)	(3,506)
Adjusted operating income	\$ 19,633	\$ 15,486	\$ 25,018	\$ 19,817

Underwriting income (loss) – We define underwriting income (loss) as net income (loss) before income taxes excluding net investment income, net investment gains (losses), impairment charges, interest expense, amortization expense and other income and expenses. Underwriting income (loss) represents the pre-tax profitability of our underwriting operations and allows us to evaluate our underwriting performance without regard to investment income. We use this metric as we believe it gives our management and other users of our financial information useful insight into our underlying business performance. Underwriting income (loss) should not be viewed as a substitute for pre-tax income (loss) calculated in accordance with GAAP, and other companies may define underwriting income (loss) differently.

(\$ in thousands) (unaudited)	Three months ended March 31	
	2023	2022
	Income before federal income tax	\$ 19,722
Add:		
Interest expense	2,152	1,177
Amortization expense	387	387
Other expenses	1,114	—
Less:		
Net investment income	4,646	15,149
Net investment gains (losses)	961	(4,438)
Underwriting income	\$ 17,768	\$ 11,433

Skyward Specialty Insurance Group, Inc.
Reconciliation of Non-GAAP Financial Measures

Adjusted Loss Ratio / Adjusted Combined Ratio – We define adjusted loss ratio and adjusted combined ratio as the corresponding ratio (calculated in accordance with GAAP), excluding losses and LAE related to the LPT and all development on reserves fully or partially covered by the LPT and amortization of deferred gains associated with recoveries of prior LPT reserve strengthening. We use these adjusted ratios as internal performance measures in the management of our operations because we believe they give our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Our adjusted loss ratio and adjusted combined ratio should not be viewed as substitutes for our loss ratio and combined ratio, respectively.

(\$ in thousands) (unaudited)	Three months ended March 31	
	2023	2022
Net earned premiums	\$ 182,831	\$ 141,726
Losses and LAE	114,900	89,989
Less: Pre-tax net impact of loss portfolio transfer	242	—
Adjusted losses and LAE	\$ 115,142	\$ 89,989
Loss ratio	62.8 %	63.5 %
Less: Net impact of LPT	(0.1)%	0.0%
Adjusted Loss Ratio	62.9 %	63.5 %
Combined ratio	90.2 %	91.9 %
Less: Net impact of LPT	(0.1)%	0.0%
Adjusted Combined Ratio	90.3 %	91.9 %

Tangible Stockholders' Equity – We define tangible stockholders' equity as stockholders' equity less goodwill and intangible assets. Our definition of tangible stockholders' equity may not be comparable to that of other companies and should not be viewed as a substitute for stockholders' equity calculated in accordance with GAAP. We use tangible stockholders' equity internally to evaluate the strength of our balance sheet and to compare returns relative to this measure.

(\$ in thousands) (unaudited)	March 31		December 31
	2023	2022	2022
Stockholders' equity	\$ 507,146	\$ 428,619	421,662
Less: Goodwill and intangible assets	89,503	90,970	89,870
Tangible stockholders' equity	\$ 417,643	\$ 337,649	\$ 331,792