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 June 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 August 2, 2024, the registrant had 40,096,132 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)	June 30, 2024 (Unaudited)	December 31, 2023
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost of $1,239,724 and $1,047,713, respectively)	$ 1,200,273	$ 1,017,651
Fixed maturity securities, held-to-maturity, at amortized cost (net of allowance for credit losses of $225 and $329, respectively)	39,962	42,986
Equity securities, at fair value	112,823	118,249
Mortgage loans, at fair value	43,670	50,070
Equity method investments	101,903	110,653
Other long-term investments	2,665	3,852
Short-term investments, at fair value	215,041	270,226
Total investments	1,716,337	1,613,687
Cash and cash equivalents	72,989	65,891
Restricted cash	35,278	34,445
Premiums receivable, net	377,333	179,235
Reinsurance recoverables, net	667,837	596,334
Ceded unearned premium	255,138	186,121
Deferred policy acquisition costs	116,499	91,955
Deferred income taxes	25,107	21,991
Goodwill and intangible assets, net	87,868	88,435
Other assets	81,108	75,341
Total assets	$ 3,435,494	$ 2,953,435
Liabilities and stockholders' equity		
Liabilities:		
Reserves for losses and loss adjustment expenses	$ 1,470,106	$ 1,314,501
Unearned premiums	711,854	552,532
Deferred ceding commission	47,948	37,057
Reinsurance and premium payables	207,638	150,156
Funds held for others	95,596	58,588
Accounts payable and accrued liabilities	59,796	50,880
Notes payable	100,000	50,000
Subordinated debt, net of debt issuance costs	18,936	78,690
Total liabilities	2,711,874	2,292,404
Stockholders' equity		
Common stock, $0.01 par value, 500,000,000 shares authorized, 40,096,132 and 39,863,756 shares issued and outstanding, respectively	401	399
Additional paid-in capital	713,542	710,855
Stock notes receivable	(5,233)	(5,562)
Accumulated other comprehensive loss	(31,136)	(22,953)
Retained earnings (accumulated deficit)	46,046	(21,708)
Total stockholders' equity	723,620	661,031
Total liabilities and stockholders' equity	$ 3,435,494	$ 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 June 30,		Six months ended June 30,	
($ in thousands, except share and per share amounts)	**2024**	2023	**2024**	2023
Revenues:				
Net earned premiums	**$ 257,583**	$ 194,347	**$ 493,925**	$ 377,178
Commission and fee income	**2,053**	2,240	**4,079**	3,732
Net investment income	**22,138**	8,583	**40,435**	13,229
Net investment (losses) gains	**(1,825)**	5,351	**6,478**	6,312
Other loss	**(7)**	—	**(7)**	—
Total revenues	**279,942**	210,521	**544,910**	400,451
Expenses:				
Losses and loss adjustment expenses	**159,054**	124,405	**302,968**	239,305
Underwriting, acquisition and insurance expenses	**76,679**	56,683	**146,453**	108,338
Interest expense	**2,449**	2,466	**5,176**	4,618
Amortization expense	**360**	486	**748**	873
Other expenses	**1,045**	1,465	**2,233**	2,579
Total expenses	**239,587**	185,505	**457,578**	355,713
Income before income taxes	**40,355**	25,016	**87,332**	44,738
Income tax expense	**9,385**	5,564	**19,578**	9,730
Net income	**30,970**	19,452	**67,754**	35,008
Net income attributable to common stockholders	**$ 30,970**	$ 19,452	**$ 67,754**	$ 33,606
Comprehensive income				
Net income	**$ 30,970**	$ 19,452	**$ 67,754**	$ 35,008
Other comprehensive income:				
Unrealized gains and losses on investments:				
Net change in unrealized (losses) gains on investments, net of tax	**(1,451)**	(4,375)	**(6,869)**	3,413
Reclassification adjustment for losses on securities no longer held, net of tax	**(406)**	(1,165)	**(1,314)**	(1,212)
Total other comprehensive (loss) income	**(1,857)**	(5,540)	**(8,183)**	2,201
Comprehensive income	**$ 29,113**	$ 13,912	**$ 59,571**	$ 37,209
Per share data:				
Basic earnings per share	**$ 0.79**	$ 0.53	**$ 1.73**	$ 0.97
Diluted earnings per share	**$ 0.75**	$ 0.51	**$ 1.65**	$ 0.93
Weighted-average common shares outstanding				
Basic	**39,177,457**	36,603,779	**39,142,825**	34,746,874
Diluted	**41,168,082**	38,143,585	**41,110,384**	37,503,914

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)	Three months ended June 30, 2024	2023
Common shares:		
Balance at beginning of period	**39,995,027**	37,658,111
Issuance of shares	**101,105**	15,952
Balance at June 30	**40,096,132**	37,674,063
Common stock:		
Balance at beginning of period	**$ 400**	$ 377
Issuance of common stock	**1**	—
Balance at June 30	**$ 401**	$ 377
Additional paid-in capital:		
Balance at beginning of period	**$ 711,309**	$ 641,368
Issuance of common stock	**2,233**	1,620
Balance at June 30	**$ 713,542**	$ 642,988
Stock notes receivable:		
Balance at beginning of period	**$ (5,234)**	$ (6,718)
Employee equity transactions	**1**	—
Balance at June 30	**$ (5,233)**	$ (6,718)
Accumulated other comprehensive loss:		
Balance at beginning of period	**$ (29,279)**	$ (35,744)
Other comprehensive loss, net of tax	**(1,857)**	(5,540)
Balance at June 30	**$ (31,136)**	$ (41,284)
Retained earnings (accumulated deficit):		
Balance at beginning of period	**$ 15,076**	$ (92,137)
Net income	**30,970**	19,452
Balance at June 30	**$ 46,046**	$ (72,685)
Total stockholders' equity	**$ 723,620**	$ 522,678

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)	Six months ended June 30, 2024	Six months ended June 30, 2023
Preferred shares:		
Balance at beginning of year	—	1,969,660
Preferred stock conversion to common shares	—	(1,969,660)
Balance at June 30	—	—
Common shares:		
Balance at beginning of year	**39,863,756**	16,599,666
Issuance of shares	**232,376**	4,769,284
Preferred stock conversion to common shares	—	16,305,113
Balance at June 30	**40,096,132**	37,674,063
Preferred stock:		
Balance at beginning of year	**$ —**	$ 20
Preferred stock conversion to common shares	—	(20)
Balance at June 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 June 30	**$ 401**	$ 377
Treasury stock:		
Balance at beginning of year	**$ —**	$ (2)
Preferred stock conversion to common shares	—	2
Balance at June 30	**$ —**	$ —
Additional paid-in capital:		
Balance at beginning of year	**$ 710,855**	$ 577,289
Issuance of common stock	**2,687**	3,875
Preferred stock conversion to common shares	—	(143)
Proceeds from equity offerings, net	—	61,967
Balance at June 30	**$ 713,542**	$ 642,988
Stock notes receivable:		
Balance at beginning of year	**$ (5,562)**	$ (6,911)
Employee equity transactions	**329**	193
Balance at June 30	**$ (5,233)**	$ (6,718)
Accumulated other comprehensive loss:		
Balance at beginning of year	**$ (22,953)**	$ (43,485)
Other comprehensive (loss) income, net of tax	**(8,183)**	2,201
Balance at June 30	**$ (31,136)**	$ (41,284)
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	**67,754**	35,008
Balance at June 30	**$ 46,046**	$ (72,685)
Total stockholders' equity	**$ 723,620**	$ 522,678

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)

($ in thousands)	Six months ended June 30, 2024	2023
Cash flows from operating activities		
Net income	**$ 67,754**	$ 35,008
Adjustments to reconcile net income to net cash provided by operating activities	**47,466**	73,469
Net cash provided by operating activities	**115,220**	108,477
Cash flows from investing activities:		
Purchase of fixed maturity securities, available-for-sale	**(266,800)**	(192,749)
Purchase of illiquid investments	**—**	(885)
Purchase of equity securities	**(6,293)**	(19,192)
Purchase of equity method investments	**(1,100)**	—
Purchase of intangible assets	**—**	(50)
Investment in direct and indirect loans	**14,224**	14,032
Purchase of property and equipment	**(2,769)**	(1,198)
Sales and maturities of investment securities	**96,419**	60,075
Distributions from equity method investments	**—**	1,079
Proceeds from equity method and other long-term investments	**7,951**	—
Change in short-term investments	**55,185**	(69,512)
Change in receivable/payable for securities	**34**	2,767
Cash provided by deposit accounting	**5,325**	7,549
Net cash used in investment activities	**(97,824)**	(198,084)
Cash flows from financing activities:		
Employee share purchases	**—**	193
Repayment of stock notes receivable	**329**	—
Draw on revolving line of credit	**50,000**	50,000
Repayment of term loan	**—**	(50,000)
Repayment of trust preferred	**(59,794)**	—
Proceeds from initial public offering	**—**	66,262
Net cash (used in) provided by financing activities	**(9,465)**	66,455
Net increase (decrease) in cash and cash equivalents and restricted cash	**7,931**	(23,152)
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]	**$ 108,267**	$ 101,859
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 4,835**	$ 5,194
Cash paid for federal income taxes	**$ 13,980**	$ 4,200

[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 June 30, 2024 and December 31, 2023:

($ in thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
June 30, 2024					
Fixed maturity securities, available-for-sale:					
U.S. government securities	**$ 36,055**	**$ 16**	**$ (503)**	**$ —**	**$ 35,568**
Corporate securities and miscellaneous	**449,632**	**3,157**	**(16,407)**	**—**	**436,382**
Municipal securities	**101,289**	**266**	**(7,281)**	**—**	**94,274**
Residential mortgage-backed securities	**363,584**	**2,069**	**(18,351)**	**—**	**347,302**
Commercial mortgage-backed securities	**47,903**	**338**	**(1,934)**	**—**	**46,307**
Other asset-backed securities	**241,261**	**1,479**	**(2,300)**	**—**	**240,440**
Total fixed maturity securities, available-for-sale	**$ 1,239,724**	**$ 7,325**	**$ (46,776)**	**$ —**	**$ 1,200,273**
Fixed maturity securities, held-to-maturity:					
Other asset-backed securities	**$ 40,187**	**$ 20**	**$ (1,342)**	**$ (225)**	**$ 38,640**
Total fixed maturity securities, held-to-maturity	**$ 40,187**	**$ 20**	**$ (1,342)**	**$ (225)**	**$ 38,640**

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 June 30, 2024:

($ in thousands)	Amortized Cost	Fair Value
Due in less than one year	**$ 39,839**	**$ 39,420**
Due after one year through five years	**311,737**	**301,370**
Due after five years through ten years	**191,013**	**185,279**
Due after ten years	**44,387**	**40,155**
Mortgage-backed securities	**411,487**	**393,609**
Other asset-backed securities	**241,261**	**240,440**
Total	**$ 1,239,724**	**$ 1,200,273**

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 June 30, 2024 consisted entirely of asset backed securities that were not due at a single maturity date.

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 June 30, 2024 and December 31, 2023:

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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
June 30, 2024						
Fixed maturity securities, available-for-sale:						
U.S. government securities	**$ 15,880**	**$ (81)**	**$ 16,039**	**$ (422)**	**$ 31,919**	**$ (503)**
Corporate securities and miscellaneous	**110,151**	**(1,654)**	**179,426**	**(14,753)**	**289,577**	**(16,407)**
Municipal securities	**24,319**	**(464)**	**52,868**	**(6,817)**	**77,187**	**(7,281)**
Residential mortgage-backed securities	**111,065**	**(1,278)**	**124,446**	**(17,073)**	**235,511**	**(18,351)**
Commercial mortgage-backed securities	**19,350**	**(126)**	**15,297**	**(1,808)**	**34,647**	**(1,934)**
Other asset-backed securities	**51,137**	**(252)**	**55,351**	**(2,048)**	**106,488**	**(2,300)**
Total fixed maturity securities, available-for-sale	**331,902**	**(3,855)**	**443,427**	**(42,921)**	**775,329**	**(46,776)**
Fixed maturity securities, held-to-maturity:						
Other asset-backed securities	**—**	**—**	**36,594**	**(1,342)**	**36,594**	**(1,342)**
Total fixed maturity securities, held-to-maturity:	**—**	**—**	**36,594**	**(1,342)**	**36,594**	**(1,342)**
Total	**$ 331,902**	**$ (3,855)**	**$ 480,021**	**$ (44,263)**	**$ 811,923**	**$ (48,118)**

	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)

2. Investments (continued)

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 June 30, 2024, the Company had 796 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.

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

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Gross realized gains				
Fixed maturity securities, available-for sale	**$ 331**	$ 211	**$ 830**	$ 704
Equity securities	**493**	814	**1,574**	2,041
Other	**—**	—	**18**	1
Total	**824**	1,025	**2,422**	2,746
Gross realized losses				
Fixed maturity securities, available-for sale	**(466)**	(218)	**(860)**	(456)
Equity securities	**(417)**	(472)	**(2,291)**	(4,761)
Other	**(6)**	(1)	**(24)**	(1)
Total	**(889)**	(691)	**(3,175)**	(5,218)
Net unrealized (losses) gains on investments				
Equity securities	**(730)**	5,038	**7,290**	8,783
Mortgage loans	**(1,030)**	(21)	**(59)**	1
Net investment (losses) gains	**$ (1,825)**	$ 5,351	**$ 6,478**	$ 6,312

The following table sets forth the proceeds from sales of available-for-sale fixed maturity securities and equity securities for the six months ended June 30, 2024 and 2023:

	Six months ended June 30,	
($ in thousands)	**2024**	2023
Fixed maturity securities, available-for sale	**$ 17,917**	$ 19,363
Equity securities	**17,760**	17,583

2. Investments (continued)

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

($ in thousands)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Income:				
Fixed maturity securities, available-for sale	$ 13,407	$ 7,583	$ 25,638	$ 14,259
Fixed maturity securities, held-to-maturity	1,230	1,251	2,356	2,254
Equity securities	751	1,044	1,378	1,770
Equity method investments	2,642	(2,104)	3,740	(6,768)
Mortgage loans	1,588	1,275	3,007	2,748
Indirect loans	221	(1,929)	(1,473)	(3,248)
Short-term investments and cash	3,421	3,186	7,661	4,975
Other	655	29	1,524	9
Total investment income	23,915	10,335	43,831	15,999
Investment expenses	(1,777)	(1,752)	(3,396)	(2,770)
Net investment income	$ 22,138	$ 8,583	$ 40,435	$ 13,229

The following table sets forth the change in net unrealized (losses) gains on the Company’s investment portfolio, net of deferred income taxes, included in other comprehensive loss for the three and six months ended June 30, 2024 and 2023:

($ in thousands)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Fixed maturity securities	$ (2,370)	$ (7,013)	$ (10,359)	$ 2,773
Deferred income taxes	513	1,473	2,176	(572)
Total	$ (1,857)	$ (5,540)	$ (8,183)	$ 2,201

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:

3. Fair Value Measurements (continued)

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)

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 June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
High	**9.75 %**	9.50 %
Low	**3.60 %**	3.25 %
Weighted average	**7.49 %**	7.05 %

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

June 30, 2024 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available-for-sale:				
U.S. government securities	**$ 35,568**	**$ —**	**$ —**	**$ 35,568**
Corporate securities and miscellaneous	**—**	**436,382**	**—**	**436,382**
Municipal securities	**—**	**94,274**	**—**	**94,274**
Residential mortgage-backed securities	**—**	**347,302**	**—**	**347,302**
Commercial mortgage-backed securities	**—**	**46,307**	**—**	**46,307**
Other asset-backed securities	**—**	**240,440**	**—**	**240,440**
Total fixed maturity securities, available-for-sale	**35,568**	**1,164,705**	**—**	**1,200,273**
Fixed maturity securities, held-to-maturity:				
Other asset-backed securities	**—**	**—**	**38,640**	**38,640**
Total fixed maturity securities, held-to-maturity	**—**	**—**	**38,640**	**38,640**
Equity securities:				
Common stocks	**69,439**	**—**	**—**	**69,439**
Preferred stocks	**—**	**3,177**	**—**	**3,177**
Mutual funds	**40,207**	**—**	**—**	**40,207**
Total equity securities	**109,646**	**3,177**	**—**	**112,823**
Mortgage loans	**—**	**—**	**43,670**	**43,670**
Short-term investments	**215,041**	**—**	**—**	**215,041**
Total	**$ 360,255**	**$ 1,167,882**	**$ 82,310**	**$ 1,610,447**

SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

3. Fair Value Measurements (continued)

The following tables set forth the changes in the fair value of instruments carried at fair value with a Level 3 measurement during the six months ended June 30, 2024 and 2023:

($ in thousands)	Mortgage Loans
Balance at December 31, 2023	**$ 50,070**
Total gains for the period recognized in net investment (losses) gains	**971**
Issuances	**187**
Settlements	**(6,919)**
Balance at March 31, 2024	**$ 44,309**
Total gains for the period recognized in net investment (losses) gains attributable to the change in unrealized gains or losses relating to assets held as of period end	**$ 952**
Total gains for the period recognized in net investment (losses) gains	**(1,030)**
Issuances	**449**
Settlements	**(58)**
Balance at June 30, 2024	**$ 43,670**
Total losses for the period recognized in net investment (losses) gains attributable to the change in unrealized gains or losses relating to assets held as of period end	**$ (1,031)**

($ in thousands)	Mortgage Loans
Balance at December 31, 2022	$ 52,842
Total gains for the period recognized in net investment (losses) gains	22
Issuances	892
Settlements	(11,421)
Balance at March 31, 2023	$ 42,335
Total losses for the period recognized in net investment (losses) gains 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 (losses) gains	(21)
Issuances	30
Settlements	(9,582)
Balance at June 30, 2023	$ 32,762
Total gains for the period recognized in net investment (losses) gains attributable to the change in unrealized gains or losses relating to assets held as of period end	$ 3

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.

3. Fair Value Measurements (continued)

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 June 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).

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).

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

	June 30, 2024		December 31, 2023	
($ in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes payable				
Revolving credit facility	**$ 100,000**	**$ 100,000**	$ 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	**18,936**	**20,731**	19,504	21,378
Subordinated debt, net of debt issuance costs	**$ 18,936**	**$ 20,731**	$ 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 June 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 90% property's appraised value at the time the loans were made.

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

($ in thousands)	**June 30, 2024**	December 31, 2023
Commercial	**$ 15,244**	$ 14,469
Retail	**14,127**	16,072
Hospitality	**7,916**	12,744
Industrial	**6,383**	6,785
	$ 43,670	$ 50,070

4. Mortgage Loans (continued)

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

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Commercial	**$ 851**	$ 555	**$ 1,309**	$ 1,049
Retail	**470**	416	**960**	1,011
Hospitality	**269**	132	**739**	293
Office	**—**	97	**—**	203
Multi-family	**—**	75	**—**	192
	$ 1,590	$ 1,275	**$ 3,008**	$ 2,748

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 six months ended June 30, 2024 and 2023.

As of June 30, 2024 and December 31, 2023, approximately $6.4 million and $7.1 million of mortgage loans, respectively, were in the process of foreclosure. As of June 30, 2024, $6.4 million of mortgage loans were not producing income for the previous 12 months.

5. Equity Method Investments and Other

The following table sets forth the carrying value and ownership percentage of the Company's equity method investments as of June 30, 2024 and December 31, 2023:

($ in thousands)	June 30, 2024		December 31, 2023	
	Carrying Value	Ownership %	Carrying Value	Ownership %
Arena Special Opportunities Fund, LP units	**$ 39,421**	**16.0 %**	$ 41,046	16.2 %
JVM Funds LLC units	**18,425**	**10.1 %**	20,061	10.1 %
Arena SOP LP units	**3,142**	**12.1 %**	2,463	12.3 %
RISCOM	**4,196**	**20.0 %**	4,121	20.0 %
Hudson Ventures Fund 2 LP units	**5,003**	**2.5 %**	4,669	2.5 %
Dowling Capital Partners LP units	**684**	**5.0 %**	1,708	6.2 %
Brewer Lane Ventures Fund II LP units	**639**	**2.4 %**	560	2.5 %
	$ 71,510		$ 74,628	

5. Equity Method Investments and Other (continued)

The following table sets forth the components of net investment income (loss) from equity method investments for the three and six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Dowling Capital Partners LP units	**$ 40**	$ 338	**$ 1,382**	$ 605
RISCOM	**389**	224	**675**	305
Brewer Lane Ventures Fund II LP	**(24)**	(29)	**(56)**	(29)
Hudson Ventures Fund II LP units	**210**	(158)	**158**	(413)
JVM Funds LLC	**(535)**	(221)	**(1,019)**	(641)
Universa Black Swan LP units	**—**	(348)	**—**	(904)
Arena SOP LP units	**390**	(727)	**679**	(2,778)
Arena Special Opportunities Fund, LP units	**2,172**	(1,183)	**1,921**	(2,913)
	$ 2,642	$ (2,104)	**$ 3,740**	$ (6,768)

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

($ in thousands)	**June 30, 2024**	December 31, 2023
Brewer Lane Ventures Fund II LP units	**$ 4,227**	$ 4,610
Hudson Ventures Fund 2 LP units	**722**	848
Dowling Capital Partners LP units	**678**	386
	$ 5,627	$ 5,844

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 June 30, 2024 and December 31, 2023:

($ in thousands)	**June 30, 2024**	December 31, 2023
Investment in RISCOM:		
Underlying equity	**$ 2,816**	$ 2,620
Difference	**1,380**	1,501
Recorded investment balance	**$ 4,196**	$ 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 June 30, 2024 and December 31, 2023:

($ in thousands)	**June 30, 2024**	December 31, 2023
Investment in JVM Funds LLC:		
Underlying equity	**$ 17,744**	$ 19,304
Difference	**681**	757
Recorded investment balance	**$ 18,425**	$ 20,061

5. Equity Method Investments and Other (continued)

Investment in Indirect Loans and Loan Collateral

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

($ in thousands)	**June 30, 2024**	December 31, 2023
SMA1	**$ 23,311**	$ 30,816
SMA2	**7,082**	5,209
Investment in indirect loans and loan collateral	**$ 30,393**	$ 36,025

6. Notes Payable & Subordinated Debt

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, with an accordion that can increase the capacity by $50.0 million, 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 six months ended June 30, 2024, the Company drew an additional $50.0 million on the Revolving Credit Facility and used the proceeds to pay off the principal on its existing Debentures (defined below).

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. The following table sets forth the outstanding draws on the Revolving Credit Facility as of June 30, 2024:

($ in thousands)			**June 30, 2024**	
	Amount	Margin	Six-month SOFR	Net interest rate
March 15, 2024	$ 50,000	1.60 %	5.25 %	6.85 %
March 29, 2023	$ 50,000	1.60 %	5.23 %	6.83 %

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 June 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 six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Income tax expense	**$ 9,385**	$ 5,564	**$ 19,578**	$ 9,730
Effective tax rate	**23.3 %**	22.2 %	**22.4 %**	21.7 %

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 $14.0 million during the three and six months ended June 30, 2024 and $4.2 million during the three and six months ended June 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 six months ended June 30, 2024 and 2023:

	Six months ended June 30,	
($ in thousands)	**2024**	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	**303,450**	240,010
Prior years	**—**	—
Total incurred, net of reinsurance	**303,450**	240,010
Paid, net of reinsurance, related to:		
Current period	**39,202**	29,124
Prior years	**158,857**	133,757
Total paid	**198,059**	162,881
Net reserves for losses and LAE, end of period	**964,408**	782,900
Plus: reinsurance recoverable on unpaid claims, end of period	**505,698**	441,227
Reserves for losses and LAE, end of period	**$ 1,470,106**	$ 1,224,127

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 six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2024**	2023	**2024**	2023
SUA commission revenue	**$ 699**	$ 1,385	**$ 1,689**	$ 2,242
SUA fee income	**564**	805	**1,410**	1,261
Other	**790**	50	**980**	229
Total commission and fee income	**$ 2,053**	$ 2,240	**$ 4,079**	$ 3,732

The Company's contract assets from commission and fee income as of June 30, 2024 and December 31, 2023 were $1.7 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 six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Amortization of policy acquisition costs	**$ 35,931**	$ 23,136	**$ 67,908**	$ 44,371
Other operating and general expenses	**40,748**	33,547	**78,545**	63,967
Total underwriting, acquisition and insurance expenses	**$ 76,679**	$ 56,683	**$ 146,453**	$ 108,338

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 six months ended June 30, 2024 and 2023:

	Three months ended June 30,			
	2024		2023	
($ in thousands)	Written	Earned	Written	Earned
Direct premiums	**$ 404,443**	**$ 335,398**	$ 332,062	$ 283,762
Assumed premiums	**91,800**	**70,786**	89,932	48,213
Ceded premiums	**(199,114)**	**(148,601)**	(208,257)	(137,628)
Net premiums	**$ 297,129**	**$ 257,583**	$ 213,737	$ 194,347
Ceded losses and LAE incurred		**$ 106,954**		$ 99,981

11. Reinsurance (continued)

	Six months ended June 30,			
	2024		2023	
($ in thousands)	Written	Earned	Written	Earned
Direct premiums	**$ 771,239**	**$ 662,570**	$ 640,275	$ 546,419
Assumed premiums	**183,624**	**132,972**	142,217	87,345
Ceded premiums	**(370,634)**	**(301,617)**	(366,614)	(256,586)
Net premiums	**$ 584,229**	**$ 493,925**	$ 415,878	$ 377,178
Ceded losses and LAE incurred		**$ 192,573**		$ 164,775

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

($ in thousands)	**June 30, 2024**	December 31, 2023
Ceded unpaid losses and LAE	**$ 505,698**	$ 455,484
Ceded paid losses and LAE	**143,576**	122,287
Loss portfolio transfer	**20,858**	20,858
Allowance for credit losses	**(2,295)**	(2,295)
Reinsurance recoverables	**$ 667,837**	$ 596,334
Ceded unearned premium	**$ 255,138**	$ 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 June 30, 2024, the market value of these accounts was approximately $196.9 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 June 30, 2024 and December 31, 2023 was $24.6 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 six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
($ in thousands, except for share and per share amounts)	**2024**	2023	**2024**	2023
Numerator				
Net income	**$ 30,970**	$ 19,452	**$ 67,754**	$ 35,008
Less: Undistributed income allocated to participating securities	**—**	—	**—**	(1,402)
Net income attributable to common stockholders (numerator for basic earnings per share)	**30,970**	19,452	**67,754**	33,606
Add back: Undistributed income allocated to participating securities	**—**	—	**—**	1,402
Net income (numerator for diluted earnings per share under the two-class method)	**$ 30,970**	$ 19,452	**$ 67,754**	$ 35,008
Denominator				
Basic weighted-average common shares	**39,177,457**	36,603,779	**39,142,825**	34,746,874
Dilutive effect of preferred shares	**—**	—	**—**	1,449,343
Dilutive effect of stock notes	**722,153**	763,590	**717,217**	740,396
Dilutive effect of stock units	**900,119**	685,065	**900,565**	512,331
Dilutive effect of options	**368,353**	91,151	**349,777**	54,970
Diluted weighted-average common share equivalents	**41,168,082**	38,143,585	**41,110,384**	37,503,914
Basic earnings per share	**$ 0.79**	$ 0.53	**$ 1.73**	$ 0.97
Diluted earnings per share	**$ 0.75**	$ 0.51	**$ 1.65**	$ 0.93

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 six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Stock units	**21,813**	1,936	**135,027**	331,484
Options	**1,134**	315	**706**	357,059

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Common shares	**866,428**	1,054,510	**866,428**	1,054,510

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 six months ended June 30, 2024 and 2023 were as follows:

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Net earned premium	**$ 26,161**	$ 19,916	**$ 52,055**	$ 42,101
Commissions	**6,347**	6,149	**13,234**	13,002

Premiums receivable as of June 30, 2024 and December 31, 2023 were $14.5 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 six months ended June 30, 2024 were $0.1 million and $0.2 million, compared to $0.5 million and $2.6 million, respectively, for the three and six months ended June 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 of the 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 "second quarter" as used below refers to the three and six months ended June 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 six months ended June 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 six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Gross written premiums	**$ 496,243**	$ 421,994	**$ 954,863**	$ 782,492
Ceded written premiums	**(199,114)**	(208,257)	**(370,634)**	(366,614)
Net written premiums	**$ 297,129**	$ 213,737	**$ 584,229**	$ 415,878
Net earned premiums	**$ 257,583**	$ 194,347	**$ 493,925**	$ 377,178
Commission and fee income	**2,053**	2,240	**4,079**	3,732
Losses and LAE	**159,054**	124,405	**302,968**	239,305
Underwriting, acquisition and insurance expenses	**76,679**	56,683	**146,453**	108,338
Underwriting income[(1)]	**$ 23,903**	$ 15,499	**$ 48,583**	$ 33,267
Net investment income	**$ 22,138**	$ 8,583	**$ 40,435**	$ 13,229
Net investment (losses) gains	**$ (1,825)**	$ 5,351	**$ 6,478**	$ 6,312
Income before income taxes	**$ 40,355**	$ 25,016	**$ 87,332**	$ 44,738
Net income	**$ 30,970**	$ 19,452	**$ 67,754**	$ 35,008
Adjusted operating income[(1)]	**$ 33,054**	$ 16,017	**$ 64,025**	$ 31,503
Loss and LAE ratio	**61.7 %**	64.0 %	**61.3 %**	63.4 %
Expense ratio	**29.0 %**	28.0 %	**28.8 %**	27.7 %
Combined ratio	**90.7 %**	92.0 %	**90.1 %**	91.1 %
Adjusted loss and LAE ratio[(1)]	**61.8 %**	64.2 %	**61.4 %**	63.6 %
Expense ratio	**29.0 %**	28.0 %	**28.8 %**	27.7 %
Adjusted combined ratio[(1)]	**90.8 %**	92.2 %	**90.2 %**	91.3 %
Annualized return on equity	**17.5 %**	15.1 %	**19.6 %**	14.8 %
Annualized return on tangible equity[(1)]	**20.0 %**	18.3 %	**22.4 %**	18.3 %
Annualized adjusted return on equity[(1)]	**18.7 %**	12.4 %	**18.5 %**	13.3 %
Annualized adjusted return on tangible equity[(1)]	**21.3 %**	15.1 %	**21.2 %**	16.5 %

[(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 six months ended June 30, 2024 and 2023:

	Three months ended June 30,				Six months ended June 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	**$ 40,355**	**$ 30,970**	$ 25,016	$ 19,452	**$ 87,332**	**$ 67,754**	$ 44,738	$ 35,008
Less (add):								
Net investment (losses) gains	**(1,825)**	**(1,442)**	5,351	4,227	**6,478**	**5,118**	6,312	4,986
Net impact of LPT	**241**	**190**	462	365	**482**	**381**	704	556
Other loss	**(7)**	**(6)**	—	—	**(7)**	**(6)**	—	—
Other expenses	**(1,045)**	**(826)**	(1,465)	(1,157)	**(2,233)**	**(1,764)**	(2,579)	(2,037)
Adjusted operating income	**$ 42,991**	**$ 33,054**	$ 20,668	$ 16,017	**$ 82,612**	**$ 64,025**	$ 40,301	$ 31,503

Underwriting Income

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

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Income before federal income tax expense	**$ 40,355**	$ 25,016	**$ 87,332**	$ 44,738
Add:				
Interest expense	**2,449**	2,466	**5,176**	4,618
Amortization expense	**360**	486	**748**	873
Other expenses	**1,045**	1,465	**2,233**	2,579
Less:				
Net investment income	**22,138**	8,583	**40,435**	13,229
Net investment (losses) gains	**(1,825)**	5,351	**6,478**	6,312
Other loss	**(7)**	—	**(7)**	—
Underwriting income	**$ 23,903**	$ 15,499	**$ 48,583**	$ 33,267

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 six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Net earned premiums	**$ 257,583**	$ 194,347	**$ 493,925**	$ 377,178
Losses and LAE	**159,054**	124,405	**302,968**	239,305
Pre-tax net impact of loss portfolio transfer	**241**	462	**482**	704
Adjusted losses and LAE	**$ 159,295**	$ 124,867	**$ 303,450**	$ 240,009
Loss ratio	**61.7 %**	64.0%	**61.3 %**	63.4 %
Less: Net impact of LPT	**(0.1)%**	(0.2)%	**(0.1)%**	(0.2)%
Adjusted loss ratio	**61.8 %**	64.2 %	**61.4 %**	63.6 %
Combined ratio	**90.7 %**	92.0 %	**90.1 %**	91.1 %
Less: Net impact of LPT	**(0.1)%**	(0.2)%	**(0.1)%**	(0.2)%
Adjusted combined ratio	**90.8 %**	92.2 %	**90.2 %**	91.3 %

Tangible Stockholders' Equity

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

($ in thousands)	**2024**	2023
Stockholders' equity	**$ 723,620**	$ 522,678
Less: Goodwill and intangible assets	**87,868**	89,181
Tangible stockholders' equity	**$ 635,752**	$ 433,497

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 six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Numerator: annualized adjusted operating income	**$ 132,214**	$ 64,068	**$ 128,050**	$ 63,006
Denominator: average stockholders' equity	**$ 707,946**	$ 514,912	**$ 692,326**	$ 472,170
Annualized adjusted return on equity	**18.7 %**	12.4 %	**18.5 %**	13.3 %

Annualized Return on Tangible Equity

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

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Numerator: annualized net income	**$ 123,880**	$ 77,808	**$ 135,508**	$ 70,016
Denominator: average tangible stockholders' equity	**$ 619,944**	$ 425,570	**$ 604,174**	$ 382,645
Annualized return on tangible equity	**20.0 %**	18.3 %	**22.4 %**	18.3 %

Annualized Adjusted Return on Tangible Equity

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

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2024**	2023	**2024**	2023
Numerator: annualized adjusted operating income	**$ 132,214**	$ 64,068	**$ 128,050**	$ 63,006
Denominator: average tangible stockholders' equity	**$ 619,944**	$ 425,570	**$ 604,174**	$ 382,645
Annualized adjusted return on tangible equity	**21.3 %**	15.1 %	**21.2 %**	16.5 %

Underwriting Results

Premiums

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

	Three months ended June 30,			
($ in thousands)	**2024**	2023	Change	% Change
Global Property & Agriculture	**$ 124,728**	$ 124,080	$ 648	0.5 %
Industry Solutions	**84,112**	79,249	4,863	6.1 %
Captives	**62,099**	39,283	22,816	58.1 %
Programs	**59,644**	52,598	7,046	13.4 %
Transactional E&S	**45,711**	30,632	15,079	49.2 %
Accident & Health	**44,088**	37,252	6,836	18.4 %
Professional Lines	**38,106**	32,989	5,117	15.5 %
Surety	**37,737**	26,221	11,516	43.9 %
Total gross written premiums[1]	**$ 496,225**	$ 422,304	$ 73,921	17.5 %

[1] *Excludes exited business*

($ in thousands)	Six months ended June 30, 2024	2023	Change	% Change
Global Property & Agriculture	**$ 225,361**	$ 198,420	$ 26,941	13.6 %
Industry Solutions	**162,371**	146,882	15,489	10.5 %
Captives	**130,507**	85,363	45,144	52.9 %
Programs	**111,822**	101,297	10,525	10.4 %
Transactional E&S	**87,906**	60,249	27,657	45.9 %
Accident & Health	**84,989**	73,265	11,724	16.0 %
Professional Lines	**80,345**	66,161	14,184	21.4 %
Surety	**71,579**	50,922	20,657	40.6 %
Total gross written premiums[1]	**$ 954,880**	$ 782,559	$ 172,321	22.0 %

[1] Excludes exited business

The increase in gross written premiums for the second quarter and first half of 2024, when compared to the same 2023 periods, was driven by double-digit premium growth primarily from our captives, transactional E&S and surety underwriting divisions. The double-digit premium growth was due to new business and increased rates. Our global property & agriculture division contributed double digit premium growth in the first half of 2024, when compared to the same 2023 period, primarily driven by new business in agriculture.

Net written premiums for the second quarter of 2024 were $297.1 million compared to $213.7 million for the same 2023 period, an increase of $83.4 million or 39.0%. Net written premiums for the first half of 2024 were $584.2 million compared to $415.9 million for the same 2023 period, an increase of $168.3 million or 40.5%. The increases in net written premiums were primarily driven by the same reasons that drove the increases in gross written premiums discussed above.

Net earned premiums for the second quarter of 2024 were $257.6 million compared to $194.3 million for the same 2023 period, an increase of $63.3 million, or 32.5%. Net earned premiums for the first half of 2024 were $493.9 million compared to $377.2 million for the same 2023 period, an increase of $116.7 million or 31.0%. The increases in net earned premiums were primarily driven by the same reasons that drove the increases in gross written premiums discussed above.

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

Losses and LAE

The following tables set forth the components of the loss and LAE ratios and adjusted loss and LAE ratios for the three and six months ended June 30, 2024 and 2023:

($ in thousands)	Three months ended June 30, 2024 Losses and LAE	2024 % of Net Earned Premiums	2023 Losses and LAE	2023 % of Net Earned Premiums
Losses and LAE:				
Non-cat loss and LAE[1]	**$ 156,295**	**60.6 %**	$ 118,062	60.7 %
Cat loss and LAE[1]	**3,000**	**1.2 %**	6,805	3.5 %
Prior accident year development - LPT	**(241)**	**(0.1)%**	(462)	(0.2)%
Total losses and LAE	**$ 159,054**	**61.7 %**	$ 124,405	64.0 %
Adjusted losses and LAE[2]:				
Non-cat loss and LAE[1]	**$ 156,295**	**60.6 %**	$ 118,062	60.7 %
Cat loss and LAE[1]	**3,000**	**1.2 %**	6,805	3.5 %
Total adjusted losses and LAE[2]	**$ 159,295**	**61.8 %**	$ 124,867	64.2 %

[1] Current accident year

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

($ in thousands)	Six months ended June 30, 2024 Losses and LAE	2024 % of Net Earned Premiums	2023 Losses and LAE	2023 % of Net Earned Premiums
Losses and LAE:				
Non-cat loss and LAE[1]	**$ 299,450**	**60.6 %**	$ 229,964	60.9 %
Cat loss and LAE[1]	**4,000**	**0.8 %**	10,045	2.7 %
Prior accident year development - LPT	**(482)**	**(0.1)%**	(704)	(0.2)%
Total losses and LAE	**$ 302,968**	**61.3 %**	$ 239,305	63.4 %
Adjusted losses and LAE[2]:				
Non-cat loss and LAE[1]	**$ 299,450**	**60.6 %**	$ 229,964	60.9 %
Cat loss and LAE[1]	**4,000**	**0.8 %**	10,045	2.7 %
Total adjusted losses and LAE[2]	**$ 303,450**	**61.4 %**	$ 240,009	63.6 %

[1] Current accident year

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

The loss ratios for the second quarter and first half of 2024 improved 2.3 points and 2.1 points, respectively, when compared to the same 2023 periods, driven by less severity of convective storms. The non-cat loss and LAE ratio for the second quarter of 2024 was comparable to the same 2023 period. The non-cat loss and LAE ratio for the first half 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 six months ended June 30, 2024 and 2023:

($ in thousands)	Three months ended June 30, 2024 Expenses	2024 % of Net Earned Premiums	2023 Expenses	2023 % of Net Earned Premiums
Net policy acquisition expenses	**$ 35,931**	**14.0 %**	$ 23,136	11.9 %
Other operating and general expenses	**40,748**	**15.8 %**	33,547	17.3 %
Underwriting, acquisition and insurance expenses	**76,679**	**29.8 %**	56,683	29.2 %
Less: commission and fee income	**(2,053)**	**(0.8 %)**	(2,240)	(1.2 %)
Total net expenses	**$ 74,626**	**29.0 %**	$ 54,443	28.0 %

($ in thousands)	Six months ended June 30, 2024 Expenses	2024 % of Net Earned Premiums	2023 Expenses	2023 % of Net Earned Premiums
Net policy acquisition expenses	**$ 67,908**	**13.7 %**	$ 44,371	11.7 %
Other operating and general expenses	**78,545**	**15.9 %**	63,967	17.0 %
Underwriting, acquisition and insurance expenses	**146,453**	**29.6 %**	108,338	28.7 %
Less: commission and fee income	**(4,079)**	**(0.8 %)**	(3,732)	(1.0 %)
Total net expenses	**$ 142,374**	**28.8 %**	$ 104,606	27.7 %

The expense ratio for the second quarter and first half of 2024 increased 1.0 point and 1.1 points, respectively, when compared to the same 2023 periods, primarily driven by the business mix shift partially offset by earnings leverage.

The expense ratios for the 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 six months ended June 30, 2024 and 2023:

$ in thousands	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Short-term investments & cash and cash equivalents	**$ 4,021**	$ 3,206	**$ 9,108**	$ 4,985
Fixed income	**13,786**	7,919	**26,264**	15,380
Equities	**751**	684	**1,378**	682
Alternative and strategic investments	**3,580**	(3,226)	**3,685**	(7,818)
Net investment income	**$ 22,138**	$ 8,583	**$ 40,435**	$ 13,229
Net unrealized (losses) gains on securities still held	**$ (1,760)**	$ 5,017	**$ 7,231**	$ 8,784
Net realized (losses) gains	**(65)**	334	**(753)**	(2,472)
Net investment (losses) gains	**$ (1,825)**	$ 5,351	**$ 6,478**	$ 6,312

Net investment income for the second quarter and first half of 2024 increased $13.6 million and $27.2 million, respectively when compared to the same 2023 periods.

The increase in income from our fixed income portfolio for the second quarter and first half 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 4.4% at June 30, 2024 compared to 3.9% at June 30, 2023. The increases in income from short-term investments & cash and cash equivalents for the second quarter and first half of 2024 when compared to the same 2023 periods, were due to higher investment yields and a larger asset base. The fair value of our alternative and strategic investments portfolio for the second quarter and first half of 2024 increased when compared to the same 2023 period, due to an increase 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 June 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 June 30, 2024 and December 31, 2023:

($ in thousands)	**2024**		2023	
	Carrying Value	% of Total	Carrying Value	% of Total
Cash and cash equivalents	**$ 72,989**	**4.1 %**	$ 65,891	3.9 %
Short-term investments	**215,041**	**12.0 %**	270,259	16.1 %
Fixed income	**1,243,943**	**69.5 %**	1,067,721	63.6 %
Equities	**112,823**	**6.3 %**	118,249	7.0 %
Alternative and strategic investments	**144,530**	**8.1 %**	157,458	9.4 %
Total portfolio	**$ 1,789,326**	**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 June 30, 2024 and December 31, 2023:

	2024		2023	
($ in thousands)	Carrying Value	% of Total	Carrying Value	% of Total
U.S. government securities	**$ 35,568**	**2.9 %**	$ 44,166	4.1 %
Corporate securities and miscellaneous	**436,382**	**35.1 %**	383,420	35.9 %
Municipal securities	**94,274**	**7.6 %**	92,778	8.7 %
Residential mortgage-backed securities	**347,302**	**27.9 %**	281,626	26.4 %
Commercial mortgage-backed securities	**46,307**	**3.7 %**	29,934	2.8 %
Other asset-backed securities	**240,440**	**19.3 %**	185,727	17.4 %
Total fixed income portfolio, available-for-sale	**1,200,273**	**96.5 %**	1,017,651	95.3 %
Commercial mortgage loans	**$ 43,670**	**3.5 %**	$ 50,070	4.7 %
Total fixed income portfolio	**$ 1,243,943**	**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 June 30, 2024 and December 31, 2023. The following table sets forth the credit quality of our available-for-sale fixed income portfolio at June 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	**$ 534,283**	**44.5 %**	$ 493,252	48.6 %
AA	**137,565**	**11.5 %**	105,906	10.4 %
A	**302,740**	**25.2 %**	233,487	22.9 %
BBB	**201,579**	**16.8 %**	154,096	15.1 %
BB and Lower	**24,106**	**2.0 %**	30,910	3.0 %
Total fixed income portfolio, available-for-sale	**$ 1,200,273**	**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 4.19 years and 4.24 years, respectively, as of June 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, 100.0% 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 six months ended June 30, 2024 was $9.4 million and $19.6 million, respectively, compared to $5.6 million and $9.7 million, respectively, for the same 2023 periods. Our effective tax rates for the three and six months ended June 30, 2024 were 23.3% and 22.4%, respectively, compared to 22.2% and 21.7%, 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 six months ended June 30, 2024 and 2023 were:

($ in thousands)	**2024**	2023
Cash and cash equivalents provided by (used in):		
Operating activities	**$ 115,220**	$ 108,477
Investing activities	**(97,824)**	(198,084)
Financing activities	**(9,465)**	66,455
Change in cash and cash equivalents and restricted cash	**$ 7,931**	$ (23,152)

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 and 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

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, with an accordion that can increase the capacity by $50.0 million, 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). As of March 31, 2024, we had $100.0 million outstanding under the Revolving Credit Facility with another $50.0 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. The following table sets forth the outstanding draws on the Revolving Credit Facility as of June 30, 2024:

($ in thousands)			**June 30, 2024**	
	Amount	Margin	Six-month SOFR	Net interest rate
March 15, 2024	$ 50,000	1.60 %	5.25 %	6.85 %
March 29, 2023	$ 50,000	1.60 %	5.23 %	6.83 %

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 June 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 June 30, 2024 the ratio of total debt outstanding, including the Revolving Credit Facility, the Trust Preferred and the Notes, to total capitalization (defined as total debt plus stockholders' equity) was 14.1% 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%.

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 six months ended June 30, 2024 our net retention on a written basis (calculated as net written premiums as a percentage of gross written premiums) was 59.9% and 61.2%, respectively, compared to 50.6% and 53.1%, respectively, for the same 2023 periods.

The following is a summary of our reinsurance programs as of June 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)]	$3.00 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.

On June 21, 2024, R&Q Insurance Holdings Ltd, ("R&Q") the parent company of Randall & Quilter (R&Q Bermuda (SAC) Ltd or "R&Q SAC Ltd") the third-party reinsurer domiciled in Bermuda that is the counterparty for our loss portfolio transfer ("LPT"), filed for provisional liquidation with the Bermuda authorities. Due to the complexity of the legal structure of R&Q SAC Ltd and uncertainty relative to the situation, management continues to evaluate the potential financial impact, if any.

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 June 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 June 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 June 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 June 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

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).
10.1	Form of Restricted Stock Units Agreement for Nonemployee Directors and form of notice under the Company's 2022 Long-Term Incentive Plan.
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: August 8, 2024	By:	/s/ Andrew Robinson
		Andrew Robinson Chairman and Chief Executive Officer (Principal Executive Officer)
Date: August 8, 2024	By:	/s/ Mark Haushill
		Mark Haushill Chief Financial Officer (Principal Financial and Accounting Officer)

SKYWARD SPECIALTY INSURANCE GROUP, INC.

RESTRICTED STOCK UNITS NOTICE
UNDER THE
SKYWARD SPECIALTY INSURANCE GROUP, INC.
2022 LONG-TERM INCENTIVE PLAN

Name of Grantee: /Participant Name/

This Notice evidences the award of restricted stock units (each, an "***RSU***," and collectively, the "***RSUs***") of Skyward Specialty Insurance Group, Inc., a Delaware corporation (the "***Company***"), that have been granted to you pursuant to the Skyward Specialty Insurance Group, Inc. 2022 Long-Term Incentive Plan (the "***Plan***") and conditioned upon your agreement to the terms of the attached Restricted Stock Units Agreement (the "***Agreement***"). This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein. Each RSU is equivalent in value to one share of the Company's Common Stock and represents the Company's commitment to issue one share of the Company's Common Stock at a future date, subject to the terms of the Agreement and the Plan. The RSUs are credited to a separate account maintained for you on the books and records of the Company (the "***Account***"). All amounts credited to the Account will continue for all purposes to be part of the general assets of the Company.

Grant Date: ____

Number of RSUs: ____

Vesting Date: ____

All of the RSUs are nonvested and forfeitable as of the Grant Date. So long as your Service (as defined in the Agreement) is continuous from the Grant Date through the applicable Vesting Date, 100% of the RSUs will become vested on the Vesting Date.

In the event your Service is terminated due to your death or Total and Permanent Disability, 100% of the RSUs that had not yet become vested will become vested. Additionally, subject to your continued Service through the date of a Change in Control that occurs prior to the Vesting Date, 100% of the RSUs will become vested immediately prior to and contingent upon the Change in Control.

Skyward Specialty Insurance Group, Inc.	Date

I acknowledge that I have carefully read the Agreement and the prospectus for the Plan. I agree to be bound by all of the provisions set forth in those documents. I also consent to electronic delivery of all notices or other information with respect to the RSUs or the Company.

Signature of Grantee	Date

SKYWARD SPECIALTY INSURANCE GROUP, INC.

RESTRICTED STOCK UNITS AGREEMENT
UNDER THE
SKYWARD SPECIALTY INSURANCE GROUP, INC.
2022 LONG-TERM INCENTIVE PLAN

1. Terminology. Unless otherwise provided in this Agreement, capitalized terms used herein are defined in the Glossary at the end of this Agreement.

2. Vesting. All of the RSUs are nonvested and forfeitable as of the Grant Date. So long as your Service is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, the RSUs will become vested and nonforfeitable in accordance with the vesting schedule set forth in the Notice. Except for the circumstances, if any, described in the Notice, none of the RSUs will become vested and nonforfeitable after your Service ceases.

3. Termination of Employment or Service. Except as otherwise provided in the Notice, if your Service with the Company ceases for any reason, all RSUs that are not then vested and nonforfeitable will be forfeited to the Company immediately and automatically upon such cessation without payment of any consideration therefor and you will have no further right, title or interest in or to such RSUs or the underlying shares of Common Stock.

4. Restrictions on Transfer. Neither this Agreement nor any of the RSUs may be assigned, transferred, pledged, hypothecated or disposed of in any way, whether by operation of law or otherwise, and the RSUs shall not be subject to execution, attachment or similar process. All rights with respect to this Agreement and the RSUs shall be exercisable during your lifetime only by you or your guardian or legal representative. Notwithstanding the foregoing, the RSUs may be transferred upon your death by last will and testament or under the laws of descent and distribution.

5. Dividend Equivalent Payments. If, prior to the settlement date, the Company declares a dividend on the shares of Common Stock, then, on the payment date of the dividend, the Grantee's Account shall be credited with dividend equivalents in an amount equal to the dividends that would have been paid to the Grantee if one share of Common Stock had been issued on the Grant Date for each RSU granted to the Grantee as set forth in this Agreement. Dividend equivalents, when credited, shall be withheld by the Company for the Grantee's Account and shall be subject to the same vesting and forfeiture restrictions as the RSUs to which they are attributable and shall be paid on the same date that the RSUs to which they are attributable are settled and paid in accordance with Section 6 hereof. If your vested RSUs have been settled after the record date but prior to the dividend payment date, any RSUs that would be credited pursuant to the preceding sentence shall be settled on or as soon as practicable after the dividend payment date.

6. Settlement of RSUs.

(a) Manner of Settlement. You are not required to make any monetary payment (other than applicable tax withholding, if required) as a condition to settlement of the RSUs. The Company will issue to you, in settlement of your RSUs, the number of whole shares of Common Stock that equals the number of whole RSUs that become vested (and any dividend equivalents), and such vested RSUs will terminate and cease to be outstanding upon such issuance of the shares. Upon issuance of such shares, the Company will determine the form of delivery (e.g., a stock certificate or electronic entry evidencing such shares) and may deliver such shares on your behalf electronically to the Company’s designated stock plan administrator or such other broker-dealer as the Company may choose at its sole discretion, within reason.

(b) Timing of Settlement. Your RSUs (and any dividend equivalents) will be settled by the Company, via the issuance of Common Stock as described herein, on the date that the RSUs become vested and nonforfeitable (the “***Original Issuance Date***”). If the Original Issuance Date falls on a date that is not a business day, delivery shall instead occur on the next following business day. In addition, if:

(i) the Original Issuance Date does not occur (1) during an “open window period” applicable to you, as determined by the Company in accordance with the Company’s then-effective policy on trading in Company securities, or (2) on a date when you are otherwise permitted to sell shares of Common Stock on an established stock exchange or stock market (including but not limited to under a previously established written trading plan that meets the requirements of Rule 10b5-1 under the Exchange Act and was entered into in compliance with the Company’s policies (a “***10b5-1 Arrangement***”)), and

(ii) the Company decides, prior to the Original Issuance Date, not to permit you to enter into a "same day sale" commitment with a broker-dealer (including but not limited to a commitment under a 10b5-1 Arrangement), then the shares that would otherwise be issued to you on the Original Issuance Date may not be delivered on such Original Issuance Date and may instead be delivered on the first business day when you are not prohibited from selling shares of the Company's Common Stock in the open public market, but in no event later than December 31 of the calendar year in which the Original Issuance Date occurs (that is, the last day of your taxable year in which the Original Issuance Date occurs), or, if and only if permitted in a manner that complies with Treasury Regulations Section 1.409A-1(b)(4), no later than the date that is the 15th day of the third calendar month of the applicable year following the year in which the shares of Common Stock under this RSU are no longer subject to a "substantial risk of forfeiture" within the meaning of Treasury Regulations Section 1.409A-1(d).

7. Tax Withholding. You acknowledge that, regardless of any action taken by the Company, the ultimate liability for all tax-related items related to your participation in the Plan and legally applicable to you or deemed by the Company in its discretion to be an appropriate charge to you even if legally applicable to the Company ("***Tax-Related Items***") is and remains your responsibility and may exceed the amount, if any, actually withheld by the Company. You further acknowledge that the Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including, but not limited to, the grant or vesting of the RSUs or any related dividend equivalents, the subsequent sale of shares of Common Stock acquired upon vesting, and the receipt of any dividends; and (ii) does not commit to and is under no obligation to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result.

8. Adjustments for Corporate Transactions and Other Events.

(a) Stock Dividend, Stock Split and Reverse Stock Split. Upon a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, the number of outstanding RSUs shall, without further action of the Administrator, be adjusted to reflect such event; provided, however, that any fractional RSUs resulting from any such adjustment shall be eliminated. Adjustments under this paragraph will be made by the Administrator, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive.

(b) Merger, Consolidation and Other Events. If the Company shall be the surviving or resulting corporation in any merger or consolidation and the Common Stock shall be converted into other securities, the RSUs shall pertain to and apply to the securities to which a holder of the number of shares of Common Stock subject to the RSUs would have been entitled. If the stockholders of the Company receive by reason of any distribution in total or partial liquidation or pursuant to any merger of the Company or acquisition of its assets, securities of another entity or other property (including cash), then the rights of the Company under this Agreement shall inure to the benefit of the Company's successor, and this Agreement shall apply to the securities or other property (including cash) to which a holder of the number of shares of Common Stock subject to the RSUs would have been entitled, in the same manner and to the same extent as the RSUs.

9. Non-Guarantee of Service Relationship. Nothing in the Plan or this Agreement shall alter your service relationship with the Company, nor be construed as a contract of employment or service relationship between the Company and you, or as a contractual right of you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any nonvested and forfeitable RSUs or any other adverse effect on your interests under the Plan.

10. Rights as Stockholder. You shall not have any of the rights of a stockholder with respect to any shares of Common Stock that may be issued in settlement of the RSUs until such shares of Common Stock have been issued to you.

11. The Company's Rights. The existence of the RSUs shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

12. Restrictions on Issuance of Shares. The issuance of shares of Common Stock upon settlement of the RSUs shall be subject to and in compliance with all applicable requirements of federal, state, or foreign law with respect to such securities. No shares of Common Stock may be issued hereunder if the issuance of such shares would constitute a

violation of any applicable federal, state, or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the RSUs shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the RSUs, the Company may require you to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

13. Notices. All notices and other communications made or given pursuant to this Agreement shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company, or in the case of notices delivered to the Company by you, addressed to the Administrator, care of the Company for the attention of its Secretary at its principal executive office or, in either case, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this award of RSUs by electronic means or to request your consent to participate in the Plan or accept this award of RSUs by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

14. Entire Agreement. This Agreement, together with the relevant Notice and the Plan, contain the entire agreement between the parties with respect to the RSUs granted hereunder. Any oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement with respect to the RSUs granted hereunder shall be void and ineffective for all purposes.

15. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the RSUs as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by each of the parties hereto.

16. 409A Savings Clause. This Agreement is intended to comply with, or otherwise be exempt from, the requirements of Section 409A of the Code and shall be construed and administered in accordance with such intent. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A of the Code or an applicable exemption. Any payments considered deferred compensation to be made under this Agreement in connection with a termination of employment shall only be made if such termination of employment constitutes a "separation from service" under Code Section 409A. The Company makes no representations that the payments and benefits provided under this Agreement comply with Code Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Code Section 409A. Notwithstanding the foregoing, if it is determined that the RSUs are considered deferred compensation subject to Code Section 409A, and if you are a "Specified Employee" (within the meaning set forth Section 409A(a)(2)(B)(i) of the Code) as of the date of your separation from service (within the meaning of Treasury Regulation Section 1.409A-1(h)), then the issuance of any shares that would otherwise be made upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled date(s) and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of additional taxation on you in respect of the shares under Section 409A of the Code. Each installment of shares that vests is intended to constitute a "separate payment" for purposes of Section 409A of the Code and Treasury Regulation Section 1.409A-2(b)(2).

17. No Obligation to Minimize Taxes. The Company has no duty or obligation to minimize the tax consequences to you of this award of RSUs and shall not be liable to you for any adverse tax consequences to you arising in connection with this award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this award and by signing the Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so.

18. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance

with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

19. No Funding. This Agreement constitutes an unfunded and unsecured promise by the Company to issue shares of Common Stock in the future in accordance with its terms. You have the status of a general unsecured creditor of the Company as a result of receiving the grant of RSUs.

20. Effect on Other Employee Benefit Plans. The value of the RSUs subject to this Agreement shall not be included as compensation, earnings, salaries, or other similar terms used when calculating your benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

21. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Delaware, without regard to its provisions concerning the applicability of laws of other jurisdictions. As a condition of this Agreement, you agree that you will not bring any action arising under, as a result of, pursuant to or relating to, this Agreement in any court other than a federal or state court in the districts which include Delaware, and you hereby agree and submit to the personal jurisdiction of any federal court located in the district which includes Delaware or any state court in the district which includes Delaware. You further agree that you will not deny or attempt to defeat such personal jurisdiction or object to venue by motion or other request for leave from any such court.

22. Resolution of Disputes. Any dispute or disagreement which shall arise under, or as a result of, or pursuant to or relating to, this Agreement shall be determined by the Administrator in good faith in its absolute and uncontrolled discretion, and any such determination or any other determination by the Administrator under or pursuant to this Agreement and any interpretation by the Administrator of the terms of this Agreement, will be final, binding and conclusive on all persons affected thereby. You agree that before you may bring any legal action arising under, as a result of, pursuant to or relating to, this Agreement you will first exhaust your administrative remedies before the Administrator. You further agree that in the event that the Administrator does not resolve any dispute or disagreement arising under, as a result of, pursuant to or relating to, this Agreement to your satisfaction, no legal action may be commenced or maintained relating to this Agreement more than twenty-four (24) months after the Administrator's decision.

23. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

24. Electronic Delivery of Documents. By your signing the Notice, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the RSUs, and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

25. No Future Entitlement. By your signing the Notice, you acknowledge and agree that: (i) the grant of a restricted stock unit award is a one-time benefit which does not create any contractual or other right to receive future grants of restricted stock units, or compensation in lieu of restricted stock units, even if restricted stock units have been granted repeatedly in the past; (ii) all determinations with respect to any such future grants and the terms thereof will be at the sole discretion of the Committee; (iii) the value of the restricted stock units is an extraordinary item of compensation which is outside the scope of your employment contract, if any; (iv) the value of the restricted stock units is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any termination, severance, resignation, redundancy, end of service payments or similar payments, or bonuses, long-service awards, pension or retirement benefits; (v) the vesting of the restricted stock units ceases upon termination of Service with the Company or transfer of employment from the Company, or other cessation of eligibility for any reason, except as may otherwise be explicitly provided in this Agreement; (vi) the Company does not guarantee any future value of the restricted stock units; and (vii) no claim or entitlement to compensation or damages arises if the restricted stock units decrease or do not increase in value and you irrevocably release the Company from any such claim that does arise.

26. Personal Data. For purposes of the implementation, administration and management of the restricted stock units or the effectuation of any acquisition, equity or debt financing, joint venture, merger, reorganization,

consolidation, recapitalization, business combination, liquidation, dissolution, share exchange, sale of stock, sale of material assets or other similar corporate transaction involving the Company (a "***Corporate Transaction***"), you consent, by execution of the Notice, to the collection, receipt, use, retention and transfer, in electronic or other form, of your personal data by and among the Company and its third party vendors or any potential party to a potential Corporate Transaction. You understand that personal data (including but not limited to, name, home address, telephone number, employee number, employment status, social security number, tax identification number, date of birth, nationality, job and payroll location, data for tax withholding purposes and shares awarded, cancelled, vested and unvested) may be transferred to third parties assisting in the implementation, administration and management of the restricted stock units or the effectuation of a Corporate Transaction and you expressly authorize such transfer as well as the retention, use, and the subsequent transfer of the data by the recipient(s). You understand that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that data will be held only as long as is necessary to implement, administer and manage the restricted stock units or effect a Corporate Transaction. You understand that you may, at any time, request a list with the names and addresses of any potential recipients of the personal data, view data, request additional information about the storage and processing of data, require any necessary amendments to data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's Secretary. You understand, however, that refusing or withdrawing your consent may affect your ability to accept a restricted stock unit award.

{*Glossary begins on next page*}

GLOSSARY

(a) "***Administrator***" means the Board of Directors of Skyward Specialty Insurance Group, Inc. or such committee or committees appointed by the Board to administer the Plan.

(b) "***Affiliate***" shall have the meaning set forth in the Plan.

(c) "***Agreement***" means this document, as amended from time to time, together with the Plan which is incorporated herein by reference.

(d) ***"Change in Control"*** shall have the meaning set forth in the Plan.

(e) "***Code***" means the Internal Revenue Code of 1986, as amended, and the Treasury regulations and other guidance promulgated thereunder.

(f) "***Common Stock***" means the common stock, US$0.01 par value per share, of Skyward Specialty Insurance Group, Inc.

(g) "***Company***" means Skyward Specialty Insurance Group, Inc. and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Skyward Specialty Insurance Group, Inc.

(h) "***Fair Market Value***" has the meaning set forth in the Plan.

(i) "***Grant Date***" means the effective date of a grant of RSUs made to you as set forth in the relevant Notice.

(j) "***Notice***" means the statement, letter or other written notification provided to you by the Company setting forth the terms of a grant of RSUs made to you.

(k) "***Plan***" means the Skyward Specialty Insurance Group, Inc. 2022 Long-Term Incentive Plan, as amended from time to time.

(l) "***RSU***" means the Company's commitment to issue one share of Common Stock at a future date, subject to the terms of the Agreement and the Plan.

(m) "***Service***" means your employment, service as a non-executive director, or other service relationship with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger, or other corporate transaction, the trade, business, or entity with which you are employed or otherwise have a service relationship is not Skyward Specialty Insurance Group, Inc. or its successor or an Affiliate of Skyward Specialty Insurance Group, Inc. or its successor.

(n) "***You***" or "***Your***" means the recipient of the RSUs as reflected on the applicable Notice. Whenever the word "you" or "your" is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to the estate, personal representative, or beneficiary to whom the RSUs may be transferred by will or by the laws of descent and distribution, the words "you" and "your" shall be deemed to include such person.

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:	August 8, 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:	August 8, 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 six months ended June 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:	August 8, 2024	By:	/s/ Andrew Robinson
		Name:	Andrew Robinson
		Title:	Chairman and Chief Executive Officer
Date:	August 8, 2024	By:	/s/ Mark Haushill
		Name:	Mark Haushill
		Title:	Chief Financial Officer