

**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 March 31, 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**

(State or other jurisdiction of incorporation or organization)

**800 Gessner Road, Suite 600**

**Houston, Texas**

(Address of Principal Executive Offices)

**14-1957288**

(I.R.S. Employer  
Identification No.)

**77024-4284**

(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 April 26, 2024, the registrant had 39,995,027 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

|  | March 31, 2024<br>(Unaudited) | December 31, 2023 |
|--|-------------------------------|-------------------|
| <i>(\$ in thousands, except share and per share amounts)</i>   |                               |                   |
| <b>Assets</b>  |                               |                   |
| Investments:   |                               |                   |
| Fixed maturity securities, available-for-sale, at fair value (amortized cost of \$1,102,190 and \$1,047,713, respectively)           | \$ 1,065,175                  | \$ 1,017,651      |
| Fixed maturity securities, held-to-maturity, at amortized cost (net of allowance for credit losses of \$329)                         | 42,700                        | 42,986            |
| Equity securities, at fair value   | 117,083                       | 118,249           |
| Mortgage loans, at fair value  | 44,309                        | 50,070            |
| Equity method investments  | 103,962                       | 110,653           |
| Other long-term investments  | 2,045                         | 3,852             |
| Short-term investments, at fair value  | 297,932                       | 270,226           |
| Total investments  | 1,673,206                     | 1,613,687         |
| Cash and cash equivalents  | 85,059                        | 65,891            |
| Restricted cash  | 30,210                        | 34,445            |
| Premiums receivable, net   | 273,410                       | 179,235           |
| Reinsurance recoverables, net  | 612,043                       | 596,334           |
| Ceded unearned premium   | 204,625                       | 186,121           |
| Deferred policy acquisition costs  | 104,697                       | 91,955            |
| Deferred income taxes  | 23,607                        | 21,991            |
| Goodwill and intangible assets, net  | 88,137                        | 88,435            |
| Other assets   | 92,063                        | 75,341            |
| Total assets   | \$ 3,187,057                  | \$ 2,953,435      |
| <b>Liabilities and stockholders' equity</b>  |                               |                   |
| Liabilities:   |                               |                   |
| Reserves for losses and loss adjustment expenses   | \$ 1,376,946                  | \$ 1,314,501      |
| Unearned premiums  | 621,794                       | 552,532           |
| Deferred ceding commission   | 41,062                        | 37,057            |
| Reinsurance and premium payables   | 193,760                       | 150,156           |
| Funds held for others  | 88,864                        | 58,588            |
| Accounts payable and accrued liabilities   | 53,443                        | 50,880            |
| Notes payable  | 100,000                       | 50,000            |
| Subordinated debt, net of debt issuance costs  | 18,916                        | 78,690            |
| Total liabilities  | 2,494,785                     | 2,292,404         |
| Stockholders' equity   |                               |                   |
| Common stock, \$0.01 par value, 500,000,000 shares authorized, 39,995,027 and 39,863,756 shares issued and outstanding, respectively | 400                           | 399               |
| Additional paid-in capital   | 711,309                       | 710,855           |
| Stock notes receivable   | (5,234)                       | (5,562)           |
| Accumulated other comprehensive loss   | (29,279)                      | (22,953)          |
| Retained earnings (accumulated deficit)  | 15,076                        | (21,708)          |
| Total stockholders' equity   | 692,272                       | 661,031           |
| Total liabilities and stockholders' equity   | \$ 3,187,057                  | \$ 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 March 31, |                   |
|---|------------------------------|-------------------|
|   | 2024                         | 2023              |
| <i>(\$ in thousands, except share and per share amounts)</i>                    |                              |                   |
| <b>Revenues:</b>  |                              |                   |
| Net earned premiums   | \$ 236,342                   | \$ 182,831        |
| Commission and fee income   | 2,026                        | 1,492             |
| Net investment income   | 18,297                       | 4,646             |
| Net investment gains  | 8,303                        | 961               |
| Total revenues  | <u>264,968</u>               | <u>189,930</u>    |
| <b>Expenses:</b>  |                              |                   |
| Losses and loss adjustment expenses   | 143,914                      | 114,900           |
| Underwriting, acquisition and insurance expenses                                | 69,774                       | 51,655            |
| Interest expense  | 2,727                        | 2,152             |
| Amortization expense  | 388                          | 387               |
| Other expenses  | 1,188                        | 1,114             |
| Total expenses  | <u>217,991</u>               | <u>170,208</u>    |
| Income before income taxes  | 46,977                       | 19,722            |
| Income tax expense  | 10,193                       | 4,166             |
| <b>Net income</b>   | <u>36,784</u>                | <u>15,556</u>     |
| Net income attributable to participating securities                             | —                            | 1,274             |
| Net income attributable to common stockholders                                  | <u>\$ 36,784</u>             | <u>\$ 14,282</u>  |
| <b>Comprehensive income:</b>  |                              |                   |
| Net income  | \$ 36,784                    | \$ 15,556         |
| Other comprehensive (loss) income:  |                              |                   |
| Unrealized gains and losses on investments:                                     |                              |                   |
| Net change in unrealized (losses) gains on investments, net of tax              | (5,418)                      | 7,788             |
| Reclassification adjustment for losses on securities no longer held, net of tax | (908)                        | (47)              |
| Total other comprehensive (loss) income   | <u>(6,326)</u>               | <u>7,741</u>      |
| <b>Comprehensive income</b>   | <u>\$ 30,458</u>             | <u>\$ 23,297</u>  |
| <b>Per share data:</b>  |                              |                   |
| Basic earnings per share  | <u>\$ 0.94</u>               | <u>\$ 0.43</u>    |
| Diluted earnings per share  | <u>\$ 0.90</u>               | <u>\$ 0.42</u>    |
| <b>Weighted-average common shares outstanding</b>                               |                              |                   |
| Basic   | <u>39,108,351</u>            | <u>32,848,243</u> |
| Diluted   | <u>41,085,136</u>            | <u>36,952,073</u> |

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

**SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)**

| (\$ in thousands, except share amounts)          | Three months ended March 31, |                   |
|--|------------------------------|-------------------|
|  | 2024                         | 2023              |
| <b>Preferred shares:</b>                         |                              |                   |
| Balance at beginning of period                   | —                            | 1,969,660         |
| Preferred stock conversion to common shares      | —                            | (1,969,660)       |
| <i>Balance at March 31</i>                       | —                            | —                 |
| <b>Common shares:</b>                            |                              |                   |
| Balance at beginning of period                   | 39,863,756                   | 16,599,666        |
| Issuance of shares                               | 131,271                      | 4,753,332         |
| Preferred stock conversion to common shares      | —                            | 16,305,113        |
| <i>Balance at March 31</i>                       | 39,995,027                   | 37,658,111        |
| <b>Preferred stock:</b>                          |                              |                   |
| Balance at beginning of period                   | \$ —                         | \$ 20             |
| Preferred stock conversion to common shares      | —                            | (20)              |
| <i>Balance at March 31</i>                       | \$ —                         | \$ —              |
| <b>Common stock:</b>                             |                              |                   |
| Balance at beginning of period                   | \$ 399                       | \$ 168            |
| Issuance of common stock                         | 1                            | —                 |
| Preferred stock conversion to common shares      | —                            | 161               |
| Proceeds from equity offerings, net              | —                            | 48                |
| <i>Balance at March 31</i>                       | \$ 400                       | \$ 377            |
| <b>Treasury stock:</b>                           |                              |                   |
| Balance at beginning of period                   | \$ —                         | \$ (2)            |
| Preferred stock conversion to common shares      | —                            | 2                 |
| <i>Balance at March 31</i>                       | \$ —                         | \$ —              |
| <b>Additional paid-in capital:</b>               |                              |                   |
| Balance at beginning of period                   | \$ 710,855                   | \$ 577,289        |
| Issuance of common stock                         | 454                          | 1,864             |
| Preferred stock conversion to common shares      | —                            | (143)             |
| Proceeds from equity offerings, net              | —                            | 62,358            |
| <i>Balance at March 31</i>                       | \$ 711,309                   | \$ 641,368        |
| <b>Stock notes receivable:</b>                   |                              |                   |
| Balance at beginning of period                   | \$ (5,562)                   | \$ (6,911)        |
| Employee equity transactions                     | 328                          | 193               |
| <i>Balance at March 31</i>                       | \$ (5,234)                   | \$ (6,718)        |
| <b>Accumulated other comprehensive loss:</b>     |                              |                   |
| Balance at beginning of period                   | \$ (22,953)                  | \$ (43,485)       |
| Other comprehensive (loss) income, net of tax    | (6,326)                      | 7,741             |
| <i>Balance at March 31</i>                       | \$ (29,279)                  | \$ (35,744)       |
| <b>Retained earnings (accumulated deficit):</b>  |                              |                   |
| Balance at beginning of period                   | \$ (21,708)                  | \$ (105,417)      |
| Cumulative effect on adoption of ASU No. 2016-13 | —                            | (2,276)           |
| Net income                                       | 36,784                       | 15,556            |
| <i>Balance at March 31</i>                       | \$ 15,076                    | \$ (92,137)       |
| <b>Total stockholders' equity</b>                | <b>\$ 692,272</b>            | <b>\$ 507,146</b> |

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)   | Three months ended March 31, |            |
|---|------------------------------|------------|
|   | 2024                         | 2023       |
| <b>Cash flows from operating activities</b>   |                              |            |
| Net income  | \$ 36,784                    | \$ 15,556  |
| Adjustments to reconcile net income to net cash provided by operating activities    | 57,481                       | 91,651     |
| Net cash provided by operating activities   | 94,265                       | 107,207    |
| <b>Cash flows from investing activities:</b>  |                              |            |
| Purchase of fixed maturity securities, available-for-sale                           | (97,426)                     | (72,466)   |
| Purchase of equity securities   | (2,035)                      | (12,889)   |
| Purchase of equity method investments   | (261)                        | (286)      |
| Investment in direct and indirect loans   | 10,816                       | 14,665     |
| Purchase of property and equipment  | (260)                        | (614)      |
| Sales and maturities of investment securities                                       | 53,473                       | 34,980     |
| Proceeds from equity method and other long-term investments                         | 4,871                        | 355        |
| Change in short-term investments  | (27,706)                     | (166,193)  |
| Change in receivable/payable for securities   | (13,755)                     | 3,984      |
| Cash provided by deposit accounting   | 2,417                        | 5,038      |
| Net cash used in investment activities  | (69,866)                     | (193,426)  |
| <b>Cash flows from financing activities:</b>  |                              |            |
| Repayment of stock notes receivable   | 328                          | 193        |
| 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                                 | (9,466)                      | 66,455     |
| Net increase (decrease) in cash and cash equivalents and restricted cash            | 14,933                       | (19,764)   |
| Cash and cash equivalents and restricted cash at beginning of period <sup>(1)</sup> | 100,336                      | 125,011    |
| Cash and cash equivalents and restricted cash at end of period <sup>(1)</sup>       | \$ 115,269                   | \$ 105,247 |
| <b>Supplemental disclosure of cash flow information:</b>                            |                              |            |
| Cash paid for interest  | \$ 2,656                     | \$ 3,145   |

<sup>(1)</sup>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.

**SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED 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 March 31, 2024 and December 31, 2023:

| <i>(\$ in thousands)</i>                            | Gross<br>Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Allowance for<br>Credit Losses | Fair Value          |
|---|----------------------------|------------------------------|-------------------------------|--------------------------------|---------------------|
| <b>March 31, 2024</b>                               |                            |                              |                               |                                |                     |
| Fixed maturity securities, available-for-sale:      |                            |                              |                               |                                |                     |
| U.S. government securities                          | \$ 36,109                  | \$ 30                        | \$ (573)                      | \$ —                           | \$ 35,566           |
| Corporate securities and miscellaneous              | 428,985                    | 4,016                        | (17,245)                      | —                              | 415,756             |
| Municipal securities                                | 101,697                    | 586                          | (6,466)                       | —                              | 95,817              |
| Residential mortgage-backed securities              | 297,164                    | 2,446                        | (16,596)                      | —                              | 283,014             |
| Commercial mortgage-backed securities               | 31,878                     | 502                          | (1,854)                       | —                              | 30,526              |
| Other asset-backed securities                       | 206,357                    | 1,416                        | (3,277)                       | —                              | 204,496             |
| Total fixed maturity securities, available-for-sale | <u>\$ 1,102,190</u>        | <u>\$ 8,996</u>              | <u>\$ (46,011)</u>            | <u>\$ —</u>                    | <u>\$ 1,065,175</u> |
| Fixed maturity securities, held-to-maturity:        |                            |                              |                               |                                |                     |
| Other asset-backed securities                       | \$ 43,029                  | \$ 25                        | \$ (1,324)                    | \$ (329)                       | \$ 41,401           |
| Total fixed maturity securities, held-to-maturity   | <u>\$ 43,029</u>           | <u>\$ 25</u>                 | <u>\$ (1,324)</u>             | <u>\$ (329)</u>                | <u>\$ 41,401</u>    |

**SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

| <i>(\$ in thousands)</i>                            | Gross<br>Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Loss | Allowance for<br>Credit Losses | Fair Value          |
|---|----------------------------|------------------------------|-----------------------------|--------------------------------|---------------------|
| <b>December 31, 2023</b>                            |                            |                              |                             |                                |                     |
| 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 | <u>\$ 1,047,713</u>        | <u>\$ 12,491</u>             | <u>\$ (42,553)</u>          | <u>\$ —</u>                    | <u>\$ 1,017,651</u> |
| Fixed maturity securities, held-to-maturity:        |                            |                              |                             |                                |                     |
| Other asset-backed securities                       | \$ 43,315                  | \$ —                         | \$ (1,969)                  | \$ (329)                       | \$ 41,017           |
| Total fixed maturity securities, held-to-maturity   | <u>\$ 43,315</u>           | <u>\$ —</u>                  | <u>\$ (1,969)</u>           | <u>\$ (329)</u>                | <u>\$ 41,017</u>    |

The following table sets forth the amortized cost and fair value of available-for-sale fixed maturity securities by contractual maturity at March 31, 2024:

| <i>(\$ in thousands)</i>               | Amortized<br>Cost   | Fair Value          |
|--|---------------------|---------------------|
| Due in less than one year              | \$ 32,270           | \$ 31,793           |
| Due after one year through five years  | 297,619             | 286,500             |
| Due after five years through ten years | 187,841             | 183,251             |
| Due after ten years                    | 49,061              | 45,595              |
| Mortgage-backed securities             | 329,042             | 313,540             |
| Other asset-backed securities          | 206,357             | 204,496             |
| Total                                  | <u>\$ 1,102,190</u> | <u>\$ 1,065,175</u> |

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 March 31, 2024 consisted entirely of asset backed securities that were not due at a single maturity date.



**SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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 March 31, 2024 and December 31, 2023:

| <i>(\$ in thousands)</i>                            | Less than 12 Months |                         | 12 Months or More |                         | Total      |                         |
|---|---------------------|-------------------------|-------------------|-------------------------|------------|-------------------------|
|   | Fair Value          | Gross Unrealized Losses | Fair Value        | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| <b>March 31, 2024</b>                               |                     |                         |                   |                         |            |                         |
| Fixed maturity securities, available-for-sale:      |                     |                         |                   |                         |            |                         |
| U.S. government securities                          | \$ 19,473           | \$ (79)                 | \$ 11,240         | \$ (494)                | \$ 30,713  | \$ (573)                |
| Corporate securities and miscellaneous              | 95,105              | (1,049)                 | 177,017           | (16,196)                | 272,122    | (17,245)                |
| Municipal securities                                | 18,761              | (369)                   | 49,031            | (6,097)                 | 67,792     | (6,466)                 |
| Residential mortgage-backed securities              | 80,072              | (1,351)                 | 103,169           | (15,245)                | 183,241    | (16,596)                |
| Commercial mortgage-backed securities               | 3,765               | (27)                    | 15,426            | (1,827)                 | 19,191     | (1,854)                 |
| Other asset-backed securities                       | 36,528              | (258)                   | 60,458            | (3,019)                 | 96,986     | (3,277)                 |
| Total fixed maturity securities, available-for-sale | 253,704             | (3,133)                 | 416,341           | (42,878)                | 670,045    | (46,011)                |
| Fixed maturity securities, held-to-maturity:        |                     |                         |                   |                         |            |                         |
| Other asset-backed securities                       | —                   | —                       | 39,371            | (1,324)                 | 39,371     | (1,324)                 |
| Total fixed maturity securities, held-to-maturity:  | —                   | —                       | 39,371            | (1,324)                 | 39,371     | (1,324)                 |
| Total   | \$ 253,704          | \$ (3,133)              | \$ 455,712        | \$ (44,202)             | \$ 709,416 | \$ (47,335)             |

**SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

| <i>(\$ in thousands)</i>                            | Less than 12 Months |                         | 12 Months or More |                         | Total             |                         |
|---|---------------------|-------------------------|-------------------|-------------------------|-------------------|-------------------------|
|   | Fair Value          | Gross Unrealized Losses | Fair Value        | Gross Unrealized Losses | Fair Value        | Gross Unrealized Losses |
| <b>December 31, 2023</b>                            |                     |                         |                   |                         |                   |                         |
| 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)                 |
| <b>Total</b>  | <b>\$ 121,362</b>   | <b>\$ (1,667)</b>       | <b>\$ 482,875</b> | <b>\$ (42,855)</b>      | <b>\$ 604,237</b> | <b>\$ (44,522)</b>      |

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 March 31, 2024, the Company had 692 lots of fixed maturity securities in an unrealized loss position. The Company does not have an intent to sell these securities and it is not more likely than not that the Company will be required to sell these securities before maturity or recovery of its cost basis. The Company determined that no credit impairment existed in the gross unrealized holding losses because the credit ratings of these securities were consistent with the credit ratings when purchased and/or at origination, there were no adverse changes in financial condition of the issuer and no adverse credit quality events in underlying assets. The Company attributed the unrealized losses to the changes in interest rates.

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The following table sets forth the components of net investment gains for the three months ended March 31, 2024 and 2023:

| <i>(\$ in thousands)</i>                      | <b>Three months ended March 31,</b> |             |
|---|-------------------------------------|-------------|
|   | <b>2024</b>                         | <b>2023</b> |
| <b>Gross realized gains</b>                   |                                     |             |
| Fixed maturity securities, available-for sale | \$ 499                              | \$ 493      |
| Equity securities                             | 1,081                               | 1,227       |
| Other   | 18                                  | 1           |
| Total   | 1,598                               | 1,721       |
| <b>Gross realized losses</b>                  |                                     |             |
| Fixed maturity securities, available-for sale | (394)                               | (237)       |
| Equity securities                             | (1,874)                             | (4,289)     |
| Other   | (18)                                | (1)         |
| Total   | (2,286)                             | (4,527)     |
| <b>Net unrealized gains on investments</b>    |                                     |             |
| Equity securities                             | 8,020                               | 3,745       |
| Mortgage loans                                | 971                                 | 22          |
| Net investment gains                          | \$ 8,303                            | \$ 961      |

The following table sets forth the proceeds from sales of available-for-sale fixed maturity securities and equity securities for the three months ended March 31, 2024 and 2023:

| <i>(\$ in thousands)</i>                      | <b>Three months ended March 31,</b> |             |
|---|-------------------------------------|-------------|
|   | <b>2024</b>                         | <b>2023</b> |
| Fixed maturity securities, available-for sale | \$ 12,093                           | \$ 8,392    |
| Equity securities                             | 10,458                              | 13,325      |

The following table sets forth the components of net investment income for the three months ended March 31, 2024 and 2023:

| <i>(\$ in thousands)</i>                      | <b>Three months ended March 31,</b> |             |
|---|-------------------------------------|-------------|
|   | <b>2024</b>                         | <b>2023</b> |
| <b>Income:</b>                                |                                     |             |
| Fixed maturity securities, available-for sale | \$ 12,231                           | \$ 6,676    |
| Fixed maturity securities, held-to-maturity   | 1,126                               | 1,003       |
| Equity securities                             | 627                                 | 726         |
| Equity method investments                     | 1,098                               | (4,664)     |
| Mortgage loans                                | 1,419                               | 1,473       |
| Indirect loans                                | (1,694)                             | (1,319)     |
| Short-term investments and cash               | 4,240                               | 1,789       |
| Other   | 869                                 | (20)        |
| Total investment income                       | 19,916                              | 5,664       |
| <b>Investment expenses</b>                    | (1,619)                             | (1,018)     |
| Net investment income                         | \$ 18,297                           | \$ 4,646    |

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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 months ended March 31, 2024 and 2023:

| <i>(\$ in thousands)</i>  | <b>Three months ended March 31,</b> |             |
|---------------------------|-------------------------------------|-------------|
|                           | <b>2024</b>                         | <b>2023</b> |
| Fixed maturity securities | \$ (7,989)                          | \$ 9,786    |
| Deferred income taxes     | 1,663                               | (2,045)     |
| Total                     | \$ (6,326)                          | \$ 7,741    |

### **3. Fair Value Measurements**

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

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

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

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

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

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

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

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

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

#### *Preferred stocks, municipal securities, corporate securities and miscellaneous*

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

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

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

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*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 March 31, 2024 and December 31, 2023:

|                  | March 31, 2024 | December 31, 2023 |
|------------------|----------------|-------------------|
| High             | 9.75 %         | 9.50 %            |
| Low              | 4.27 %         | 3.25 %            |
| Weighted average | 7.39 %         | 7.05 %            |

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

| <b>March 31, 2024</b>                                 |                   |                     |                  |                     |
|---|-------------------|---------------------|------------------|---------------------|
| <i>(\$ in thousands)</i>                              | Level 1           | Level 2             | Level 3          | Total               |
| <b>Fixed maturity securities, available-for-sale:</b> |                   |                     |                  |                     |
| U.S. government securities                            | \$ 35,566         | \$ —                | \$ —             | \$ 35,566           |
| Corporate securities and miscellaneous                | —                 | 415,756             | —                | 415,756             |
| Municipal securities                                  | —                 | 95,817              | —                | 95,817              |
| Residential mortgage-backed securities                | —                 | 283,014             | —                | 283,014             |
| Commercial mortgage-backed securities                 | —                 | 30,526              | —                | 30,526              |
| Other asset-backed securities                         | —                 | 204,496             | —                | 204,496             |
| Total fixed maturity securities, available-for-sale   | 35,566            | 1,029,609           | —                | 1,065,175           |
| <b>Fixed maturity securities, held-to-maturity:</b>   |                   |                     |                  |                     |
| Other asset-backed securities                         | —                 | —                   | 41,401           | 41,401              |
| Total fixed maturity securities, held-to-maturity     | —                 | —                   | 41,401           | 41,401              |
| <b>Equity securities:</b>                             |                   |                     |                  |                     |
| Common stocks   | 70,378            | —                   | —                | 70,378              |
| Preferred stocks                                      | —                 | 1,189               | —                | 1,189               |
| Mutual funds  | 45,516            | —                   | —                | 45,516              |
| Total equity securities                               | 115,894           | 1,189               | —                | 117,083             |
| Mortgage loans  | —                 | —                   | 44,309           | 44,309              |
| Short-term investments                                | 297,932           | —                   | —                | 297,932             |
| <b>Total</b>  | <b>\$ 449,392</b> | <b>\$ 1,030,798</b> | <b>\$ 85,710</b> | <b>\$ 1,565,900</b> |

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| December 31, 2023<br>( <i>\$ in thousands</i> )            | Level 1           | Level 2           | Level 3          | Total               |
|--|-------------------|-------------------|------------------|---------------------|
| <b>Fixed maturity securities, available-for-sale:</b>      |                   |                   |                  |                     |
| 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             |
| <b>Total fixed maturity securities, available-for-sale</b> | <b>44,166</b>     | <b>973,485</b>    | <b>—</b>         | <b>1,017,651</b>    |
| <b>Fixed maturity securities, held-to-maturity:</b>        |                   |                   |                  |                     |
| Other asset-backed securities                              | —                 | —                 | 41,017           | 41,017              |
| <b>Total fixed maturity securities, held-to-maturity:</b>  | <b>—</b>          | <b>—</b>          | <b>41,017</b>    | <b>41,017</b>       |
| <b>Equity securities:</b>                                  |                   |                   |                  |                     |
| Common stocks  | 67,425            | —                 | —                | 67,425              |
| Preferred stocks   | —                 | 7,358             | —                | 7,358               |
| Mutual funds   | 43,466            | —                 | —                | 43,466              |
| <b>Total equity securities</b>                             | <b>110,891</b>    | <b>7,358</b>      | <b>—</b>         | <b>118,249</b>      |
| Mortgage loans   | —                 | —                 | 50,070           | 50,070              |
| Short-term investments                                     | 270,226           | —                 | —                | 270,226             |
| <b>Total</b>   | <b>\$ 425,283</b> | <b>\$ 980,843</b> | <b>\$ 91,087</b> | <b>\$ 1,497,213</b> |

The following tables set forth the changes in the fair value of instruments carried at fair value with a Level 3 measurement during the three months ended March 31, 2024 and 2023:

| <i>( \$ in thousands )</i>   | Mortgage Loans   |
|--|------------------|
| <b>Balance at December 31, 2023</b>  | <b>\$ 50,070</b> |
| Total gains for the period recognized in net investment gains (losses)   | 971              |
| Issuances  | 187              |
| Settlements  | (6,919)          |
| <b>Balance at March 31, 2024</b>   | <b>\$ 44,309</b> |
| Total gains for the period recognized in net investment gains (losses) attributable to the change in unrealized gains or losses relating to assets held as of period end | <b>\$ 952</b>    |

| <i>( \$ in thousands )</i>  | Mortgage Loans   |
|---|------------------|
| <b>Balance at December 31, 2022</b>   | <b>\$ 52,842</b> |
| Total losses for the period recognized in net investment gains (losses)   | 22               |
| Issuances   | 892              |
| Settlements   | (11,421)         |
| <b>Balance at March 31, 2023</b>  | <b>\$ 42,335</b> |
| Total losses for the period recognized in net investment gains (losses) attributable to the change in unrealized gains or losses relating to assets held as of period end | <b>\$ (14)</b>   |

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.

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

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

*Fixed maturity securities, held-to-maturity:* Fixed maturity securities, held-to-maturity consists of senior and junior notes with target rates of return. As of March 31, 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 March 31, 2024 and December 31, 2023:

| (\$ in thousands)                             | March 31, 2024    |                   | December 31, 2023 |                  |
|---|-------------------|-------------------|-------------------|------------------|
|   | Carrying Value    | Fair Value        | Carrying Value    | Fair Value       |
| <b>Notes payable</b>                          |                   |                   |                   |                  |
| Revolving credit facility                     | 100,000           | 100,000           | 50,000            | 50,000           |
| Notes payable                                 | <u>\$ 100,000</u> | <u>\$ 100,000</u> | <u>\$ 50,000</u>  | <u>\$ 50,000</u> |
| <b>Subordinated debt</b>                      |                   |                   |                   |                  |
| Junior subordinated interest debentures       | \$ —              | \$ —              | \$ 59,186         | \$ 59,794        |
| Unsecured subordinated notes                  | 18,916            | 21,168            | 19,504            | 21,378           |
| Subordinated debt, net of debt issuance costs | <u>\$ 18,916</u>  | <u>\$ 21,168</u>  | <u>\$ 78,690</u>  | <u>\$ 81,172</u> |

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"), managed by Arena Investors, LP ("Arena"), which is affiliated with The Westaim Corporation ("Westaim") who, directly and through Westaim HIIG GP Inc. (a general partnership controlled by Westaim), is the Company's largest stockholder. As of March 31, 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 1 year 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.

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

| <i>(\$ in thousands)</i> | <b>March 31, 2024</b> | December 31, 2023 |
|--------------------------|-----------------------|-------------------|
| Commercial               | \$ 15,322             | \$ 14,469         |
| Retail                   | 14,123                | 16,072            |
| Hospitality              | 7,928                 | 12,744            |
| Industrial               | 6,936                 | 6,785             |
|                          | <u>\$ 44,309</u>      | <u>\$ 50,070</u>  |

The following table sets forth the Company's gross investment income for mortgage loans for the three months ended March 31, 2024 and 2023:

| <i>(\$ in thousands)</i> | <b>Three months ended March 31,</b> |                 |
|--------------------------|-------------------------------------|-----------------|
|                          | <b>2024</b>                         | 2023            |
| Commercial               | \$ 458                              | \$ 494          |
| Retail                   | 490                                 | 595             |
| Hospitality              | 471                                 | 161             |
| Office                   | —                                   | 106             |
| Multi-family             | —                                   | 117             |
|                          | <u>\$ 1,419</u>                     | <u>\$ 1,473</u> |

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 months ended March 31, 2024 and 2023.

As of March 31, 2024 and December 31, 2023, approximately \$6.9 million and \$7.1 million of mortgage loans, respectively, were in the process of foreclosure. As of March 31, 2024, \$6.9 million of mortgage loans were not producing income for the previous 12 months.

#### **5. Equity Method Investments and Other**

The Company's ownership interests in most of its equity method investments range from approximately 3% to less than 5% where the Company has significant influence but not control.

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

| <i>(\$ in thousands)</i>                   | <b>March 31, 2024</b> | December 31, 2023 |
|--|-----------------------|-------------------|
| Arena Special Opportunities Fund, LP units | \$ 40,643             | \$ 41,046         |
| JVM Funds LLC units                        | 19,293                | 20,061            |
| Arena SOP LP units                         | 2,752                 | 2,463             |
| RISCOM                                     | 3,807                 | 4,121             |
| Hudson Ventures Fund 2 LP units            | 4,742                 | 4,669             |
| Dowling Capital Partners LP units          | 858                   | 1,708             |
| Brewer Lane Ventures Fund II LP units      | 663                   | 560               |
|  | <u>\$ 72,758</u>      | <u>\$ 74,628</u>  |



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The following table sets forth the components of net investment income (loss) from equity method investments for the three months ended March 31, 2024 and 2023:

| <i>(\$ in thousands)</i>                   | <b>Three months ended March 31,</b> |                   |
|--|-------------------------------------|-------------------|
|  | <b>2024</b>                         | <b>2023</b>       |
| Dowling Capital Partners LP units          | \$ 1,342                            | \$ 267            |
| RISCOM                                     | 286                                 | 81                |
| Brewer Lane Ventures Fund II LP            | (32)                                | —                 |
| Hudson Ventures Fund II LP units           | (52)                                | (255)             |
| JVM Funds LLC                              | (484)                               | (420)             |
| Universa Black Swan LP units               | —                                   | (556)             |
| Arena SOP LP units                         | 289                                 | (2,051)           |
| Arena Special Opportunities Fund, LP units | (251)                               | (1,730)           |
|  | <b>\$ 1,098</b>                     | <b>\$ (4,664)</b> |

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

| <i>(\$ in thousands)</i>          | <b>March 31, 2024</b>                 | <b>December 31, 2023</b> |
|-----------------------------------|---------------------------------------|--------------------------|
|                                   | Brewer Lane Ventures Fund II LP units | \$ 4,227                 |
| Hudson Ventures Fund 2 LP units   | 722                                   | 848                      |
| Dowling Capital Partners LP units | 386                                   | 386                      |
|                                   | <b>\$ 5,335</b>                       | <b>\$ 5,844</b>          |

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 March 31, 2024 and December 31, 2023:

| <i>(\$ in thousands)</i>     | <b>March 31, 2024</b> | <b>December 31, 2023</b> |
|------------------------------|-----------------------|--------------------------|
| <b>Investment in RISCOM:</b> |                       |                          |
| Underlying equity            | \$ 2,367              | \$ 2,620                 |
| Difference                   | 1,440                 | 1,501                    |
| Recorded investment balance  | <b>\$ 3,807</b>       | <b>\$ 4,121</b>          |

The following table sets forth the Company's recorded investment in JVM Funds LLC compared to its share of underlying equity as of March 31, 2024 and December 31, 2023:

| <i>(\$ in thousands)</i>            | <b>March 31, 2024</b> | <b>December 31, 2023</b> |
|-------------------------------------|-----------------------|--------------------------|
| <b>Investment in JVM Funds LLC:</b> |                       |                          |
| Underlying equity                   | \$ 18,574             | \$ 19,304                |
| Difference                          | 719                   | 757                      |
| Recorded investment balance         | <b>\$ 19,293</b>      | <b>\$ 20,061</b>         |

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*Investment in Indirect Loans and Loan Collateral*

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

| <i>(\$ in thousands)</i>                         | <b>March 31, 2024</b> | December 31, 2023 |
|--|-----------------------|-------------------|
| SMA1   | <b>\$ 24,883</b>      | \$ 30,816         |
| SMA2   | <b>6,321</b>          | 5,209             |
| Investment in indirect loans and loan collateral | <b>\$ 31,204</b>      | \$ 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 three months ended March 31, 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 March 31, 2024:

| <i>(\$ in thousands)</i> | Amount    | Margin | <b>March 31, 2024</b> |                   |
|--------------------------|-----------|--------|-----------------------|-------------------|
|                          |           |        | 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 March 31, 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.

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**7. Income Taxes**

The following table sets forth the Company's income tax expense and effective tax rates for the three months ended March 31, 2024 and 2023:

| <i>(\$ in thousands)</i> | <b>Three months ended March 31,</b> |             |
|--------------------------|-------------------------------------|-------------|
|                          | <b>2024</b>                         | <b>2023</b> |
| Income tax expense       | \$ <b>10,193</b>                    | \$ 4,166    |
| Effective tax rate       | <b>21.7 %</b>                       | 21.1 %      |

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.

**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 three months ended March 31, 2024 and 2023:

| <i>(\$ in thousands)</i>   | <b>Three months ended March 31,</b> |              |
|--|-------------------------------------|--------------|
|  | <b>2024</b>                         | <b>2023</b>  |
| Reserves for losses and LAE, beginning of period                     | \$ <b>1,314,501</b>                 | \$ 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 | <b>859,017</b>                      | 705,771      |
| Incurred, net of reinsurance, related to:                            |                                     |              |
| Current period   | 144,155                             | 115,142      |
| Prior years  | —                                   | —            |
| Total incurred, net of reinsurance                                   | <b>144,155</b>                      | 115,142      |
| Paid, net of reinsurance, related to:                                |                                     |              |
| Current period   | 11,805                              | 8,744        |
| Prior years  | 80,516                              | 68,745       |
| Total paid   | <b>92,321</b>                       | 77,489       |
| Net reserves for losses and LAE, end of period                       | <b>910,851</b>                      | 743,424      |
| Plus: reinsurance recoverable on unpaid claims, end of period        | <b>466,095</b>                      | 429,752      |
| Reserves for losses and LAE, end of period                           | <b>\$ 1,376,946</b>                 | \$ 1,173,176 |

**SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**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 months ended March 31, 2024 and 2023:

| <i>(\$ in thousands)</i>        | Three months ended March 31, |          |
|---------------------------------|------------------------------|----------|
|                                 | 2024                         | 2023     |
| SUA commission revenue          | \$ 990                       | \$ 857   |
| SUA fee income                  | 846                          | 456      |
| Other                           | 190                          | 179      |
| Total commission and fee income | \$ 2,026                     | \$ 1,492 |

The Company’s contract assets from commission and fee income as of March 31, 2024 and December 31, 2023 were \$1.5 million and \$1.0 million, respectively. Contract assets were \$1.3 million as of both March 31, 2023 and December 31, 2022.

**10. Underwriting, Acquisition and Insurance Expenses**

The following table sets forth the components of underwriting, acquisition and insurance expenses for the three months ended March 31, 2024 and 2023:

| <i>(\$ in thousands)</i>                               | Three months ended March 31, |           |
|--|------------------------------|-----------|
|  | 2024                         | 2023      |
| Amortization of policy acquisition costs               | \$ 31,977                    | \$ 21,235 |
| Other operating and general expenses                   | 37,797                       | 30,420    |
| Total underwriting, acquisition and insurance expenses | \$ 69,774                    | \$ 51,655 |

**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 table sets forth the effects of reinsurance on written and earned premiums and losses and loss adjustment expenses for the three months ended March 31, 2024 and 2023:

| <i>(\$ in thousands)</i>      | Three months ended March 31, |            |            |            |
|-------------------------------|------------------------------|------------|------------|------------|
|                               | 2024                         |            | 2023       |            |
|                               | Written                      | Earned     | Written    | Earned     |
| Direct premiums               | \$ 366,796                   | \$ 327,172 | \$ 308,213 | \$ 262,658 |
| Assumed premiums              | 91,824                       | 62,186     | 52,285     | 39,131     |
| Ceded premiums                | (171,520)                    | (153,016)  | (158,357)  | (118,958)  |
| Net premiums                  | \$ 287,100                   | \$ 236,342 | \$ 202,141 | \$ 182,831 |
| Ceded losses and LAE incurred |                              | \$ 85,619  |            | \$ 64,794  |

**SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES**  
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The following table sets forth the components of reinsurance recoverables and ceded unearned premium as of March 31, 2024 and December 31, 2023:

| <i>(\$ in thousands)</i>    | <b>March 31, 2024</b> | December 31, 2023 |
|-----------------------------|-----------------------|-------------------|
| Ceded unpaid losses and LAE | \$ 466,095            | \$ 455,484        |
| Ceded paid losses and LAE   | 127,385               | 122,287           |
| Loss portfolio transfer     | 20,858                | 20,858            |
| Allowance for credit losses | (2,295)               | (2,295)           |
| Reinsurance recoverables    | <u>\$ 612,043</u>     | <u>\$ 596,334</u> |
| Ceded unearned premium      | <u>\$ 204,625</u>     | <u>\$ 186,121</u> |

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 March 31, 2024, the market value of these accounts was approximately \$171.2 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 March 31, 2024 and December 31, 2023 was \$27.5 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 months ended March 31, 2024 and 2023:

| <i>(\$ in thousands, except for share and per share amounts)</i>                        | <b>Three months ended March 31,</b> |                   |
|---|-------------------------------------|-------------------|
|   | <b>2024</b>                         | <b>2023</b>       |
| <b>Numerator</b>  |                                     |                   |
| Net income  | \$ 36,784                           | \$ 15,556         |
| Less: Undistributed income allocated to participating securities                        | —                                   | (1,274)           |
| Net income attributable to common stockholders (numerator for basic earnings per share) | 36,784                              | 14,282            |
| Add back: Undistributed income allocated to participating securities                    | —                                   | 1,274             |
| Net income (numerator for diluted earnings per share under the two-class method)        | <u>\$ 36,784</u>                    | <u>\$ 15,556</u>  |
| <b>Denominator</b>  |                                     |                   |
| Basic weighted-average common shares  | 39,108,351                          | 32,848,243        |
| Dilutive effect of preferred shares   | —                                   | 2,931,256         |
| Dilutive effect of stock notes  | 711,752                             | 708,746           |
| Dilutive effect of stock units  | 935,890                             | 444,612           |
| Dilutive effect of options  | 329,143                             | 19,216            |
| Diluted weighted-average common share equivalents                                       | <u>41,085,136</u>                   | <u>36,952,073</u> |
| Basic earnings per share  | <u>\$ 0.94</u>                      | <u>\$ 0.43</u>    |
| Diluted earnings per share  | <u>\$ 0.90</u>                      | <u>\$ 0.42</u>    |

**SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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 months ended March 31, 2024 and 2023:

|             | <b>Three months ended March 31,</b> |             |
|-------------|-------------------------------------|-------------|
|             | <b>2024</b>                         | <b>2023</b> |
| Stock units | 70,671                              | 443,951     |
| Options     | 48                                  | 333,551     |

The following table presents common share equivalents of contingently issuable instruments that were excluded from basic earnings per share in the three months ended March 31, 2024 and 2023:

|               | <b>Three months ended March 31,</b> |             |
|---------------|-------------------------------------|-------------|
|               | <b>2024</b>                         | <b>2023</b> |
| Common shares | 866,428                             | 1,054,510   |

### **13. Related Party Transactions**

#### **Westaim**

In July 2023, Westaim dissolved Westaim HIIG LP and obtained direct ownership of the Company's common stock held by the partnership. Westaim subsequently transferred the direct ownership of the Company's stock to the wholly owned general partnership, Westaim HIIG GP Inc. As of March 31, 2024 and December 31, 2023, Westaim, including shares beneficially owned through Westaim HIIG GP Inc., owned 17.5% of the Company's common stock.

#### **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 months ended March 31, 2024 and 2023 were as follows:

| <i>(\$ in thousands)</i> | <b>Three months ended March 31,</b> |             |
|--------------------------|-------------------------------------|-------------|
|                          | <b>2024</b>                         | <b>2023</b> |
| Net earned premium       | \$ 25,894                           | \$ 22,185   |
| Commissions              | 6,887                               | 6,853       |

Premiums receivable as of March 31, 2024 and December 31, 2023 were \$15.6 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 months ended March 31, 2024 were \$2.0 million, compared to \$2.1 million for the three months ended March 31, 2023.

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

**SKYWARD SPECIALTY INSURANCE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**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 “first quarter” as used below refers to the three months ended March 31 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 Annual Report on 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 Annual Report on Form 10-K for the year ended December 31, 2023. 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 months ended March 31, 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 Annual Report on Form 10-K for the year ended December 31, 2023.*

*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 positive outlook from the A.M. Best Company.



## Results of Operations

The following table summarizes our results for the three months ended March 31, 2024 and 2023:

| (\$ in thousands)  | Three months ended March 31, |            |
|--|------------------------------|------------|
|  | 2024                         | 2023       |
| Gross written premiums                                       | \$ 458,620                   | \$ 360,498 |
| Ceded written premiums                                       | (171,520)                    | (158,357)  |
| Net written premiums   | \$ 287,100                   | \$ 202,141 |
| Net earned premiums  | \$ 236,342                   | \$ 182,831 |
| Commission and fee income                                    | 2,026                        | 1,492      |
| Losses and LAE   | 143,914                      | 114,900    |
| Underwriting, acquisition and insurance expenses             | 69,774                       | 51,655     |
| Underwriting income <sup>(1)</sup>                           | \$ 24,680                    | \$ 17,768  |
| Net investment income  | \$ 18,297                    | \$ 4,646   |
| Net investment gains   | \$ 8,303                     | \$ 961     |
| Income before income taxes                                   | \$ 46,977                    | \$ 19,722  |
| Net income   | \$ 36,784                    | \$ 15,556  |
| Adjusted operating income <sup>(1)</sup>                     | \$ 30,974                    | \$ 15,486  |
| Loss and LAE ratio   | 60.9 %                       | 62.8 %     |
| Expense ratio  | 28.7 %                       | 27.4 %     |
| Combined ratio   | 89.6 %                       | 90.2 %     |
| Adjusted loss and LAE ratio <sup>(1)</sup>                   | 61.0 %                       | 62.9 %     |
| Expense ratio  | 28.7 %                       | 27.4 %     |
| Adjusted combined ratio <sup>(1)</sup>                       | 89.7 %                       | 90.3 %     |
| Annualized return on equity                                  | 21.7 %                       | 13.4 %     |
| Annualized return on tangible equity <sup>(1)</sup>          | 25.0 %                       | 16.6 %     |
| Annualized adjusted return on equity <sup>(1)</sup>          | 18.3 %                       | 13.3 %     |
| Annualized adjusted return on tangible equity <sup>(1)</sup> | 21.1 %                       | 16.5 %     |

<sup>(1)</sup> 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 months ended March 31, 2024 and 2023:

| (\$ in thousands)                | Three months ended March 31, |                  |                  |                  |
|----------------------------------|------------------------------|------------------|------------------|------------------|
|                                  | 2024                         |                  | 2023             |                  |
|                                  | Pre-tax                      | After-tax        | Pre-tax          | After-tax        |
| Income as reported               | \$ 46,977                    | \$ 36,784        | \$ 19,722        | \$ 15,556        |
| Less (add):                      |                              |                  |                  |                  |
| Net impact of LPT                | 241                          | 190              | 242              | 191              |
| Net investment gains             | 8,303                        | 6,559            | 961              | 759              |
| Other expenses                   | (1,188)                      | (939)            | (1,114)          | (880)            |
| <b>Adjusted operating income</b> | <b>\$ 39,621</b>             | <b>\$ 30,974</b> | <b>\$ 19,633</b> | <b>\$ 15,486</b> |

### Underwriting Income

The following table provides a reconciliation of underwriting income to income before federal income tax for the three months ended March 31, 2024 and 2023:

| (\$ in thousands)                        | Three months ended March 31, |                  |
|--|------------------------------|------------------|
|  | 2024                         | 2023             |
| Income before federal income tax expense | \$ 46,977                    | \$ 19,722        |
| Add:                                     |                              |                  |
| Interest expense                         | 2,727                        | 2,152            |
| Amortization expense                     | 388                          | 387              |
| Other expenses                           | 1,188                        | 1,114            |
| Less:                                    |                              |                  |
| Net investment income                    | 18,297                       | 4,646            |
| Net investment gains                     | 8,303                        | 961              |
| <b>Underwriting income</b>               | <b>\$ 24,680</b>             | <b>\$ 17,768</b> |

### 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 months ended March 31, 2024 and 2023:

| (\$ in thousands)                             | Three months ended March 31, |               |
|---|------------------------------|---------------|
|   | 2024                         | 2023          |
| Net earned premiums                           | \$ 236,342                   | \$ 182,831    |
| Losses and LAE                                | 143,914                      | 114,900       |
| Pre-tax net impact of loss portfolio transfer | 241                          | 242           |
| Adjusted losses and LAE                       | \$ 144,155                   | \$ 115,142    |
| Loss ratio                                    | 60.9 %                       | 62.8 %        |
| Less: Net impact of LPT                       | (0.1)%                       | (0.1)%        |
| <b>Adjusted loss ratio</b>                    | <b>61.0 %</b>                | <b>62.9 %</b> |
| Combined ratio                                | 89.6 %                       | 90.2 %        |
| Less: Net impact of LPT                       | (0.1)%                       | (0.1)%        |
| <b>Adjusted combined ratio</b>                | <b>89.7 %</b>                | <b>90.3 %</b> |

### Tangible Stockholders' Equity

The following table provides a reconciliation of tangible stockholders' equity to stockholders' equity for the periods ended March 31, 2024 and 2023:

| (\$ in thousands)                    | 2024              | 2023              |
|--------------------------------------|-------------------|-------------------|
| Stockholders' equity                 | \$ 692,272        | \$ 507,146        |
| Less: Goodwill and intangible assets | 88,137            | 89,503            |
| <b>Tangible stockholders' equity</b> | <b>\$ 604,135</b> | <b>\$ 417,643</b> |

### 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 months ended March 31, 2024 and 2023:

| (\$ in thousands)                               | Three months ended March 31, |            |
|---|------------------------------|------------|
|   | 2024                         | 2023       |
| Numerator: annualized adjusted operating income | \$ 123,896                   | \$ 61,943  |
| Denominator: average stockholders' equity       | \$ 676,652                   | \$ 464,404 |
| Annualized adjusted return on equity            | 18.3 %                       | 13.3 %     |

### Annualized Return on Tangible Equity

Annualized return on tangible equity for the three months ended March 31, 2024 and 2023 reconciles to annualized return on equity as follows:

| (\$ in thousands)                                  | Three months ended March 31, |            |
|--|------------------------------|------------|
|  | 2024                         | 2023       |
| Numerator: annualized net income                   | \$ 147,136                   | \$ 62,224  |
| Denominator: average tangible stockholders' equity | \$ 588,366                   | \$ 374,718 |
| Annualized return on tangible equity               | 25.0 %                       | 16.6 %     |

### Annualized Adjusted Return on Tangible Equity

Annualized adjusted return on tangible equity for the three months ended March 31, 2024 and 2023 reconciles to annualized return on equity as follows:

| (\$ in thousands)                                  | Three months ended March 31, |            |
|--|------------------------------|------------|
|  | 2024                         | 2023       |
| Numerator: annualized adjusted operating income    | \$ 123,896                   | \$ 61,943  |
| Denominator: average tangible stockholders' equity | \$ 588,366                   | \$ 374,718 |
| Annualized adjusted return on tangible equity      | 21.1 %                       | 16.5 %     |

## Underwriting Results

### Premiums

The following table presents gross written premiums by underwriting division for the three months ended March 31, 2024 and 2023:

| (\$ in thousands)                                 | Three months ended March 31, |                   |                  |               |
|---|------------------------------|-------------------|------------------|---------------|
|   | 2024                         | 2023              | Change           | % Change      |
| Global Property & Agriculture                     | \$ 100,633                   | \$ 74,340         | \$ 26,293        | 35.4 %        |
| Industry Solutions                                | 78,259                       | 67,633            | 10,626           | 15.7 %        |
| Captives  | 68,408                       | 46,080            | 22,328           | 48.5 %        |
| Programs  | 52,178                       | 48,699            | 3,479            | 7.1 %         |
| Professional Lines                                | 42,239                       | 33,172            | 9,067            | 27.3 %        |
| Transactional E&S                                 | 42,195                       | 29,617            | 12,578           | 42.5 %        |
| Accident & Health                                 | 40,901                       | 36,013            | 4,888            | 13.6 %        |
| Surety  | 33,842                       | 24,701            | 9,141            | 37.0 %        |
| <b>Total gross written premiums<sup>(1)</sup></b> | <b>\$ 458,655</b>            | <b>\$ 360,255</b> | <b>\$ 98,400</b> | <b>27.3 %</b> |

<sup>(1)</sup> Excludes exited business

The increase in gross written premiums for the first quarter of 2024, when compared to the same 2023 period, was primarily driven by double-digit premium growth primarily from our captives, transactional E&S, surety, global property

& agriculture and professional lines underwriting divisions. The double-digit premium growth was due to new business and increased rates.

Net written premiums for the first quarter of March 31, 2024 were \$287.1 million, an increase of \$85.0 million or 42.0%, when compared to the same 2023 period.

Net earned premiums for the three months ended March 31, 2024 were \$236.3 million, an increase of \$53.5 million, or 29.3%, when compared to the same 2023 period. 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 table sets forth the components of the loss and LAE ratios and adjusted loss and LAE ratios for the three months ended March 31, 2024 and 2023:

| (\$ in thousands)                                  | Three months ended March 31, |                          |                   |                          |
|--|------------------------------|--------------------------|-------------------|--------------------------|
|  | 2024                         |                          | 2023              |                          |
|  | Losses and LAE               | % of Net Earned Premiums | Losses and LAE    | % of Net Earned Premiums |
| <b>Losses and LAE:</b>                             |                              |                          |                   |                          |
| Non-cat loss and LAE <sup>(1)</sup>                | \$ 143,155                   | 60.6 %                   | \$ 111,902        | 61.1 %                   |
| Cat loss and LAE <sup>(1)</sup>                    | 1,000                        | 0.4 %                    | 3,240             | 1.8 %                    |
| Prior accident year development - LPT              | (241)                        | (0.1)%                   | (242)             | (0.1)%                   |
| <b>Total losses and LAE</b>                        | <b>\$ 143,914</b>            | <b>60.9 %</b>            | <b>\$ 114,900</b> | <b>62.8 %</b>            |
| <b>Adjusted losses and LAE<sup>(2)</sup>:</b>      |                              |                          |                   |                          |
| Non-cat loss and LAE <sup>(1)</sup>                | \$ 143,155                   | 60.6 %                   | \$ 111,902        | 61.1 %                   |
| Cat loss and LAE <sup>(1)</sup>                    | 1,000                        | 0.4 %                    | 3,240             | 1.8 %                    |
| <b>Total adjusted losses and LAE<sup>(2)</sup></b> | <b>\$ 144,155</b>            | <b>61.0 %</b>            | <b>\$ 115,142</b> | <b>62.9 %</b>            |

<sup>(1)</sup> Current accident year

<sup>(2)</sup> See "Reconciliation of Non-GAAP Financial Measures" included in this Item 2

The loss ratio for the first quarter of 2024 improved 1.9 points when compared to the same 2023 period. The first quarter of 2024 was minimally impacted by catastrophe losses, while the first quarter of 2023 was impacted by wind and hail events, including tornadoes, which added 1.8 points to the 2023 loss ratio. The non-cat loss and LAE ratio improved 0.5 points when compared to the same 2023 period, primarily driven by the shift in the mix of business.

#### Expense Ratio

The following table sets forth the components of the expense ratios for the three months ended March 31, 2024 and 2023:

| (\$ in thousands)                                | Three months ended March 31, |                          |                  |                          |
|--|------------------------------|--------------------------|------------------|--------------------------|
|  | 2024                         |                          | 2023             |                          |
|  | Expenses                     | % of Net Earned Premiums | Expenses         | % of Net Earned Premiums |
| Net policy acquisition expenses                  | \$ 31,977                    | 13.6 %                   | \$ 21,235        | 11.6 %                   |
| Other operating and general expenses             | 37,797                       | 16.0 %                   | 30,420           | 16.6 %                   |
| Underwriting, acquisition and insurance expenses | 69,774                       | 29.6 %                   | 51,655           | 28.2 %                   |
| Less: commission and fee income                  | (2,026)                      | (0.9 %)                  | (1,492)          | (0.8 %)                  |
| <b>Total net expenses</b>                        | <b>\$ 67,748</b>             | <b>28.7 %</b>            | <b>\$ 50,163</b> | <b>27.4 %</b>            |

The expense ratio for the first quarter of 2024 increased 1.3 points when compared to the same 2023 period, primarily driven by the business mix shift.

The expense ratios for the first quarter of 2024 and 2023, respectively, 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 months ended March 31, 2024 and 2023:

| <i>\$ in thousands</i>                             | <b>Three months ended March 31,</b> |                 |
|--|-------------------------------------|-----------------|
|  | <b>2024</b>                         | <b>2023</b>     |
| Short-term investments & cash and cash equivalents | \$ 5,088                            | \$ 1,776        |
| Fixed income                                       | 12,478                              | 7,461           |
| Equities   | 627                                 | (2)             |
| Alternative and strategic investments              | 104                                 | (4,589)         |
| Net investment income                              | <u>\$ 18,297</u>                    | <u>\$ 4,646</u> |
| Net unrealized gains on securities still held      | \$ 8,991                            | \$ 3,767        |
| Net realized losses                                | (688)                               | (2,806)         |
| Net investment gains                               | <u>\$ 8,303</u>                     | <u>\$ 961</u>   |

Net investment income for the first quarter of 2024 increased \$13.7 million when compared to the same 2023 period.

The increase in income from our fixed income portfolio for the first quarter of 2024, when compared to the same 2023 period, 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 4.7% at March 31, 2024 compared to 4.0% at March 31, 2023. The increase in income from short-term investments & cash and cash equivalents for the first quarter of 2024, when compared to the same 2023 period, was due to higher investment yields and a larger asset base. The fair value of our alternative and strategic investments portfolio for the first quarter of 2024 increased when compared to the same 2023 period, which was impacted by a decline in the fair value of limited partnership investments.

When a fixed maturity has been determined to have an impairment, the impairment charge is separated into an amount representing the credit loss, which is recognized in earnings as a realized loss and on the balance sheet as an allowance for credit losses netted with the amortized cost of fixed maturities. Future increases in fair value, if related to credit factors, are recognized through earnings limited to the amount previously recognized as an allowance for credit losses. The amount related to non-credit factors is recognized in accumulated other comprehensive income and future increases or decreases in fair value, if not credit losses, are included in accumulated other comprehensive (loss) income. We reviewed our available-for-sale fixed maturities at March 31, 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 March 31, 2024 and December 31, 2023:

| <i>(\$ in thousands)</i>              | <b>2024</b>         |                | <b>2023</b>         |                |
|---------------------------------------|---------------------|----------------|---------------------|----------------|
|                                       | Carrying Value      | % of Total     | Carrying Value      | % of Total     |
| Cash and cash equivalents             | \$ 85,059           | 4.8 %          | \$ 65,891           | 3.9 %          |
| Short-term investments                | \$ 297,932          | 16.9 %         | \$ 270,259          | 16.1 %         |
| Fixed income                          | 1,109,484           | 63.1 %         | 1,067,721           | 63.6 %         |
| Equities                              | 117,083             | 6.7 %          | 118,249             | 7.0 %          |
| Alternative and strategic investments | 148,707             | 8.5 %          | 157,458             | 9.4 %          |
| Total portfolio                       | <u>\$ 1,758,265</u> | <u>100.0 %</u> | <u>\$ 1,679,578</u> | <u>100.0 %</u> |

### 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 March 31, 2024 and December 31, 2023:

| (\$ in thousands)                                | 2024           |            | 2023           |            |
|--|----------------|------------|----------------|------------|
|  | Carrying Value | % of Total | Carrying Value | % of Total |
| U.S. government securities                       | \$ 35,566      | 3.2 %      | \$ 44,166      | 4.1 %      |
| Corporate securities and miscellaneous           | 415,756        | 37.5 %     | 383,420        | 35.9 %     |
| Municipal securities                             | 95,817         | 8.6 %      | 92,778         | 8.7 %      |
| Residential mortgage-backed securities           | 283,014        | 25.5 %     | 281,626        | 26.4 %     |
| Commercial mortgage-backed securities            | 30,526         | 2.8 %      | 29,934         | 2.8 %      |
| Other asset-backed securities                    | 204,496        | 18.4 %     | 185,727        | 17.4 %     |
| Total fixed income portfolio, available-for-sale | 1,065,175      | 96.0 %     | 1,017,651      | 95.3 %     |
| Commercial mortgage loans                        | \$ 44,309      | 4.0 %      | \$ 50,070      | 4.7 %      |
| Total fixed income portfolio                     | \$ 1,109,484   | 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 March 31, 2024 and December 31, 2023. The following table sets forth the credit quality of our available-for-sale fixed income portfolio at March 31, 2024 and December 31, 2023, as rated by Standard & Poor’s or equivalent designation:

| (\$ in thousands)                                | 2024         |            | 2023         |            |
|--|--------------|------------|--------------|------------|
|  | Fair Value   | % of Total | Fair Value   | % of Total |
| AAA  | \$ 478,029   | 44.9 %     | \$ 493,252   | 48.6 %     |
| AA   | 118,290      | 11.1 %     | 105,906      | 10.4 %     |
| A  | 272,004      | 25.5 %     | 233,487      | 22.9 %     |
| BBB  | 173,597      | 16.3 %     | 154,096      | 15.1 %     |
| BB and Lower                                     | 23,255       | 2.2 %      | 30,910       | 3.0 %      |
| Total fixed income portfolio, available-for-sale | \$ 1,065,175 | 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 4.18 years and 4.24 years, respectively, as of March 31, 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. At March 31, 2024 and December 31, 2023, 78.9% and 77.8%, respectively, of the alternative investments were managed by Arena Investors, LPA which is affiliated with Westaim, our largest stockholder. Strategic investments consists of equity interests in private entities within the insurance industry.

**Other Items***Income Taxes*

Income tax expense for the three months ended March 31, 2024 was \$10.2 million compared to \$4.2 million for the same 2023 period. Our effective tax rate for the three months ended March 31, 2024 was 21.7%, compared to 21.1% for the same 2023 period. 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 three months ended March 31, 2024 and 2023 were:

| <i>(\$ in thousands)</i>                                       | <b>2024</b>      | <b>2023</b>        |
|--|------------------|--------------------|
| <b>Cash and cash equivalents provided by (used in):</b>        |                  |                    |
| Operating activities   | \$ 94,265        | \$ 107,207         |
| Investing activities   | (69,866)         | (193,426)          |
| Financing activities   | (9,466)          | 66,455             |
| <b>Change in cash and cash equivalents and restricted cash</b> | <b>\$ 14,933</b> | <b>\$ (19,764)</b> |

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 March 31, 2024:

| (\$ in thousands) | Amount    | Margin | March 31, 2024 |                   |
|-------------------|-----------|--------|----------------|-------------------|
|                   |           |        | 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 March 31, 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 March 31, 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 14.7% 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 months ended March 31, 2024 our net retention on a written basis (calculated as net written premiums as a percentage of gross written premiums) was 62.6%, compared to 56.1% for the same 2023 period.



The following is a summary of our reinsurance programs as of March 31, 2024:

| Line of Business                     | Maximum Company Retention     |
|--------------------------------------|-------------------------------|
| Accident & Health                    | \$0.90 million per occurrence |
| Commercial Auto <sup>(1)</sup>       | \$1.00 million per occurrence |
| Cyber                                | \$2.69 million per occurrence |
| Excess Casualty <sup>(1)(2)</sup>    | \$1.25 million per occurrence |
| General Liability <sup>(1)</sup>     | \$1.50 million per occurrence |
| Professional Lines <sup>(2)</sup>    | \$5.21 million per occurrence |
| Property <sup>(3)</sup>              | \$2.80 million per occurrence |
| Representation and Warranty          | \$3.25 million per occurrence |
| Surety <sup>(2)</sup>                | \$3.00 million per occurrence |
| Workers' Compensation <sup>(2)</sup> | \$2.33 million per occurrence |

<sup>(1)</sup> Legal defense expenses can force exposure above the maximum company retention for Excess Casualty, Commercial Auto and General Liability.

<sup>(2)</sup> Reinsurance is subject to a loss ratio cap or aggregate level of loss cover that exceeds a modeled 1:250-year PML event.

<sup>(3)</sup> Catastrophe loss protection is purchased up to \$28.0 million in excess of \$12.0 million retention, which provides cover for a 1:250-year PML event.

### Credit and Financial Strength Ratings

On August 25, 2023, A.M. Best affirmed Skyward Specialty's financial strength rating of A- (Excellent) and revised the outlook to positive from stable.

### 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 March 31, 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 March 31, 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 March 31, 2024 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

**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 March 31, 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            | <a href="#">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).</a>   |
| 3.2            | <a href="#">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).</a>   |
| 4.1            | <a href="#">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).</a> |
| 31.1           | <a href="#">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.</a>   |
| 31.2           | <a href="#">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.</a>                              |
| 32.1           | <a href="#">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.</a>  |
| 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.

Date: May 3, 2024

**Skyward Specialty Insurance Group, Inc.**  
By: /s/ Andrew Robinson  
Andrew Robinson  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

Date: May 3, 2024

By: /s/ Mark Haushill  
Mark Haushill  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

I, Andrew Robinson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Skyward Specialty Insurance Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2024

By: /s/ Andrew Robinson

Name: Andrew Robinson

Title: Chairman and Chief Executive Officer

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

I, Mark Haushill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Skyward Specialty Insurance Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2024

By: /s/ Mark Haushill  
Name: Mark Haushill  
Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Skyward Specialty Insurance Group, Inc. (the "Company") for the three months ended March 31, 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: May 3, 2024

By: /s/ Andrew Robinson

Name: Andrew Robinson

Title: Chairman and Chief Executive Officer

Date: May 3, 2024

By: /s/ Mark Haushill

Name: Mark Haushill

Title: Chief Financial Officer