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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

OR

o **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 001-42111

Bowhead Specialty Holdings Inc.

(Exact name of registrant as specified in its charter)

Delaware	**87-1433334**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
452 Fifth Avenue, New York, New York	**10018**
(Address of Principal Executive Offices)	(Zip Code)

(212) 970-0269
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 per share	BOW	New York Stock Exchange

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 x No o

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 such files). Yes x No o

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	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	o
		Emerging growth company	x

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.o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

Number of shares of the registrant’s common stock outstanding at May 6, 2025: 32,662,683

Bowhead Specialty Holdings Inc.
TABLE OF CONTENTS

PART I. - FINANCIAL INFORMATION

Item 1. Financial Statements

Bowhead Specialty Holdings Inc.
Condensed Consolidated Balance Sheets (Unaudited)

	March 31, 2025	December 31, 2024
	($ in thousands, except share data)	
Assets		
Investments		
Fixed maturity securities, available for sale, at fair value (amortized cost of $1,039,579 and $894,145, respectively)	$ 1,034,837	$ 879,989
Short-term investments, at amortized cost, which approximates fair value	9,999	9,997
Total investments	**1,044,836**	**889,986**
Cash and cash equivalents	88,050	97,476
Restricted cash and cash equivalents	35,401	124,582
Accrued investment income	7,675	7,520
Premium balances receivable	73,230	63,672
Reinsurance recoverable, net	284,873	255,072
Prepaid reinsurance premiums	151,609	152,567
Deferred policy acquisition costs	28,153	27,625
Property and equipment, net	7,677	6,845
Income taxes receivable	610	586
Deferred tax assets, net	19,356	20,340
Other assets	11,602	7,971
Total assets	**$ 1,753,072**	**$ 1,654,242**
Liabilities		
Reserve for losses and loss adjustment expenses	$ 845,224	$ 756,859
Unearned premiums	452,845	446,850
Reinsurance balances payable	42,847	51,856
Income taxes payable	5,603	1,571
Accrued expenses	5,783	18,010
Other liabilities	9,407	8,654
Total liabilities	**1,361,709**	**1,283,800**
Commitments and contingencies (Note 12)		
Mezzanine equity		
Performance stock units	409	265
Stockholders' equity		
Common stock	327	327
($0.01 par value; 400,000,000 shares authorized, 32,662,683 and 32,662,683 shares issued and outstanding at March 31, 2025 and December 31, 2024, respectively)		
Additional paid-in capital	320,029	318,095
Accumulated other comprehensive loss	(3,736)	(11,154)
Retained earnings	74,334	62,909
Total stockholders' equity	**390,954**	**370,177**
Total mezzanine equity and stockholders' equity	**391,363**	**370,442**
Total liabilities, mezzanine equity and stockholders' equity	**$ 1,753,072**	**$ 1,654,242**

See accompanying Notes to the Condensed Consolidated Financial Statements.

Bowhead Specialty Holdings Inc.
Condensed Consolidated Statements of Income and Comprehensive Income (Unaudited)

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
	($ in thousands, except share and per share data)	
Revenues		
Gross written premiums	$ 174,848	$ 138,433
Ceded written premiums	(58,079)	(47,580)
Net written premiums	**116,769**	**90,853**
Change in net unearned premiums	(6,953)	(7,872)
Net earned premiums	**109,816**	**82,981**
Net investment income	12,559	7,660
Net realized investment losses	(4)	—
Other insurance-related income	345	31
Total revenues	**122,716**	**90,672**
Expenses		
Net losses and loss adjustment expenses	73,427	54,320
Net acquisition costs	9,796	6,521
Operating expenses	23,937	20,522
Non-operating expenses	110	219
Warrant expense	775	—
Credit facility interest expenses and fees	247	—
Foreign exchange (gains) losses	(46)	34
Total expenses	**108,246**	**81,616**
Income before income taxes	14,470	9,056
Income tax expense	(3,045)	(2,044)
Net income	**$ 11,425**	**$ 7,012**
Other comprehensive income		
Change in unrealized loss on investments (net of income tax (expense) benefit of $(1,972) and $243, respectively	7,418	(916)
Total comprehensive income	**$ 18,843**	**$ 6,096**
Earnings per share:		
Basic	$ 0.35	$ 0.29
Diluted	$ 0.34	$ 0.29
Weighted average shares outstanding:		
Basic	32,662,683	24,000,000
Diluted	33,711,924	24,000,000

See accompanying Notes to the Condensed Consolidated Financial Statements.

Bowhead Specialty Holdings Inc.
Condensed Consolidated Statements of Changes in Mezzanine Equity and Stockholders' Equity (Unaudited)

	Common Stock						
(In thousands, except shares)	Number of Shares	Amount	Mezzanine Equity	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Mezzanine Equity and Stockholders' Equity
Balance, December 31, 2024	**32,662,683**	**$ 327**	**$ 265**	**$ 318,095**	**$ (11,154)**	**$ 62,909**	**$ 370,442**
Net income	—	—	—	—	—	11,425	11,425
Other comprehensive income, net of tax	—	—	—	—	7,418	—	7,418
Stock-based compensation expense	—	—	144	1,159	—	—	1,303
Warrant expense	—	—	—	775	—	—	775
Balance, March 31, 2025	**32,662,683**	**$ 327**	**$ 409**	**$ 320,029**	**$ (3,736)**	**$ 74,334**	**$ 391,363**

	Common Stock						
($ in thousands, except shares)	Number of Shares	Amount	Mezzanine Equity	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Mezzanine Equity and Stockholders' Equity
Balance, December 31, 2023	**24,000,000**	**$ 240**	**$ —**	**$ 178,543**	**$ (11,372)**	**$ 24,666**	**$ 192,077**
Net income	—	—	—	—	—	7,012	7,012
Other comprehensive loss, net of tax	—	—	—	—	(916)	—	(916)
Capital contribution from parent	—	—	—	2,839	—	—	2,839
Stock-based compensation expense	—	—	—	225	—	—	225
Balance, March 31, 2024	**24,000,000**	**$ 240**	**$ —**	**$ 181,607**	**$ (12,288)**	**$ 31,678**	**$ 201,237**

See accompanying Notes to the Condensed Consolidated Financial Statements.

Bowhead Specialty Holdings Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
	2025	**2024**
	($ in thousands)	
Cash flows from operating activities:		
Net income	$ 11,425	$ 7,012
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment losses	4	—
Amortization of premium/discounts on fixed maturity securities	(366)	(1,031)
Stock-based compensation	1,303	225
Depreciation and amortization	401	759
Non-cash lease expense	301	145
Deferred income taxes	(990)	(1,171)
Warrant expense	775	—
Net changes in operating assets and liabilities:		
Accrued investment income	(155)	(876)
Premium balances receivable	(9,558)	(8,803)
Reinsurance recoverable	(29,801)	(23,843)
Prepaid reinsurance premiums	958	(2,702)
Deferred policy acquisition costs	(528)	(1,542)
Income taxes receivable	(24)	971
Other assets	(3,932)	(1,251)
Reserve for losses and loss expenses	88,365	75,784
Unearned premium	5,995	10,574
Reinsurance balances payable	(9,009)	(6,803)
Accrued expenses	(12,227)	(8,211)
Income taxes payable	4,032	2,239
Other liabilities	753	434
Net cash provided by operating activities	**47,722**	**41,910**
Net cash used in investing activities		
Purchases of:		
Fixed maturity securities	(250,537)	(93,656)
Proceeds from the sale and maturity of:		
Fixed maturity securities	105,441	15,342
Purchase of property and equipment, net	(1,233)	(808)
Net cash used in investing activities	**(146,329)**	**(79,122)**
Net cash provided by financing activities		
Capital contribution from parent	—	2,839
Net cash provided by financing activities	—	**2,839**
Net change in cash, cash equivalents and restricted cash	(98,607)	(34,373)
Cash, cash equivalents and restricted cash, beginning of period	222,058	119,768
Cash, cash equivalents and restricted cash, end of period	**$ 123,451**	**$ 85,395**
Reconciliation of restricted cash		
Cash and cash equivalents	$ 88,050	$ 73,485
Restricted cash and cash equivalents	35,401	11,910
Total cash and cash equivalents and restricted cash	**$ 123,451**	**$ 85,395**

See accompanying Notes to the Condensed Consolidated Financial Statements.

1. Nature of Operations and Significant Accounting Policies

Nature of Operations

Bowhead Specialty Holdings Inc. (“BSHI” and, together with its subsidiaries, “the Company”), is a Delaware domiciled insurance holding company that provides specialty property and casualty insurance products in the U.S., initially focusing on Casualty, Professional Liability and Healthcare Liability risks, which are primarily written on a non-admitted (or excess and surplus (“E&S”)) basis. On March 19, 2024, the Company amended its certificate of incorporation of Bowhead Holdings Inc. to change the name of the Company to Bowhead Specialty Holdings Inc.

BSHI conducts its business operations through three wholly-owned subsidiaries. Bowhead Specialty Underwriters, Inc. (“BSUI”) is Bowhead’s managing general agency, holding a resident insurance license in the State of Texas, and is domiciled in the State of Delaware. Bowhead Insurance Company, Inc. (“BICI”) is BSHI’s insurance company subsidiary licensed and domiciled in the State of Wisconsin. Bowhead Underwriting Services, Inc. (“BUSI”) is the Company’s services company domiciled in the State of Delaware.

BSUI is party to three Managing General Agency Agreements (“MGA Agreements”) with Homesite Insurance Company, Homesite Insurance Company of Florida, and Midvale Indemnity Company (together the “AmFam Issuing Carriers”), each of which is a wholly-owned subsidiary of American Family Mutual Insurance Company, S.I., (“AFMIC” and together with its wholly-owned subsidiaries, “AmFam”). AmFam beneficially owns approximately 14.4% of BSHI’s issued and outstanding common stock as of March 31, 2025. BSUI is also party to third-party broker agreements, allowing the direct payment of premiums from such brokers to BSUI. Through these MGA agreements, BSUI writes premium and provides claim handling services on behalf of the AmFam Issuing Carriers, and BICI assumes 100% of the premium, net of any inuring third-party reinsurance, through a Quota Share Agreement with AFMIC (the “AmFam Quota Share Agreement”). AmFam receives a ceding fee on net premiums assumed by BICI (“Ceding Fee”). BICI is also party to an Insurance Trust Agreement pursuant to which BICI provides collateral to support the obligations of the AmFam Quota Share Agreement.

The Company is organized as a single operating and reportable segment through which it offers a variety of specialty insurance products to a number of markets.

Basis of Presentation

The accompanying condensed consolidated financial statements for BSHI and its wholly-owned subsidiaries (collectively, “Bowhead”) are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and do not contain all of the information and footnotes required by U.S. GAAP for complete financial statements. As such, the disclosures provided herein should be read in conjunction with the Company’s latest annual financial statements. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting of only normal recurring adjustments, necessary for the fair statement of the Company’s financial position. All intercompany transactions and balances are eliminated in consolidation. Interim results are not necessarily indicative of results of operations for the full year.

Use of Estimates

The preparation of the condensed financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Changes in circumstances could cause actual results to differ materially from those estimates. Significant estimates in the Company’s condensed consolidated financial statements include, but are not limited to, reserves for losses and loss adjustment expenses, reinsurance recoverable on unpaid losses and loss adjustment expenses, fair value of investments, and income taxes.

Management bases its estimates and assumptions on historical experience and other factors, including the current economic environment and on various other judgments that it believes to be reasonable under the circumstances. Management periodically reviews its estimates and assumptions and makes adjustments thereto when facts and circumstances dictate. Changes in accounting estimates and underlying assumptions are recognized prospectively in the condensed consolidated financial statements.

Recent Accounting Pronouncements

Recently Adopted Accounting Standards

The Company has not adopted any new accounting standards during the three months ended March 31, 2025.

Recently Issued Accounting Standards Not Yet Adopted

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act, until such time as those standards apply to private companies. The Company is provided an option to adopt new or revised accounting guidance as an "emerging growth company" under the JOBS Act either (1) within the same periods as those otherwise applicable to public business entities, or (2) within the same time periods as private companies, including early adoption when permissible.

ASU 2023-09, Improvements to Income Tax Disclosures (Topic 740)

In December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosures" (Topic 740). ASU 2023-09 requires public companies, on an annual basis, to provide enhanced rate reconciliation disclosures, including disclosures of specific categories and additional information that meet a quantitative threshold. This update also requires public companies to provide additional disclosures regarding income taxes paid, including jurisdictional details. The guidance is effective for fiscal years beginning after December 15, 2024. The Company is evaluating the effect of the amendments on its consolidated financial statements and does not expect a material impact on its financial position or results of operations.

ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. ASU 2024-03 enhances the transparency of expense information by requiring public business entities to disclose specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. The amendments are effective for fiscal years beginning after December 15, 2026. The Company is currently evaluating the impact of this ASU on its financial statement disclosures.

There are no other prospective accounting standards which, upon their effective date, would have a material impact on the Company's condensed consolidated financial statements.

2. Investments

The following table summarizes the amortized cost and fair value of the Company's fixed maturity securities, all of which are classified as available for sale:

As of March 31, 2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		($ in thousands)		
Fixed maturity securities				
U.S. government and government agency	$ 145,183	$ 291	$ (63)	$ 145,411
State and municipal	84,466	254	(4,137)	80,583
Commercial mortgage-backed securities	92,506	776	(763)	92,519
Residential mortgage-backed securities	226,648	2,206	(4,445)	224,409
Asset-backed securities	129,684	502	(527)	129,659
Corporate	361,092	2,557	(1,393)	362,256
Total	**$ 1,039,579**	**$ 6,586**	**$ (11,328)**	**$ 1,034,837**

As of December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		($ in thousands)		
Fixed maturity securities				
U.S. government and government agency	$ 204,205	$ 315	$ (108)	$ 204,412
State and municipal	73,289	—	(5,505)	67,784
Commercial mortgage-backed securities	83,029	349	(940)	82,438
Residential mortgage-backed securities	197,589	649	(6,135)	192,103
Asset-backed securities	121,155	259	(837)	120,577
Corporate	214,878	238	(2,441)	212,675
Total	**$ 894,145**	**$ 1,810**	**(15,966)**	**$ 879,989**

a) Contractual Maturity of Fixed Maturity Securities

The amortized cost and fair value of fixed maturity securities at March 31, 2025 and December 31, 2024, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain issuers may have the right to call or prepay obligations.

As of March 31, 2025	Amortized Cost	Fair Value
	($ in thousands)	
Fixed maturity securities		
Due in one year or less	$ 117,974	$ 117,966
Due after one year through five years	252,815	251,418
Due after five years through ten years	175,774	176,037
Due after ten years	44,178	42,829
	590,741	588,250
Commercial mortgage-backed securities	92,506	92,519
Residential mortgage-backed securities	226,648	224,409
Asset-backed securities	129,684	129,659
Total	**$ 1,039,579**	**$ 1,034,837**

As of December 31, 2024	Amortized Cost	Fair Value
	($ in thousands)	
Fixed maturity securities		
Due in one year or less	$ 206,764	$ 206,721
Due after one year through five years	208,179	205,012
Due after five years through ten years	45,230	43,199
Due after ten years	32,199	29,939
	492,372	484,871
Commercial mortgage-backed securities	83,029	82,438
Residential mortgage-backed securities	197,589	192,103
Asset-backed securities	121,155	120,577
Total	**$ 894,145**	**$ 879,989**

b) Net Investment Income

The components of net investment income were derived from the following sources:

	Three Months Ended March 31,	
	2025	2024
	($ in thousands)	
U.S. government and government agency	$ 1,844	$ 3,687
State and municipal	687	387
Commercial mortgage-backed securities	1,180	373
Residential mortgage-backed securities	2,539	244
Asset-backed securities	1,484	1,073
Corporate	3,253	932
Short-term investments	128	113
Cash and cash equivalents	1,704	1,015
Gross investment income	12,819	7,824
Investment expenses	(260)	(164)
Net investment income	**$ 12,559**	**$ 7,660**

c) Net Realized Investment Gains (Losses)

There were $4.1 thousand net realized investment losses for the three months ended March 31, 2025 from the sale of investments and nil for the three months ended March 31, 2024.

d) Restricted Assets

The Company is required to maintain assets as collateral in trust accounts to support the obligations of the AmFam Quota Share Agreement. The assets held in trust include fixed maturity securities, short-term investments and restricted cash and cash equivalents. The Company is entitled to interest income earned on these restricted assets, which is included in net investment income in the Condensed Consolidated Statements of Income and Comprehensive Income.

The following table summarizes the value of the Company's restricted assets disclosed in the Condensed Consolidated Balance Sheets:

As of	March 31, 2025	December 31, 2024
	($ in thousands)	
U.S. government and government agency	$ 70,175	$ 97,130
State and municipal	46,474	33,842
Commercial mortgage-backed securities	56,974	50,504
Residential mortgage-backed securities	143,280	115,323
Asset-backed securities	73,424	63,197
Corporate	236,542	124,836
Restricted fixed maturity securities	626,869	484,832
Restricted short-term investments	9,999	9,997
Restricted cash and cash equivalents	35,401	124,582
Restricted assets	**$ 672,269**	**$ 619,411**

e) Gross Unrealized Losses

The following table summarizes available for sale securities in an unrealized loss position, the fair value and gross unrealized loss by length of time the security has been in a continual unrealized loss position:

	Less than 12 Months		12 Months or Greater		Total	
As of March 31, 2025	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			($ in thousands)			
Fixed maturity securities						
U.S. government and government agency	$ 55,172	$ (63)	$ —	$ —	$ 55,172	$ (63)
State and municipal	13,789	(120)	45,887	(4,017)	59,676	(4,137)
Commercial mortgage-backed securities	9,783	(51)	7,125	(712)	16,908	(763)
Residential mortgage-backed securities	45,969	(308)	29,837	(4,137)	75,806	(4,445)
Asset-backed securities	62,584	(254)	8,393	(273)	70,977	(527)
Corporate	46,727	(172)	37,662	(1,221)	84,389	(1,393)
Total	**$ 234,024**	**$ (968)**	**$ 128,904**	**$ (10,360)**	**$ 362,928**	**$ (11,328)**

As of December 31, 2024	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	($ in thousands)					
Fixed maturity securities						
U.S. government and government agency	$ 55,237	$ (108)	$ —	$ —	$ 55,237	$ (108)
State and municipal	22,011	(566)	45,773	(4,939)	67,784	(5,505)
Commercial mortgage-backed securities	16,579	(112)	13,087	(828)	29,666	(940)
Residential mortgage-backed securities	100,817	(1,244)	29,879	(4,891)	130,696	(6,135)
Asset-backed securities	42,543	(472)	9,420	(365)	51,963	(837)
Corporate	118,237	(811)	43,125	(1,630)	161,362	(2,441)
Total	**$ 355,424**	**$ (3,313)**	**$ 141,284**	**$ (12,653)**	**$ 496,708**	**$ (15,966)**

All of the securities in an unrealized loss position are rated investment grade. For fixed maturity securities that management does not intend to sell or are required to sell, there is no portion of the decline in value that is considered to be due to credit factors that would be recognized in earnings. Declines in value are considered to be due to non-credit factors and are recognized in Other Comprehensive Income.

The Company has evaluated its fixed maturity securities in an unrealized loss position and concluded that the unrealized losses are due primarily to temporary market and sector-related factors rather than to issuer-specific factors. None of these securities are delinquent or in default under financial covenants. Based on the assessment of these issuers, the Company expects them to continue to meet their contractual payment obligations as they become due.

3. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined based on a fair value hierarchy that prioritizes the use of observable inputs over the use of unobservable inputs and requires the use of observable inputs when available. The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels, as follows:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Significant other observable inputs other than Level 1 inputs, such as quoted prices in active markets for similar assets or liabilities, quoted prices in inactive markets for identical assets or liabilities, or other inputs that are directly or indirectly observable through market-corroborated inputs, such as interest rates, yield curves, prepayment speeds, default rates, or loss severities.
- Level 3: Significant unobservable inputs used to measure fair value to the extent that relevant observable inputs are not available, and that reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the measurement date.

The Company's investments in fixed maturity securities, all of which are classified as available for sale, are carried at fair value. All of the Company's fixed maturity securities investments were priced by independent pricing services. The prices provided by the independent pricing services are estimated based on observable market data in active markets utilizing pricing models and processes, which may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, sector groupings, matrix pricing and reference data. Under certain circumstances, if a vendor price is unavailable, a price may be obtained from a broker. The pricing services may prioritize inputs differently on any given day for any security based on market conditions, and not all inputs are available for each security evaluation on any given day. The pricing services used by the Company have indicated that they will only produce an estimate of fair value if objectively verifiable information is available. The determination of whether markets are active or inactive is based upon the volume and level of activity for a particular asset class.

The fair values of short-term investments approximate their carrying values due to their short-term maturity.

The following table presents the Company's investments measured at fair value by level:

As of March 31, 2025	Level 1	Level 2	Level 3	Total
		($ in thousands)		
Fixed maturity securities				
U.S. government and government agency	$ 145,411	$ —	$ —	$ 145,411
State and municipal	—	80,583	—	80,583
Commercial mortgage-backed securities	—	92,519	—	92,519
Residential mortgage-backed securities	—	224,409	—	224,409
Asset-backed securities	—	129,659	—	129,659
Corporate	—	362,256	—	362,256
Total fixed maturity securities	**145,411**	**889,426**	**—**	**1,034,837**
Short-term investments	9,999	—	—	9,999
Total investments	**$ 155,410**	**$ 889,426**	**$ —**	**$ 1,044,836**

As of December 31, 2024	Level 1	Level 2	Level 3	Total
		($ in thousands)		
Fixed maturity securities				
U.S. government and government agency	$ 204,412	$ —	$ —	$ 204,412
State and municipal	—	67,784	—	67,784
Commercial mortgage-backed securities	—	82,438	—	82,438
Residential mortgage-backed securities	—	192,103	—	192,103
Asset-backed securities	—	120,577	—	120,577
Corporate	—	212,675	—	212,675
Total fixed maturity securities	**204,412**	**675,577**	**—**	**879,989**
Short-term investments	9,997	—	—	9,997
Total investments	**$ 214,409**	**$ 675,577**	**$ —**	**$ 889,986**

4. Reserve for Losses and Loss Adjustment Expenses

The table below provides a reconciliation of the beginning and ending reserve balances for the three months ended March 31, 2025 and March 31, 2024:

	March 31, 2025	March 31, 2024
	($ in thousands)	
Gross reserves for losses and loss adjustment expenses, beginning of year	$ 756,859	$ 431,186
Reinsurance recoverable on unpaid losses, beginning of year	246,915	136,273
Net reserves for unpaid losses and loss adjustment expenses, beginning of year	**$ 509,944**	**$ 294,913**
Net incurred losses and loss adjustment expenses related to:		
Current accident year	72,983	54,320
Prior accident years	444	—
	73,427	54,320
Net paid losses and loss adjustment expenses related to:		
Current accident year	549	369
Prior accident years	16,386	4,290
	16,935	4,659
Net reserves for unpaid losses and loss adjustment expenses, end of period	**$ 566,436**	**$ 344,574**
Reinsurance recoverable on unpaid losses, end of period	278,788	162,396
Gross reserves for losses and loss adjustment expenses, end of period	**$ 845,224**	**$ 506,970**

During the three months ended March 31, 2025 and 2024, there was $0.4 million of unfavorable and nil of prior accident year loss development, respectively. The $0.4 million of prior accident year development was driven by expected loss ratios applied to audit premiums earned in the quarter but associated with prior accident years.

5. Premiums and Reinsurance Related Information

The following table summarizes the effects of reinsurance on the Company's written and earned premiums and losses and loss adjustment expenses:

Three Months Ended March 31, 2025	Written Premiums	Earned Premiums	Losses and Loss Adjustment Expenses
		($ in thousands)	
Assumed	$ 174,848	$ 168,853	$ 111,547
Ceded	(58,079)	(59,037)	(38,120)
Net	**$ 116,769**	**$ 109,816**	**$ 73,427**

Three Months Ended March 31, 2024	Written Premiums	Earned Premiums	Losses and Loss Adjustment Expenses
		($ in thousands)	
Assumed	$ 138,433	$ 127,859	$ 81,279
Ceded	(47,580)	(44,878)	(26,959)
Net	**$ 90,853**	**$ 82,981**	**$ 54,320**

All assumed amounts are assumed through the AmFam Quota Share Agreement as described in Note 10.

For the three months ended March 31, 2025 and 2024, Bowhead ceded $6.8 million and $4.8 million of written premium, $6.7 million and $4.5 million of earned premium and $2.8 million and $2.7 million of losses and loss adjustment expenses to a subsidiary of AmFam, respectively.

The following table summarizes reinsurance recoverable on paid and unpaid losses and loss adjustment expenses:

As of	March 31, 2025	December 31, 2024
	($ in thousands)	
Reinsurance recoverable on unpaid losses and loss adjustment expenses	$ 278,788	$ 246,915
Reinsurance recoverable on paid losses and loss adjustment expenses	6,246	8,157
Allowance for credit losses	(161)	—
Reinsurance recoverable, net	**$ 284,873**	**$ 255,072**

The following table summarizes the Company's top five reinsurers, their A.M. Best financial strength rating and percent of total reinsurance recoverable as of March 31, 2025 and December 31, 2024:

Reinsurer	A.M. Best Rating	March 31, 2025	December 31, 2024
Renaissance Reinsurance U.S. Inc	A+	29.9%	29.8%
Endurance Assurance Corporation	A+	23.6%	23.8%
Markel Global Reinsurance Company	A	20.6%	20.8%
Ascot Bermuda Limited	A	8.4%	9.4%
American Family Connect Property and Casualty Insurance Company	A	7.6%	7.5%
All other reinsurers	At least A	9.9%	8.7%
Total		**100.0%**	**100.0%**

As of March 31, 2025 and December 31, 2024, $21.5 million and $19.2 million, respectively, of the Company's reinsurance recoverable balance is with a subsidiary of AmFam.

6. Revolving Credit Facility

On April 22, 2024, the Company entered into a Credit Agreement (the "Credit Agreement") with certain lenders and JPMorgan Chase Bank, N.A., as administrative agent, swingline lender and issuing bank. The Credit Agreement provides for a senior secured revolving credit facility (the "Facility") in the aggregate principal amount of $75 million, which includes a $5 million sub-facility for letters of credit. All obligations under the Facility and obligations in respect of certain cash management services and swap agreements with the lenders and their affiliates are (i) unconditionally guaranteed by certain of the Company's subsidiaries and (ii) secured by a first-priority perfected lien in substantially all of the Company's and the subsidiaries guarantors' assets. The Credit Agreement contains certain customary covenants, including financial maintenance covenants. The Company was in compliance with all of the Facility's covenants as of March 31, 2025. The Facility matures on the earlier of April 22, 2027, or 91 days prior to the MGA Agreement termination date where no MGA Agreement replacement is found. The Company may request that the lenders extend the maturity date by an additional year, provided that the request is made no earlier than 90 days and no later than 55 days prior to the first or second anniversary of the effective date of the Facility.

Interest on the Facility is based on a floating rate indexed to either (i) adjusted term Secured Overnight Financing Rate ("SOFR") plus an applicable rate, (ii) the greater of (a) the prime rate, (b) the Federal Reserve Bank of New York rate plus 0.5% per annum and (c) the adjusted term SOFR rate for a one-month interest period plus 1% per annum, plus an applicable rate, or (iii) the adjusted daily simple SOFR plus an applicable rate. As of March 31, 2025, the Company did not have any borrowings outstanding under the Facility.

The Company had unamortized deferred financing fees related to the Facility of $1.2 million as of March 31, 2025, and recognized amortization expenses for deferred financing fees of $0.2 million and nil for the three months ended March 31, 2025 and 2024, respectively.

7. Stockholders' Equity

Capital Stock

The Company's authorized capital stock consists of 400,000,000 shares of common stock, par value $0.01 per share and 100,000,000 shares of preferred stock, par value $0.01 per share.

BIHL Contribution

During the three months ended March 31, 2025 and 2024, BIHL contributed additional paid-in capital of nil and $2.8 million, respectively, to the Company without issuing additional shares.

Public Offerings

On May 23, 2024, the Company completed an upsized initial public offering ("IPO") with the sale and issuance of 8,658,823 shares of its common stock at a price of $17.00 per share. The Company received net proceeds from the offering of $131.0 million.

8. Stock-Based Compensation

2024 Plan

On May 22, 2024, the Board approved and adopted the 2024 Plan, which provides for the grant of stock options (including ISOs and nonqualified stock options), stock appreciation rights, restricted stock, RSUs, other stock-based awards, stock bonuses, cash awards and substitute awards.

A total of 3,152,941 shares of common stock were initially authorized and reserved for issuance under the 2024 Plan. The reserve increases on January 1 of each year, starting in 2025, by an amount equal to the lesser of: (a) 2.0% of the fully-diluted shares on the preceding December 31, and (b) a smaller amount as determined by the Board. As of January 1, 2025, 3,824,051 shares of common stock were authorized and reserved for issuance under the 2024 Plan.

The Board approved the grant of RSUs to the Company's employees and certain Board directors, and PSUs to its CEO. As of March 31, 2025, 1,376,499 shares of common stock were granted and unvested under the 2024 Plan.

Restricted Stock Units

On May 22, 2024, the Board approved the grant of 762,115 RSUs with a grant-date fair value of $17.00 per share. Additional RSUs were granted after May 22, 2024 based on the grant-date fair value of Bowhead's common stock. The RSUs issued to employees and a one-time issuance to one of the Company's directors have a four-year vesting period. These RSUs vest 20% per year for the first three years following issuance and 40% at the end of the fourth year, and are contingent upon the employee's continuous employment or the director's continuous service as a director with the Company throughout the vesting period. In addition, the RSUs issued to directors of the Company under the Company's non-employee director compensation policy are contingent upon the director's continuous service as a director through the vesting date, which is the earliest of: (a) the one-year anniversary of the grant date, (b) the date of the regular annual meeting of the Company's stockholders held following the grant date, or (c) the date of the consummation of a change in control.

The following table provides a summary of RSU activities during the three months ended March 31, 2025:

	Number of RSUs		Weighted Average Grant-Date Fair Value
Granted and unvested at December 31, 2024	763,415	$	17.19
Granted	441,910		31.01
Vested	—		—
Forfeited	(25,763)		17.00
Granted and unvested at March 31, 2025	**1,179,562**	**$**	**22.37**

The Company recognizes the compensation cost for the RSUs on a straight-line basis over the awards' vesting period.

The Company recognized compensation costs associated with the RSUs of $1.2 million in the three month period ended March 31, 2025, compared to nil for the same period in 2024.

As of March 31, 2025, total unrecognized compensation cost for the RSUs was $23.0 million and the weighted average period over which the cost is expected to be recognized is approximately 3.4 years.

Performance Stock Units

On May 22, 2024, the Board approved the grant of 129,411 PSUs to the Company's CEO. The grant-date fair value of the PSUs, which was valued based on a Monte Carlo simulation model, was $10.04 per share. The PSUs include both a service and a market condition, and may be settled in cash upon the occurrence of an event that is outside of the Company's control. The vesting of the PSUs are contingent upon the CEO's continuous employment and service to the Company through the third anniversary of the date of grant, or May 22, 2027. The number of PSUs earned, which range from 0 - 125% of the PSUs granted, are based on the achievement of certain compounded annual growth rate milestones of BSHI's common stock compared its IPO price of $17.00 per share for any 20 business day period between the second and third anniversaries of the grant date.

On February 21, 2025, the Board approved the grant of 67,526 PSUs to the Company's CEO. The grant-date fair value of the PSUs, which was valued based on a Monte Carlo simulation model, was $16.09 per share. Similar to the May 22, 2024 grant, the PSUs include both a service and a market condition, and may be settled in cash upon the occurrence of an event that is outside of the Company's control. The vesting of the PSUs are contingent upon the CEO's continuous employment and service to the Company through the third anniversary of the date of grant, or February 21, 2028. The number of PSUs earned, which range from 0 - 125% of the PSUs granted, are based on the achievement of certain compounded annual growth rate milestones of BSHI's common stock compared to its grant price of $32.58 per share for any 20 business day period between the second and third anniversaries of the grant date.

Since the PSUs are required to be settled in cash upon the occurrence of an event that is outside of the Company's control, the PSUs are accounted for as mezzanine equity on the Company's Condensed Consolidated Balance Sheets until the vesting date.

The following table provides a summary of PSU activity during the three months ended March 31, 2025:

	Number of PSUs	Weighted Average Grant-Date Fair Value
Granted and unvested at December 31, 2024	129,411	$ 10.04
Granted	67,526	16.09
Vested	—	—
Forfeited	—	—
Granted and unvested at March 31, 2025	**196,937**	**$ 12.11**

The following table summarizes the significant inputs used in the Monte Carlo simulation model to determine the grant-date fair value of the PSUs awarded:

	May 22, 2024	February 21, 2025
Expected term (in years)	3.0	3.0
Expected volatility	27.0%	27.0%
Expected dividend yield	—%	—%
Risk-free interest rate	4.6%	4.2%

The Company recognizes the compensation cost for PSUs on a straight-line basis over the award's vesting period.

The Company recognized compensation costs associated with the PSUs of $0.1 million in the three-month period ended March 31, 2025, compared to nil for the same period in 2024.

As of March 31, 2025, total unrecognized compensation cost for the PSUs was $2.0 million and the weighted average period over which the cost is expected to be recognized is approximately 2.4 years.

Warrants

On May 22, 2024, the Board approved the issuance of warrants to AmFam to purchase 1,614,250 shares of the Company's common stock (the warrants associated with such shares the "Initial Warrants") and, upon the exercise of the underwriters overallotment option, on May 28, 2024, the Company issued to AmFam warrants to purchase 56,471 additional shares of the Company's common stock (the warrants associated with such additional shares, individually, the "Overallotment Warrants" and together with the Initial Warrants, the "Warrants").

The Warrants, which are subject to a five-year service condition, are accounted for as stock-based compensation under ASC 718. The grant-date fair value of the Initial Warrants and Overallotment Warrants were $9.13 per share and $17.50 per share, respectively. The Warrants vest 20% per year over the five-year service period and have a stated and weighted average exercise price of $17.00 per share. The vested portion of the Warrants may be exercised at any time, in whole or in part, until the ten-year anniversary of the issuance dates.

As of March 31, 2025, none of the Warrants have vested or have been exercised.

The following table summarizes the significant inputs used in the Black-Scholes-Merton pricing models to determine the grant-date fair value of the Warrants issued:

	Initial Warrants	Overallotment Warrants
Expected term (in years)	10.0	10.0
Expected volatility	34.0%	34.0%
Expected dividend yield	—%	—%
Risk-free interest rate	4.4%	4.5%

The Company recognizes compensation cost for the Warrants on a quarterly basis over the awards' vesting period.

The Company recognized compensation costs associated with the Warrants of $0.8 million in the three-month period ended March 31, 2025, compared to nil for the same period in 2024. As of March 31, 2025, total unrecognized compensation cost for the Warrants were $13.0 million.

9. Earnings Per Share

The following table provides the calculation of basic and diluted earnings per share:

	Three Months Ended March 31,	
	2025	2024
	($ in thousands, except share and per share data)	
Numerator		
Net income	$ 11,425	$ 7,012
Denominator		
Basic weighted average shares outstanding	32,662,683	24,000,000
Effect of dilutive awards:		
Restricted stock units	465,273	—
Performance stock units	141,429	—
Warrants[1]	442,539	—
Diluted weighted average shares outstanding	**33,711,924**	**24,000,000**
Earnings per share		
Basic	**$ 0.35**	**$ 0.29**
Diluted	**$ 0.34**	**$ 0.29**

(1) As of March 31, 2025 and 2024, there were nil anti-dilutive awards for both periods that were excluded from the calculation of diluted weighted-average shares outstanding.

10. Related Party Transactions

Prior to the IPO, BSHI received capital contributions from BIHL up to the amount committed by BIHL's limited partners, Gallatin Point, AMFIC, members of Bowhead's management and other minority investors. Effective December 3, 2024, BIHL was dissolved. As of March 31, 2025, BIHL contributed $183.3 million into the Company, of which nil and $2.8 million were contributed in the three months ended March 31, 2025 and 2024, respectively.

BICI is party to the AmFam Quota Share Agreement, which has been effective since 2020. Under the quota share agreement, BICI assumes 100% of all Casualty, Professional Liability, Healthcare Liability, and Baleen Specialty risks, net of inuring third-party reinsurance, written on behalf of AmFam by BSUI. AmFam receives a ceding fee on net premiums assumed by BICI. BICI is required to set aside assets in a trust to secure a portion of its reinsurance recoverable obligation under the agreement.

Under the MGA Agreements, BSUI is permitted to issue insurance policies on behalf of the AmFam Issuing Carriers and is also responsible for providing accounting, claims handling and other necessary services to the AmFam Issuing Carriers to support its respective regulatory, statutory and other compliance requirements. BSUI is entitled to commission in exchange for these services, which is adjusted to equal actual costs for each month in accordance with the terms of the MGA Agreements.

In 2025 and 2024, BICI entered into a ceded quota share reinsurance treaty and a ceded excess of loss reinsurance treaty with reinsurers, in which a separate subsidiary of AmFam participated. In addition, BICI also entered into a ceded cyber professional lines quota share reinsurance treaty with reinsurers, in which a subsidiary of AmFam also participated.

For the three months ended March 31, 2025 and 2024, Bowhead incurred $2.4 million and $1.8 million of ceding fees under the AmFam Quota Share Agreement, respectively, and ceded $6.8 million and $4.8 million of written premiums to AmFam under the ceded reinsurance treaties described above, respectively.

11. Income Taxes

The Company calculates its tax provision in interim periods using its best estimate of the effective tax rate expected for the full year.For the three months ended March 31, 2025 and 2024, the Company recorded income tax expense of $3.0 million and $2.0 million, respectively. The effective tax rate was approximately 21.0% for the three months ended March 31, 2025, compared to 22.5% for the three months ended March 31, 2024. The effective tax rate for the three months ended March 31, 2025 approximates the statutory tax rate of 21.0%, primarily due to expected excess tax benefits on the vesting of stock-based compensation offsetting state taxes and non-deductible expenses. The effective tax rate for the three months ended March 31, 2024 differs from the statutory tax rate of 21.0% primarily due to state taxes, non-deductible expenses, and the current period impact from a change of estimate in the prior year.

12. Commitments and Contingencies

a) Concentrations of Credit Risk

The creditworthiness of a counterparty is evaluated by the Company, taking into account credit ratings assigned by independent agencies. The credit approval process involves an assessment of factors, including, among others, the counterparty, country, and industry credit exposure limits. Collateral may be required, at the discretion of the Company, on certain transactions based on the creditworthiness of the counterparty. The areas where significant concentrations of credit risk may exist include cash and cash equivalents, restricted cash and investments, premium balances receivable, and reinsurance recoverable.

Cash and Cash Equivalents, Restricted Cash and Investments

The Company maintains its cash and cash equivalents and restricted cash with high credit quality financial institutions. Cash deposits are in excess of the Federal Deposit Insurance Corporation (“FDIC”) insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on its cash, cash equivalents and restricted cash.

The Company’s available for sale investment portfolio is managed in accordance with guidelines that have been tailored to meet specific investment strategies, including standards of diversification, which limit the allowable holdings of any single issue. There were no investments, other than cash and cash equivalents and investments in U.S. government and government agency securities, in excess of 10% of the Company’s mezzanine equity and stockholders’ equity at March 31, 2025 and December 31, 2024.

Premium Balances Receivable

The Company underwrites a significant amount of its business through brokers and a credit risk exists should any of these brokers be unable to fulfill their contractual obligations relating to the payments of premium balances owed to the Company.

The following table summarizes the brokers that make up more than 10% of the Company's gross written premium for the three months ended March 31, 2025 and 2024:

Three Months Ended March 31,	2025	2024
AmWINS Group, Inc.	28.5%	26.4%
Ryan Specialty Group Holdings, Inc.	20.2%	20.3%
Marsh & McLennan Companies	11.0%	12.0%
CRC Insurance Services, Inc.	10.4%	10.6%

For the three months ended March 31, 2025 and 2024, the Company recorded an allowance for uncollectible premiums of nil in both periods.

Reinsurance Recoverable

The Company is exposed to the credit risk associated with reinsurance recoverable to the extent that any of its reinsurers fail to meet their obligations under reinsurance contracts. The Company evaluates the financial condition of its reinsurers on a regular basis and monitors concentrations of credit risk with reinsurers. The Company assesses reinsurers based on the assigned credit and financial strength ratings from internationally recognized rating agencies.

At March 31, 2025 and December 31, 2024, 100% of the Company's reinsurers are rated "A" (Excellent) or better by A.M. Best. At March 31, 2025, the three largest balances by reinsurer accounted for 29.9%, 23.6%, and 20.6% of the Company's reinsurance recoverable balance and at December 31, 2024, the three largest balances by reinsurer accounted for 29.8%, 23.8%, and 20.8% of the Company's reinsurance recoverable balance. At March 31, 2025 and December 31, 2024, our allowance for uncollectible reinsurance was $0.2 million and nil, respectively. Refer to Note 5 for further information.

b) Purchase Obligations

The Company has entered into certain agreements in which the Company is committed to purchase services, primarily related to software service contracts. The fixed and determinable portion of such purchase obligations was approximately $6.9 million due for the years 2025 - 2029 at March 31, 2025. The obligations will increase depending on the amount of premium written by the Company over the respective years.

c) Litigation

In the ordinary course of business, the Company is subject to disputes, litigation and arbitration arising from its insurance and reinsurance operations. These matters are generally related to insurance and reinsurance claims and are considered in the establishment of reserves for losses and loss adjustment expenses. In addition, the Company may also become involved in legal actions which seek extra-contractual damages, punitive damages or penalties, including claims alleging bad faith in handling of insurance claims. The Company expects its ultimate liability with respect to such matters will not be material to its financial condition. However, adverse outcomes on such matters are possible, from time to time, and could be material to the Company's results of operations in any particular financial reporting period.

d) Other

The Company has incurred certain employment taxes, penalties and interests related to the employment taxes for an employee domiciled in the United Kingdom since 2021. The Company accrued approximately $1.5 million as of March 31, 2025 and December 31, 2024, which represents its best estimate of such taxes, interest, and penalties.

13. Segment, Geographic, and Product Line Information

The Company is a specialty insurance group that generates revenues by underwriting and offering a variety of specialty insurance products to domestic markets through four distinct underwriting divisions. The chief operating decision maker ("CODM") is the individual responsible for allocating resources to and assessing the financial performance of segments of the entity. The CODM of the Company, the Chief Executive Officer, assesses the financial health and performance of the Company and makes resource allocation decisions on a consolidated basis; accordingly, the Company has a single operating and reportable segment.

The accounting policies of the segment are the same as those described in the summary of significant accounting policies. The CODM assesses performance for the segment and decides how to allocate resources based on net income that is also reported on the Condensed Consolidated Statements of Income and Comprehensive Income (Loss) as consolidated net income. The measure of segment assets is reported on the Condensed Consolidated Balance Sheets as total consolidated assets. Net income is used to monitor budget versus actual results. The CODM uses net income in competitive analysis by benchmarking to the Company's competitors. The competitive analysis along with the monitoring of budgeted versus actual results are used in assessing performance of the segment. The CODM uses the same level of detail as presented on the Condensed Consolidated Statements of Income and Comprehensive Income to evaluate segment revenue, net income, and significant segment expenses.

The following table presents revenues by underwriting division for the three months ended March 31, 2025 and 2024:

Three Months Ended March 31,	2025	2024
	($ in thousands)	
Casualty	$ 82,604	$ 62,439
Professional Liability	15,959	14,374
Healthcare Liability	16,147	14,040
Baleen Specialty	2,059	—
Net written premiums	**$ 116,769**	**$ 90,853**

The Company's operations and assets are located entirely within the United States, and all of its revenues are attributed to United States-based policyholders. The Company does not have intra-entity sales or transfers.

The Company has no single major customer representing 10% or more of its total revenues during three months ended March 31, 2025 and 2024.

14. Subsequent Events

Management of BSHI has evaluated all events occurring after March 31, 2025 through the issuance of these consolidated financial statements and determined that there are no events requiring recognition or disclosure.

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

The following discussion and analysis below contains forward-looking statements. All statements other than statements of historical facts contained in this report, including, but not limited to, statements regarding our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations, are forward-looking statements. Certain of the forward-looking statements can be identified by the use of terms such as “believes,” “expects,” “may,” “will,” “should,” “could,” “seeks,” “intends,” “plans,” “estimates,” “anticipates” or other comparable terms. However, not all forward-looking statements contain these identifying words. These forward-looking statements include all matters that are not related to present facts or current conditions or that are not historical facts. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our consolidated results of operations, financial condition, liquidity, prospects and growth strategies and the industries in which we operate, and including, without limitation, statements relating to our future performance. Forward-looking statements reflect our current expectations concerning future results and events, and are subject to known and unknown risks and uncertainties, many of which are beyond our control. Our actual results may differ materially from those expressed in, or implied by, the forward-looking statements included in this report as a result of various factors, including, among others:

- our inability to accurately assess our underwriting risk;
- intense competition for business in our industry;
- our inability to maintain our strategic relationship with American Family Mutual Insurance Company, S.I. (“AFMIC” and together with its subsidiaries, “AmFam”);
- a decline in AmFam’s financial strength rating or financial size category;
- exposure to certain risks arising out of our reliance on insurance retail agents, brokers and wholesalers as distribution channels;
- inadequate losses and loss expense reserves to cover our actual losses;
- unexpected changes in the interpretation of our coverage or provisions, including loss limitations and exclusions, in our policies;
- our reinsurers’ failure to reimburse us for claims on a timely basis, or at all;
- adverse economic factors and their impact on our growth and profitability;
- existing or future regulation and our ability to comply with these regulations;
- the loss of one or more key personnel;
- disruptions of our operations due to security breaches, loss of data, cyber-attacks and other information technology failures;
- increased costs as a result of operating as a public company; and
- other risks and uncertainties discussed under the heading “Risk Factors” in Part II, Item 1A. of this report.

Please refer to “Risk Factors” in Part II, Item 1A. of this report for additional discussion of the foregoing factors and risks.

Forward-looking statements speak only as of the date they are made. We undertake no obligation to update any forward-looking statements made in this report to reflect events or circumstances after the date of this report or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements.

Overview

We were founded in September 2020, backed by capital provided by GPC Fund, a private equity fund managed by Gallatin Point, and our strategic partner, AmFam, to take advantage of favorable pricing environments, and to address a growing and unmet demand from brokers and policyholders for specialized insurance solutions and quality service in complex lines of business. Our principal objective is to create and sustain superior returns for our stockholders by generating consistent, underwriting profits across our product offerings and through all market cycles, while prudently managing capital.

We offer commercial specialty P&C insurance products to policyholders that vary in size, industry and complexity, focusing on casualty, professional liability, and healthcare liability risks. We provide “craft” underwriting solutions, which require deep underwriting and claims expertise in order to produce attractive financial results. In May 2024, we supplemented our “craft” solution with our “flow” underwriting operation, which is a streamlined, tech-enabled low touch form of underwriting, focused on small, niche and hard-to-place risks. Our policies are primarily written on a non-admitted, or E&S basis, which is free of rate and policy form restrictions, and provides the flexibility to rapidly adjust to emerging market opportunities. We distribute our products through carefully selected relationships with leading distribution partners in both the wholesale and retail markets.

The policies we write are issued on AmFam paper under their own name through BSUI, our managing general agency, in exchange for a Ceding Fee, and reinsured 100% to BICI, our wholly-owned insurance company subsidiary. This mutually beneficial partnership with AmFam has enabled us to grow quickly, but prudently, to take advantage of favorable market conditions, and allows us to deploy capital efficiently.

We built a nimble, remote-friendly organization that is able to attract best-in-class talent nationwide, who are committed to operational excellence and superior service. We are led by a highly experienced and respected underwriting team with a disciplined approach to underwriting and decades of individual, successful underwriting experience. We are supported by a collaborative culture that spans all functions of our business, which allows us to provide a consistent, positive experience for all our partners. We believe that our current market opportunity, differentiated expertise, relationships, culture and leadership team position us well to continue to grow our business profitably.

Components of Our Results of Operations

Gross written premiums

Gross written premiums are the amounts received, or to be received, for insurance policies written or assumed by us during a specific period of time without reduction for policy acquisition costs, reinsurance costs or other deductions. The volume of our gross written premiums in any given period is generally influenced by new business submissions, binding of new business submissions into policies, renewals of existing policies and average size and premium rate of bound policies.

Ceded written premiums

Ceded written premiums are the amount of gross written premiums ceded to reinsurers. We enter into reinsurance contracts to limit our exposure to potential losses. The volume of our ceded written premiums is impacted by the level of our gross written premiums and any decision we make to increase or decrease retention levels and policy limits.

Net written premiums

Net written premiums are gross written premiums less ceded written premiums.

Net earned premiums

Net earned premiums represent the earned portion of our net written premiums. Our insurance policies generally have a term of one year but occasionally could be as long as seven years, and premiums are earned pro rata over the term of the policy.

Net losses and loss adjustment expenses

Net losses and loss adjustment expenses represent the costs incurred for insured losses, which include losses under a claims made or occurrence policy, paid or unpaid, expenses for settling claims, such as attorneys' fees, investigation, appraisal, adjustment, defense costs and a portion of operating expenses allocated to claim resolution, net of any losses ceded to reinsurers. Net losses and loss adjustment expenses also include a provision for claims that have occurred but have not yet been reported to the insurer. These expenses are a function of the amount and type of insurance contracts the Company writes and the loss experience associated with the underlying coverage. In general, our net losses and loss adjustment expenses are affected by:

- the occurrence, frequency and severity of claims associated with the particular types of insurance contracts that we write;
- the mix of business written by us;
- changes in the legal or regulatory environment related to the business we write;
- trends in legal defense costs;
- inflation in the cost of claims, including inflation related to wages, medical costs, and building materials, as well as inflation related to the increase in the severity of claims above general economic inflation (i.e., social inflation); and
- the reinsurance agreements we have in place at the time of a loss.

Net losses and loss adjustment expenses are based on actual losses and expenses, as well as an actuarial analysis of the estimated losses, including losses incurred during the period and changes in estimates from prior periods. Net losses and loss adjustment expenses may be paid out over a period of years.

Net acquisition costs

Net acquisition costs are principally comprised of commissions we pay to our brokers, a ceding fee we pay to AmFam on net premiums assumed and premium-related taxes, which are net of ceding commissions we receive on business ceded through our reinsurance agreements. Net acquisition costs are deferred and amortized ratably over the terms of the related agreements.

Operating expenses

Operating expenses represent the general and administrative expenses of our operations including employee compensation and benefits, technology costs, office rent and professional service fees such as legal, accounting and actuarial services.

Net investment income

We earn interest income on our portfolio of invested assets, which are comprised of fixed maturity securities, short-term investments and cash and cash equivalents.

Net realized investment losses

Net realized investment losses are a function of the difference between the amortized cost of securities sold and the proceeds received by the Company upon the sale of a security. Unrealized investment gains (losses) on fixed maturity securities are recorded within accumulated other comprehensive loss on the Condensed Consolidated Balance Sheets.

Other insurance-related income

Other insurance-related income represent fees associated with the issuance of policies and revenue we receive for providing insurance-related services.

Non-operating expenses

Non-operating expenses represent expenses related to various transactions that we consider to be unique and non-recurring in nature, including expenses related to our initial public offering (the "IPO") and secondary offering.

Warrant expense

Warrant expense represents compensation cost for warrants issued to AmFam for the right to purchase shares of the Company's common stock.

Credit facility interest expenses and fees

Credit facility interest expenses and fees represent certain costs associated with the Credit Agreement (as defined below), which provides for a senior secured revolving credit facility.

Foreign exchange (gains) losses

Foreign exchange (gains) losses represent the remeasurement of a non-U.S. dollar operating expense to U.S. dollars due to the fluctuations in the exchange rate. The change in the liability due to the fluctuations in the exchange rate are included within the Condensed Consolidated Statements of Income and Comprehensive Income at the end of each period.

Income tax expense

Currently, income tax expense primarily relates to federal income taxes. The amount of income tax expense or benefit recorded in future periods will depend on the jurisdictions in which we operate and the tax laws and regulations in effect.

Key Operating and Financial Metrics

We discuss certain key metrics, described below, which provide useful information about our business and the operational factors underlying our financial performance.

Loss ratio, expressed as a percentage, is the ratio of net losses and loss adjustment expenses to net earned premiums.

Expense ratio, expressed as a percentage, is the ratio of net acquisition costs and operating expenses, less other insurance related income, to net earned premiums.

Combined ratio, expressed as a percentage, is the sum of loss ratio and expense ratio.

Return on equity is net income as a percentage of average beginning and ending mezzanine equity and stockholders' equity.

Underwriting income is a non-GAAP financial measure defined as income before income taxes excluding the impact of net investment income, net realized investment losses, other insurance-related income, non-operating expenses, warrant expense, credit facility interest expenses and fees, foreign exchange (gains) losses, and certain strategic initiatives. See "—Reconciliation of Non-GAAP Financial Measures" for a reconciliation of underwriting income to income before income taxes, which is the most directly comparable financial metric prepared in accordance with generally accepted accounting principals in the United States ("U.S. GAAP").

Adjusted net income is a non-GAAP financial measure defined as net income excluding the impact of net realized investment losses, non-operating expenses, foreign exchange (gains) losses, and certain strategic initiatives. See "—Reconciliation of Non-GAAP Financial Measures" for a reconciliation of adjusted net income to net income, which is the most directly comparable financial metric prepared in accordance with U.S. GAAP.

Adjusted return on equity is a non-GAAP financial measure defined as adjusted net income as a percentage of average beginning and ending mezzanine equity and stockholders' equity. See "—Reconciliation of Non-GAAP Financial Measures" for a reconciliation of adjusted return on equity to return on equity, which is the most directly comparable financial metric prepared in accordance with U.S. GAAP.

Diluted adjusted earnings per share is a non-GAAP financial measure defined as adjusted net income divided by the weighted average common shares outstanding for the period, reflecting the dilution that may occur if equity based awards are converted into common stock equivalents as calculated using the treasury stock method. See "—Reconciliation of Non-GAAP Financial Measures" for a reconciliation of diluted adjusted earnings per share to diluted earnings per share, which is the most directly comparable financial metric prepared in accordance with U.S. GAAP.

Results of Operations

Three Months Ended March 31, 2025 compared to Three Months Ended March 31, 2024

The following table summarizes our results of operations for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,			
	2025	2024	$ Change	% Change
	($ in thousands, except percentages and per share data)			
Gross written premiums	$ 174,848	$ 138,433	$ 36,415	26.3 %
Ceded written premiums	(58,079)	(47,580)	(10,499)	22.1 %
Net written premiums	$ 116,769	$ 90,853	$ 25,916	28.5 %
Revenues				
Net earned premiums	$ 109,816	$ 82,981	$ 26,835	32.3 %
Net investment income	12,559	7,660	4,899	64.0 %
Net realized investment losses	(4)	—	(4)	NM
Other insurance-related income	345	31	314	1012.9 %
Total revenues	122,716	90,672	32,044	35.3 %
Expenses				
Net losses and loss adjustment expenses	73,427	54,320	19,107	35.2 %
Net acquisition costs	9,796	6,521	3,275	50.2 %
Operating expenses	23,937	20,522	3,415	16.6 %
Non-operating expenses	110	219	(109)	(49.8) %
Warrant expense	775	—	775	NM
Credit facility interest expenses and fees	247	—	247	NM
Foreign exchange (gains) losses	(46)	34	(80)	(235.3) %
Total expenses	108,246	81,616	26,630	32.6 %
Income before income taxes	14,470	9,056	5,414	59.8 %
Income tax expense	(3,045)	(2,044)	(1,001)	49.0 %
Net income	**$ 11,425**	**$ 7,012**	**$ 4,413**	**62.9 %**
Key Operating and Financial Metrics:				
Underwriting income[(1)]	$ 2,656	$ 2,856	$ (200)	(7.0) %
Adjusted net income[(1)]	11,479	8,189	3,290	40.2 %
Loss ratio	66.9 %	65.5 %		
Expense ratio	30.4 %	32.6 %		
Combined ratio	97.3 %	98.1 %		
Return on equity[(2)]	12.0 %	14.3 %		
Adjusted return on equity[(1)(2)]	12.1 %	16.7 %		
Diluted earnings per share	$ 0.34	$ 0.29		
Diluted adjusted earnings per share[(1)]	$ 0.34	$ 0.34		

NM - Percentage change is not meaningful.

(1) Non-GAAP financial measure. See "—Reconciliation of Non-GAAP Financial Measures" for a reconciliation of the non-GAAP financial measure in accordance with the most comparable U.S. GAAP measure.

(2) For the three months ended March 31, 2025 and 2024, net income and adjusted net income are annualized to arrive at return on equity and adjusted return on equity.

Premiums

The following table presents gross written premiums by underwriting division for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,					
	2025	% of Total	2024	% of Total	$ Change	% Change
	($ in thousands, except percentages)					
Casualty	$ 122,314	70.0 %	$ 91,498	66.1 %	$ 30,816	33.7 %
Professional Liability	26,000	14.8 %	25,282	18.3 %	718	2.8 %
Healthcare Liability	23,788	13.6 %	21,653	15.6 %	2,135	9.9 %
Baleen Specialty	2,746	1.6 %	—	— %	2,746	NM
Gross written premiums	**$ 174,848**	**100.0 %**	**$ 138,433**	**100.0 %**	**$ 36,415**	**26.3 %**

NM - Percentage change is not meaningful.

Gross written premiums increased $36.4 million, or 26.3%, to $174.8 million for the three months ended March 31, 2025 from $138.4 million for the three months ended March 31, 2024. The increase in gross written premiums was driven by renewals and the continued growth in our platform across all four divisions. For the three months ended March 31, 2025 and 2024, E&S business made up 76.3% and 75.0% of gross written premiums, respectively, while admitted business made up 23.7% and 25.0%, respectively. The 1.3 point increase in the proportion of E&S business written was driven by the Casualty division, where policies are primarily written on an E&S basis.

Net written premiums increased $25.9 million, or 28.5%, to $116.8 million for the three months ended March 31, 2025 from $90.9 million for the three months ended March 31, 2024. The higher 28.5% increase in net written premiums compared to the 26.3% increase in gross written premiums is primarily due to the reduction in premiums ceded to our excess of loss reinsurance treaty. This reduction was driven by the decrease in average limits deployed in our Casualty division during the quarter, which reduced the amount of gross premiums subject to our excess of loss reinsurance treaty, as well as the decrease in our excess of loss treaty from 65.0% to 60.1%.

Net earned premiums increased $26.8 million, or 32.3%, to $109.8 million for the three months ended March 31, 2025 from $83.0 million for the three months ended March 31, 2024. The increase in net earned premiums was primarily due to the earning of increased gross written premiums offset by the earning of increased ceded written premiums under our ceded reinsurance treaties.

Loss Ratio

The following table summarizes the components of our loss ratio for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,			
	2025		2024	
	Net Losses and Loss Adjustment Expenses	% of Net Earned Premiums	Net Losses and Loss Adjustment Expenses	% of Net Earned Premiums
	($ in thousands, except percentages)			
Current accident year	$ 72,983	66.5 %	$ 54,320	65.5 %
Prior accident year reserve development	444	0.4 %	—	— %
Total	**$ 73,427**	**66.9 %**	**$ 54,320**	**65.5 %**

Our loss ratio was 66.9% for the three months ended March 31, 2025 compared to 65.5% for the three months ended March 31, 2024, or an increase of 1.4 points, driven by a 0.4 point increase due to prior accident year reserve development and a 1.0 point increase in our current accident loss ratio.

The 0.4 point prior accident year reserve development was driven by expected loss ratios applied to audit premiums being fully earned in the quarter but associated with prior accident years.

The 1.0 point increase in our current accident year loss ratio was driven by changes in our portfolio mix. During the three months ended March 31, 2025, our Casualty division, which has comparatively higher current accident year industry loss ratios, comprised a larger proportion of our portfolio compared to the prior period.

Expense Ratio

The following table summarizes the components of the expense ratio for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,			
	2025		2024	
	Expenses	% of Net Earned Premium	Expenses	% of Net Earned Premium
	($ in thousands, except percentages)			
Net acquisition costs	$ 9,796	8.9 %	$ 6,521	7.9 %
Operating expenses	23,937	21.8 %	20,522	24.7 %
Less: Other insurance-related income	(345)	(0.3) %	(31)	— %
Total expense ratio	**$ 33,388**	**30.4 %**	**$ 27,012**	**32.6 %**

Our expense ratio was 30.4% for the three months ended March 31, 2025 compared to 32.6% for the three months ended March 31, 2024, which was a decrease of 2.2 points. The decrease in our expense ratio was primarily driven by the 2.9 point decrease in our operating expenses ratio, which was partially offset by the 1.0 point increase in our net acquisition costs ratio.

The decrease in our operating expenses ratio was due to the continued scaling of our business, where net earned premiums grew at a higher rate than our expenses, as well as the prudent management of our expenses.

The increase in our net acquisition costs ratio was driven by the increase in earned broker commissions due to changes in our portfolio mix, as well as the reduction in earned ceding commissions in our ceded reinsurance treaties. Gross acquisition costs as a percentage of gross earned premiums was 15.9% for the three months ended March 31, 2025 compared to 15.3% for the three months ended March 31, 2024, and ceded earned commissions as a percentage of ceded earned premium was 29.0% for the three months ended March 31, 2025 and 2024.

Combined Ratio

The combined ratio was 97.3% for the three months ended March 31, 2025, compared to 98.1% for the three months ended March 31, 2024. The 0.8 point decrease was due to the 2.2 point decrease in our expense ratio, partially offset by the 1.4 point increase in our loss ratio.

Return on Equity[1]

Return on equity was 12.0% for the three months ended March 31, 2025, compared to 14.3% for the three months ended March 31, 2024. The 2.3 point decrease was primarily driven by the $190.1 million increase in mezzanine equity and stockholders' equity, mainly due to the $131.0 million of net proceeds received from the IPO and net income in 2024, partially offset by the 62.9% increase in net income in the three months ended March 31, 2025, compared to the three months ended March 31, 2024.

Investing Results

Net investment income increased $4.9 million to $12.6 million for the three months ended March 31, 2025 from $7.7 million for the three months ended March 31, 2024. The increase in net investment income is primarily due to a higher average balance of investments during the three months ended March 31, 2025, and higher yields on invested assets.

Income Tax Expense

Income tax expense was $3.0 million for the three months ended March 31, 2025, compared to $2.0 million for the three months ended March 31, 2024. Our effective tax rate was 21.0% for the three months ended March 31, 2025, compared to 22.5% for the three months ended March 31, 2024. The effective tax rate approximates the statutory tax rate of 21.0% primarily due to expected excess tax benefits on the vesting of stock-based compensation offsetting state taxes and non-deductible expenses.

(1) For the three months ended March 31, 2025 and 2024, net income is annualized to arrive at return on equity.

Reconciliation of Non-GAAP Financial Measures

Underwriting Income

We define underwriting income as income before income taxes excluding the impact of net investment income, net realized investment losses, other insurance-related income, non-operating expenses, warrant expense, credit facility interest expenses and fees, foreign exchange (gains) losses, and certain strategic initiatives. Underwriting income represents the pre-tax profitability of the Company's underwriting operations and allows us to evaluate our underwriting performance without regard to net investment income. We use this metric as we believe it gives our management and other users of our financial information useful insight into our underlying business performance. Underwriting income should not be viewed as a substitute for income before income taxes calculated in accordance with U.S. GAAP, and other companies may define underwriting income differently.

Underwriting income for the three months ended March 31, 2025 and 2024 reconciles to income before income taxes as follows:

	Three Months Ended March 31,	
	2025	2024
	($ in thousands)	
Income before income taxes	$ 14,470	$ 9,056
Adjustments:		
Net investment income	(12,559)	(7,660)
Net realized investment losses	4	—
Other insurance-related income	(345)	(31)
Non-operating expenses	110	219
Warrant expense	775	—
Credit facility interest expenses and fees	247	—
Foreign exchange (gains) losses	(46)	34
Strategic initiatives[1]	—	1,238
Underwriting income	**$ 2,656**	**$ 2,856**

(1) Strategic initiatives for the three months ended March 31, 2024 represents costs incurred to set up our Baleen Specialty division, which is recorded in operating expenses within the Condensed Consolidated Statements of Income and Comprehensive Income. The costs incurred primarily represent expenses to implement the new platform and processes supporting the Baleen Specialty division.

Adjusted Net Income

We define adjusted net income as net income excluding the impact of net realized investment losses, non-operating expenses, foreign exchange (gains) losses, and certain strategic initiatives. Adjusted net income excludes the impact of certain items that may not be indicative of underlying business trends, operating results, or future outlook, net of tax impact. We calculate the tax impact only on adjustments that would be included in calculating our income tax expense using the estimated tax rate at which we received a deduction for these adjustments. We use adjusted net income as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Adjusted net income should not be viewed as a substitute for net income calculated in accordance with U.S. GAAP, and other companies may define adjusted net income differently.

Adjusted net income for the three months ended March 31, 2025 and 2024 reconciles to net income as follows:

	Three Months Ended March 31,			
	2025		2024	
	Before income taxes	After income taxes	Before income taxes	After income taxes
	($ in thousands)			
Income as reported	$ 14,470	$ 11,425	$ 9,056	$ 7,012
Adjustments:				
Net realized investment losses	4	4	—	—
Non-operating expenses	110	110	219	219
Foreign exchange (gains) losses	(46)	(46)	34	34
Strategic initiatives[1]	—	—	1,238	1,238
Tax impact	—	(14)	—	(313)
Adjusted net income	**$ 14,538**	**$ 11,479**	**$ 10,547**	**$ 8,189**

(1) Strategic initiatives for the three months ended March 31, 2024 represents costs incurred to set up our Baleen Specialty division, which is recorded in operating expenses within the Condensed Consolidated Statements of Income and Comprehensive Income. The costs incurred primarily represent expenses to implement the new platform and processes supporting the Baleen Specialty division.

Adjusted Return on Equity

We define adjusted return on equity as adjusted net income as a percentage of average beginning and ending mezzanine equity and stockholders' equity. We use adjusted return on equity as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Adjusted return on equity should not be viewed as a substitute for return on equity calculated in accordance with U.S. GAAP, and other companies may define adjusted return on equity differently.

Adjusted return on equity for the three months ended March 31, 2025 and 2024 reconciles to return on equity as follows:

	Three Months Ended March 31,	
	2025	2024
	($ in thousands, except percentages)	
Numerator: Adjusted net income[1]	$ 45,916	$ 32,757
Denominator: Average mezzanine equity and stockholders' equity	380,903	196,657
Adjusted return on equity	**12.1 %**	**16.7 %**

(1) For the three months ended March 31, 2025 and 2024, net income and adjusted net income are annualized to arrive at return on equity and adjusted return on equity.

Diluted Adjusted Earnings per Share

We define diluted adjusted earnings per share as adjusted net income divided by the weighted average common shares outstanding for the period, reflecting the dilution that may occur if equity based awards are converted into common stock equivalents as calculated using the treasury stock method. We use diluted adjusted earnings per share as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Diluted adjusted earnings per share should not be viewed as a substitute for diluted earnings per share calculated in accordance with U.S. GAAP, and other companies may define diluted adjusted earnings per shares differently.

Diluted adjusted earnings per share for the three months ended March 31, 2025 and 2024 reconciles to diluted earnings per share as follows:

	Three Months Ended March 31,	
	2025	2024
	($ in thousands, except share and per share data)	
Numerator: Adjusted net income	$ 11,479	$ 8,189
Denominator: Diluted weighted average shares outstanding	33,711,924	24,000,000
Diluted adjusted earnings per share	**$ 0.34**	**$ 0.34**

Liquidity and Capital Resources

Sources and Uses of Funds

BSHI is organized as a Delaware holding company with our operations primarily conducted by our wholly-owned insurance company subsidiary, BICI, domiciled in the State of Wisconsin, BSUI, our wholly-owned managing general agency, and Bowhead Underwriting Services, Inc. (“BUSI”), our wholly-owned services company subsidiary.

Prior to the IPO, BSHI received capital contributions from BIHL. Following our secondary offering on October 25, 2024, since BIHL is no longer a holder of our common stock, BSHI may receive cash through (i) drawing on the Facility (as defined below) that we entered into on April 22, 2024, (ii) issuance of equity and debt securities, (iii) payments from our subsidiaries pursuant to our consolidated tax allocation agreement and other transactions and (iv) dividends from our insurance company subsidiary. We also may use the proceeds from these sources to contribute funds to our insurance company subsidiary in order to support premium growth, pay dividends and taxes and for other business purposes.

We file a consolidated U.S. federal income tax return with our subsidiaries, and under our tax allocation agreement, each participant is charged or refunded taxes according to the amount that the participant would have paid or received had it filed on a separate return basis with the Internal Revenue Service.

Our insurance company subsidiary, BICI, is licensed and domiciled in the State of Wisconsin. Under Wisconsin law, BICI is required to maintain specified levels of statutory capital and surplus and is restricted by law as to the amount of dividends it can pay without the approval of regulatory authorities. BICI is restricted from paying dividends by the lesser of: (i) 10% of statutory capital and surplus as of the preceding December 31, or; (ii) the greater of: (A) statutory net income for the calendar year preceding the date of the dividend distribution, minus realized capital gains for that year, or (B) aggregate of net income for the three months preceding the date of the dividend or distribution, minus realized capital gains for those calendar years and minus dividends paid or credited and distributions made within the first two of the preceding three calendar years. As of December 31, 2024, the maximum dividend that BICI could pay without the approval of regulatory authorities was $16.1 million. Insurance regulators have broad powers to prevent the reduction of statutory surplus to inadequate levels, and there is no assurance that dividends of the maximum amounts calculated under any applicable formula would be permitted.

State insurance regulatory authorities that have jurisdiction over the payment of dividends by our insurance company subsidiary may in the future adopt statutory provisions more restrictive than those currently in effect.

As of March 31, 2025, our holding company had $20.8 million in cash and investments. We believe we have sufficient liquidity available at our holding company and subsidiaries to meet our operating cash needs and obligations for at least the next 12 months.

Revolving Credit Facility

On April 22, 2024, the Company entered into a Credit Agreement with certain lenders and JPMorgan Chase Bank, N.A., as administrative agent, swingline lender and issuing bank. The Credit Agreement provides for a Facility in the aggregate principal amount of $75 million, which includes a $5 million sub-facility for letters of credit. All obligations under the Facility and obligations in respect of certain cash management services and swap agreements with the lenders and their affiliates are (i) unconditionally guaranteed by certain of the Company's subsidiaries and (ii) secured by a first-priority perfected lien in substantially all of the Company's and the subsidiaries guarantors' assets. The Credit Agreement contains certain customary covenants, including financial maintenance covenants. The Company was in compliance with all of the Facility's covenants as of March 31, 2025. The Facility matures on the earlier of April 22, 2027, or 91 days prior to the MGA Agreement termination date where no MGA Agreement replacement is found. The Company may request that the lenders extend the maturity date by an additional year, provided that the request is made no earlier than 90 days and no later than 55 days prior to the first or second anniversary of the effective date of the Facility.

As of March 31, 2025, we did not have any borrowings outstanding under the Facility.

Cash Flows

Our most significant source of cash is from premiums received, which, for most policies, we receive at the beginning of the coverage period, net of the related commission for the policies. Our most significant cash outflows include 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. We also use cash to pay ceded reinsurance premiums, net of ceding commissions received, and for payment of ongoing operating expenses, such as employee compensation and benefits, technology costs, office rent and professional service fees.

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. We believe that cash receipts from premiums and proceeds from net investment income are sufficient to cover cash outflows in the foreseeable future.

Our cash flows for the three months ended March 31, 2025 and 2024 were as follows:

	Three Months Ended March 31,	
	2025	2024
	($ in thousands)	
Net cash provided by operating activities	$ 47,722	$ 41,910
Net cash used in investing activities	(146,329)	(79,122)
Net cash provided by financing activities	—	2,839
Net change in cash, cash equivalents and restricted cash	**$ (98,607)**	**$ (34,373)**

The increase in cash provided by operating activities in the three months ended March 31, 2025 compared to the three months ended March 31, 2024 was primarily due to the growth in our business operations compared to the timing of claim payments and subsequent reinsurance recoveries, which occur later than cash collections on premiums.

For the three months ended March 31, 2025, net cash used in investing activities was $146.3 million due to growth in our business operations. For the three months ended March 31, 2025, funds from operations were used to purchase fixed maturity securities of $250.5 million. During the three months ended March 31, 2025, we received proceeds of $105.4 million from sales and maturities of fixed maturity securities. Net cash used in investing activities also includes purchases of property and equipment of $1.2 million.

For the three months ended March 31, 2024, net cash used in investing activities was $79.1 million. For the three months ended March 31, 2024, funds from operations were used to purchase fixed maturity securities of $93.7 million. During the three months ended March 31, 2024, we received proceeds of $15.3 million from sales and maturities of fixed maturity securities. Net cash used in investing activities also includes purchases of property and equipment of $0.8 million.

For the three months ended March 31, 2025, net cash provided by financing activities was nil, and for the three months ended March 31, 2024, net cash provided by financing activities was $2.8 million, which reflected capital contributions from BIHL.

Reinsurance

We purchase various forms of reinsurance to manage loss exposures and safeguard our capital. Through reinsurance, we transfer certain exposures to a reinsurer, and in return, the reinsurer receives a portion of the premium, less a ceding commission paid to us. We strategically use a combination of quota share and excess of loss reinsurance treaties to retain risk, while providing balance sheet protection from larger losses. We may also place facultative reinsurance on specific risks we deem prudent.

A quota share reinsurance treaty is an agreement where reinsurers assume a percentage of the company's losses in exchange for a negotiated percentage of premium. An excess of loss reinsurance treaty is an agreement where reinsurers agree to assume a portion of losses for a specific event in excess of a specified amount in return for a negotiated premium. Reinsurance needs are determined with principal input from our Chief Underwriting Officer, based on a multitude of factors, including risk appetite, market conditions, loss history and reinsurance capacity.

We place reinsurance through our insurance company subsidiary, BICI, which reinsures 100% of the premium placed by BSUI with the AmFam Issuing Carriers. In turn, BICI strategically transfers exposures to third-party reinsurers utilizing different structures depending on the line of business.

We generally offer up to $15 million of limit on our insurance policies and seek not to retain more than $5 million, utilizing reinsurance to achieve that objective. At each renewal, we consider various factors when determining our reinsurance coverage, including (i) plans to change the underlying insurance coverage we offer, (ii) trends in loss activity, (iii) the level of our capital and surplus, (iv) changes in our risk appetite and (v) the cost, terms and availability of reinsurance coverage. We may adjust our reinsurance program, including our levels of retention based on these factors.

As of March 31, 2025, we had the following significant reinsurance programs:

- For all lines, except Cyber, we use a quota share reinsurance treaty, where 25.0% of the exposure is ceded to reinsurers, and an excess of loss reinsurance treaty, which cedes 60.1% of losses in excess of $5 million up to $15 million to our reinsurers.
- Cyber, as a specialized line of business, is placed under a separate quota share structure, where we cede 60.0% of the exposure to reinsurers. There is no separate excess of loss reinsurance program for our Cyber line of business.
- We also entered into a quota share treaty, effective March 1, 2024, covering commercial auto exposure in excess of $1 million up to $5 million within our Casualty book of business.

Our reinsurance treaties are currently subject to caps, which currently range from 250% to 350% of the subject matter ceded premium, and should these caps be exceeded we would retain any losses in excess of those caps.

Our reinsurance treaties typically have 12- or 18-month terms. While we intend to renew on similar terms as expiring to maintain our desired level of net risk appetite, during each renewal cycle, we may change our coverage terms or the composition of our reinsurance panel. Currently, the quota share reinsurance treaty for Cyber generally renews on January 1 while the remainder of our reinsurance treaties renew on May 1.

All reinsurance involves credit risk, since we maintain the direct obligation to pay losses incurred by our policyholders up to our policy limits. Accordingly, when selecting our reinsurers, a potential reinsurer's financial strength is the paramount consideration. All of our reinsurance business is placed with reinsurers that have an A.M. Best rating of "A" (Excellent) or better. As of March 31, 2025, we have an allowance for credit losses of $0.2 million for our reinsurance balance.

The following table summarizes our top five reinsurers, their A.M. Best financial strength rating and percent of our total reinsurance recoverable as of March 31, 2025:

Reinsurer	A.M. Best Rating	% of Total
Renaissance Reinsurance U.S. Inc	A+	29.9%
Endurance Assurance Corporation	A+	23.6%
Markel Global Reinsurance Company	A	20.6%
Ascot Bermuda Limited	A	8.4%
American Family Connect Property and Casualty Insurance Company	A	7.6%
All other reinsurers	At least A	9.9%
Total		**100.0%**

Contractual Obligations and Commitments

We have entered into software service agreements that have purchase obligations depending on the amount of premiums written. At March 31, 2025, the fixed and determinable portion of these purchase obligations were approximately $6.9 million for the years 2025 - 2029. The obligations may increase depending on the amount of premium written by the Company over the respective years.

We have entered into a sublease agreement for our office in New York and a lease agreement for our office in Chicago. On December 1, 2024, the company exercised its option to extend the Chicago lease, which will expire on August 31, 2028, with a renewal option to extend. These leases are classified as operating leases. These leases expire in December 2027 and August 2028, respectively. Although the Chicago operating lease agreement contains an option to extend the length of the lease term, the Company is not reasonably certain it will exercise this option. As of March 31, 2025, the discounted operating lease liability was $4.0 million.

Financial Condition

Mezzanine equity and stockholders' equity

As of March 31, 2025, total mezzanine equity and stockholders' equity was $391.4 million compared to $370.4 million as of December 31, 2024. The $21.0 million increase was primarily due to net income generated during the period, a decrease in unrealized losses on available for sale investments, net of taxes, and net activity related to stock-based compensation plans.

Dividend declarations

We did not declare any dividends during the three months ended March 31, 2025 or the year ended December 31, 2024.

Investment portfolio

We seek to maintain a diversified portfolio of fixed income instruments that prioritize capital preservation, with a secondary focus on generating predictable investment income. Our asset allocation strategy focuses on high-quality fixed income instruments, with no equity or alternative investment exposure. One of the primary features of our asset allocation is maintaining sufficient readily available funds to pay claims and expenses. Our portfolio consists entirely of cash, cash equivalents, short-term investments and investment grade fixed income securities.

We actively manage and monitor our investment risk, balancing the goals of capital preservation and income generation with our need to comply with relevant insurance regulatory frameworks and the capital framework agreements with AmFam. Our board of directors reviews and approves our investment policy and strategy on a regular basis, and considers investment activities, performance against benchmarks and new investment opportunities as they arise.

As of March 31, 2025, the majority of our investment portfolio, or $1,034.8 million, was comprised of fixed maturity securities that are classified as available for sale and carried at fair value with unrealized gains (losses) recognized in accumulated other comprehensive loss within our Condensed Consolidated Balance Sheets. Also included in our investment portfolio were $10.0 million of short-term investments. Our fixed maturity securities, including cash equivalents, had a weighted average effective duration of 2.8 years and an average rating of "AA" at March 31, 2025. Our fixed income investment portfolio had a book yield of 4.7% and a market yield of 4.8% as of March 31, 2025, compared to 4.6% and 4.9%, respectively, as of December 31, 2024.

As of March 31, 2025 and December 31, 2024, the amortized cost and estimated fair value of our fixed maturity, and short-term investments were as follows:

As of March 31, 2025	**Amortized Cost**	**Fair Value**	**% of Total Fair Value**
		($ in thousands, except percentages)	
Fixed maturity securities			
U.S. government and government agency	$ 145,183	$ 145,411	13.8 %
State and municipal	84,466	80,583	7.7 %
Commercial mortgage-backed securities	92,506	92,519	8.9 %
Residential mortgage-backed securities	226,648	224,409	21.5 %
Asset-backed securities	129,684	129,659	12.4 %
Corporate	361,092	362,256	34.7 %
Total fixed maturity securities	**$ 1,039,579**	**$ 1,034,837**	**99.0 %**
Short-term investments	9,984	9,999	1.0 %
Total investments	**$ 1,049,563**	**$ 1,044,836**	**100.0 %**

As of December 31, 2024	Amortized Cost	Fair Value	% of Total Fair Value
	($ in thousands, except percentages)		
Fixed maturity securities			
U.S. government and government agency	$ 204,205	$ 204,412	23.0 %
State and municipal	73,289	67,784	7.6 %
Commercial mortgage-backed securities	83,029	82,438	9.3 %
Residential mortgage-backed securities	197,589	192,103	21.6 %
Asset-backed securities	121,155	120,577	13.5 %
Corporate	214,878	212,675	23.9 %
Total fixed maturity securities	**$ 894,145**	**$ 879,989**	**98.9 %**
Short-term investments	9,961	9,997	1.1 %
Total investments	**$ 904,106**	**$ 889,986**	**100.0 %**

The table below summarizes the credit quality of our fixed maturity securities as of March 31, 2025 and December 31, 2024:

	March 31, 2025		December 31, 2024	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
	($ in thousands, except percentages)			
Rating				
AAA	$ 282,376	27.3 %	$ 247,433	28.1 %
AA	363,359	35.1 %	385,358	43.8 %
A	286,470	27.7 %	178,775	20.3 %
BBB	102,632	9.9 %	68,423	7.8 %
Total	**$ 1,034,837**	**100.0 %**	**$ 879,989**	**100.0 %**

As of March 31, 2025 and December 31, 2024, the amortized cost and estimated fair value of our available for sale investments in fixed maturity securities summarized by contractual maturity were as follows:

As of March 31, 2025	Amortized Cost	Fair Value	% of Total Fair Value
	($ in thousands, except percentages)		
Fixed maturity securities			
Due in one year or less	$ 117,974	$ 117,966	11.4 %
Due after one year through five years	252,815	251,418	24.3 %
Due after five years through ten years	175,774	176,037	17.0 %
Due after ten years	44,178	42,829	4.1 %
	590,741	588,250	56.8 %
Commercial mortgage-backed securities	92,506	92,519	8.9 %
Residential mortgage-backed securities	226,648	224,409	21.8 %
Asset-backed securities	129,684	129,659	12.5 %
Total	**$ 1,039,579**	**$ 1,034,837**	**100.0 %**

As of December 31, 2024	Amortized Cost	Fair Value	% of Total Fair Value
	($ in thousands, except percentages)		
Fixed maturity securities			
Due in one year or less	$ 206,764	$ 206,721	23.5 %
Due after one year through five years	208,179	205,012	23.3 %
Due after five years through ten years	45,230	43,199	4.9 %
Due after ten years	32,199	29,939	3.4 %
	492,372	484,871	55.1 %
Commercial mortgage-backed securities	83,029	82,438	9.4 %
Residential mortgage-backed securities	197,589	192,103	21.8 %
Asset-backed securities	121,155	120,577	13.7 %
Total	**$ 894,145**	**$ 879,989**	**100.0 %**

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties, and the lenders may have the right to put the securities back to the borrower.

Restricted Assets

We are required to maintain assets in trust accounts to support the obligations of the AmFam Quota Share Agreement. The assets held in trust include fixed maturity securities, short-term investments and cash and cash equivalents, as collateral for transactions with AmFam. The Company is entitled to interest income earned on these restricted assets, which is included in net investment income in the Condensed Consolidated Statements of Income and Comprehensive Income.

The fair value of our restricted assets were as follows:

	March 31, 2025	December 31, 2024
	($ in thousands)	
Restricted investments	$ 636,868	$ 494,829
Restricted cash and cash equivalents	35,401	124,582
Total restricted assets	**$ 672,269**	**$ 619,411**

Critical Accounting Policies and Estimates

We identified the following accounting estimates as critical to the understanding of our financial position and results of operations:

- reserve for losses and loss adjustment expenses;
- reinsurance recoverable;
- fair value measurements of financial assets and liabilities; and
- deferred income tax.

Critical accounting estimates are defined as those estimates that are both important to the portrayal of our financial condition and results of operations and require us to exercise significant judgment. We use significant judgment concerning future results and developments in applying these critical accounting estimates and in preparing our condensed consolidated financial statements. These judgments and estimates affect our reported amounts of assets, liabilities, revenues and expenses and the disclosure of our material contingent assets and liabilities. Actual results may differ materially from the estimates and assumptions used in preparing the condensed consolidated financial statements. We evaluate our estimates regularly using information that we believe to be relevant. For a detailed discussion of our accounting policies, see Note 1, “Nature of Operations and Significant Accounting Policies,” in our condensed consolidated financial statements.

Reserve for Losses and Loss Adjustment Expenses

Reserve for losses and loss adjustment expenses represents our estimated ultimate cost of all reported and unreported losses and loss adjustment expenses incurred and unpaid at the balance sheet date. We do not discount our reserves for losses to reflect estimated present value. We estimate the reserves using individual case-basis valuations of reported claims and various actuarial procedures. Those estimates are based on our historical information, industry and peer group information and our estimates of future trends in variable factors such as loss severity, loss frequency and other factors such as inflation. We regularly review our estimates and adjust them as necessary as experience develops or as new information becomes known to us. Additionally, during the loss settlement period, it often becomes necessary to refine and adjust the estimates of liability on a claim either upward or downward. Even after such adjustments, the ultimate liability may exceed or be less than the revised estimates. Accordingly, the ultimate settlement of losses and loss adjustment expenses may vary significantly from the estimate included in our condensed consolidated financial statements.

We categorize our reserves for unpaid losses and loss adjustment expenses into two types: case reserves and reserves for IBNR.

Case reserves are established for individual claims that have been reported to us. We are notified of losses by our insureds, their agents or our brokers. Based on the information provided, we establish case reserves by estimating the ultimate losses from the claim, including defense costs associated with the ultimate settlement of the claim. Our claims department personnel use their knowledge of the specific claim along with advice from internal and external experts, including underwriters and legal counsel, to estimate the expected ultimate losses.

With the assistance of an independent actuarial firm, we estimate the cost of losses and loss adjustment expenses related to IBNR based on an analysis of several commonly accepted actuarial loss projection methodologies. The IBNR that we book represents management’s best estimate.

The following tables summarize our gross and net reserves for unpaid losses and loss adjustment expenses as of March 31, 2025 and December 31, 2024:

	As of March 31, 2025			
	Gross	% of Total	Net	% of Total
	($ in thousands, except percentages)			
Case reserves	$ 94,407	11.2 %	$ 62,135	11.0 %
IBNR	750,817	88.8 %	504,301	89.0 %
Total reserves	**$ 845,224**	**100.0 %**	**$ 566,436**	**100.0 %**

	As of December 31, 2024			
	Gross	% of Total	Net	% of Total
	($ in thousands, except percentages)			
Case reserves	$ 71,420	9.4 %	$ 47,378	9.3 %
IBNR	685,439	90.6 %	462,566	90.7 %
Total reserves	**$ 756,859**	**100.0 %**	**$ 509,944**	**100.0 %**

The process of estimating the reserve for losses and loss adjustment expenses requires a high degree of judgment and is subject to several variables. In establishing the quarterly actuarial recommendation for the reserve for losses and loss adjustment expenses, consideration is given to several actuarial methods. A first step is to select an initial expected ultimate loss and allocated loss adjustment expense ("ALAE") ratio for each reserving group. This is done with assistance from our actuarial consultants. Consideration is given to inputs from our underwriting and claims departments, internal pricing data and industry benchmarks provided by our actuarial consultants. The actuarial methods utilize, to varying degrees, the initial expected loss ratio, analysis of industry and internal claims reporting and payment patterns, paid and reported experience, industry loss experience and changes in market conditions, policy forms, exclusions and exposures. The actuarial methods used to estimate loss and loss adjustment expense reserves are:

- Reported and/or Paid Loss Development Methods — Ultimate losses are estimated based on historical or industry loss reporting (or payout) patterns applied to current reported (or paid) loss and ALAE. Reported losses are the sum of paid and case losses. When there is insufficient historical data, industry development patterns are used.
- Reported and/or Paid Bornhuetter-Ferguson Method — Ultimate losses are estimated as the sum of cumulative reported (or paid) losses and estimated IBNR (or unpaid) losses. IBNR (or unpaid) losses are estimated based on historical or industry reporting (or payout) development patterns and the initial expected ultimate loss and ALAE ratio.
- Reported and/or Paid Cape Cod Method — Ultimate losses are estimated as the sum of cumulative reported (or paid) losses and estimated IBNR (or unpaid) losses. IBNR (or unpaid) losses are estimated based on historical or industry reporting (or payout) development patterns and a loss + ALAE ratio based on adjusted experience to date.

Since our loss experience is less mature, we are primarily relying on a weighting between the initial expected loss and ALAE ratio and the indications resulting from the Reported Bornhuetter-Ferguson and Cape Cod Methods.

Our reserves are driven by several important factors, including litigation and regulatory trends, legislative activity, climate change, social and economic patterns, and claims inflation assumptions. Our reserve estimates reflect current inflation in legal claims' settlements and assume we will not be subject to losses from significant new legal liability theories. Our reserve estimates assume that there will not be significant changes in the regulatory and legislative environment. The impact of potential changes in the regulatory or legislative environment is difficult to quantify in the absence of specific, significant new regulation or legislation. In the event of significant new regulation or legislation, we will attempt to quantify its impact on our business, but no assurance can be given that our attempt to quantify such inputs will be accurate or successful.

Although we believe that our reserve estimates are reasonable, it is possible that our actual loss experience may not conform to our assumptions. Specifically, our actual ultimate loss ratio could differ from our initial expected loss ratio or our actual reporting and payment patterns could differ from our expected reporting and payment patterns, which are based on our own data and industry data. Accordingly, the ultimate settlement of losses and the related loss adjustment expenses may vary significantly from the estimates included in our financial statements. We regularly review our estimates and adjust them as necessary as experience develops or as new information becomes known to us. Such adjustments are included in the results of current operations.

The table below quantifies the impact of potential reserve deviations from our carried reserve as of March 31, 2025 and December 31, 2024. We applied a sensitivity factor to net reserves for unpaid losses and loss adjustment expenses by underwriting division below. We believe that potential changes such as these would not have a material impact on our liquidity.

	Potential Impact as of March 31, 2025						
Underwriting Division	**Net Reserves for Unpaid Losses and Loss Adjustment Expenses**	**7.5% Higher**	**Pre-tax Income**	**Mezzanine Equity and Stockholders' Equity(1)**	**7.5% Lower**	**Pre-tax Income**	**Mezzanine Equity and Stockholders' Equity(1)**
	($ in thousands)						
Casualty	$ 351,297	$ 377,644	$ (26,347)	$ (20,814)	$ 324,950	$ 26,347	$ 20,814
Professional Liability	128,369	137,997	(9,628)	(7,606)	118,741	9,628	7,606
Healthcare Liability	86,262	92,732	(6,470)	(5,111)	79,793	6,470	5,111
Baleen Specialty	508	546	(38)	(30)	470	38	30

	Potential Impact as of December 31, 2024						
Underwriting Division	**Net Reserves for Unpaid Losses and Loss Adjustment Expenses**	**7.5% Higher**	**Pre-tax Income**	**Mezzanine Equity and Stockholders' Equity(1)**	**7.5% Lower**	**Pre-tax Income**	**Mezzanine Equity and Stockholders' Equity(1)**
	($ in thousands)						
Casualty	$ 311,115	$ 334,449	$ (23,334)	$ (18,434)	$ 287,781	$ 23,334	$ 18,434
Professional Liability	119,741	128,722	(8,981)	(7,095)	110,760	8,981	7,095
Healthcare Liability	78,925	84,844	(5,919)	(4,676)	73,006	5,919	4,676
Baleen Specialty	163	175	(12)	(10)	151	12	10

(1) The U.S. corporate income tax rate of 21% is used to estimate the potential impact to mezzanine equity and stockholders' equity.

The amount by which estimated losses differ from those originally reported for a period is known as "development". Development is unfavorable when the losses ultimately settle for more than the amount reserved or subsequent estimates indicate a basis for reserve increases on unresolved claims. Development is favorable when losses ultimately settle for less than the amount reserved or subsequent estimates indicate a basis for reducing loss reserves on unresolved claims. We reflect favorable or unfavorable development of loss reserves in the results of operations in the period the estimates are changed.

Reinsurance Recoverable

We purchase various forms of reinsurance to manage loss exposures and safeguard our capital. Our reinsurance is primarily contracted under quota-share reinsurance treaties and excess of loss treaties. We may also place facultative reinsurance on specific risks we deem prudent.

A quota share reinsurance treaty is an agreement where reinsurers assume a percentage of the company's losses in exchange for a negotiated percentage of premium. An excess of loss reinsurance treaty is an agreement where reinsurers agree to assume a portion of losses for a specific event in excess of a specified amount in return for a negotiated premium. The negotiated premium is based on the assessment of the amount of risk being ceded to the reinsurer because the reinsurer does not share proportionately in the ceding company's losses.

The recognition of reinsurance recoverables requires two key estimates as follows:

- The first estimate is the amount of loss reserves to be ceded to our reinsurers. This amount consists of our case reserves and IBNR. See "Reserves for Losses and Loss Adjustment Expenses" under "Critical Accounting Policies and Estimates" above and Note 1, "Nature of Operations and Significant Accounting Policies" in our condensed consolidated financial statements for further discussion.

- The second estimate is the amount of the reinsurance recoverable balance we believe will ultimately not be collected from reinsurers. We are selective in choosing reinsurers, buying reinsurance from reinsurers with an A.M. Best rating of “A” (Excellent) or better. The amount we ultimately collect may differ from our estimate due to the ability and willingness of reinsurers to pay claims, which may be negatively impacted by factors such as insolvency, contractual disputes over contract language or coverage and/or other reasons. In addition, economic conditions and/or operational performance of a particular reinsurer may deteriorate, and this could also affect the ability and willingness of a reinsurer to meet their contractual obligations

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined based on a fair value hierarchy that prioritizes the use of observable inputs over the use of unobservable inputs and requires the use of observable inputs when available. The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels, as follows:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Significant other observable inputs other than Level 1 inputs, such as quoted prices in active markets for similar assets or liabilities, quoted prices in inactive markets for identical assets or liabilities, or other inputs that are directly or indirectly observable through market-corroborated inputs, such as interest rates, yield curves, prepayment speeds, default rates, or loss severities.
- Level 3: Significant unobservable inputs used to measure fair value to the extent that relevant observable inputs are not available, and that reflect the Company’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the measurement date.

See Note 3, Fair Value Measurements, in our condensed consolidated financial statements for further discussion regarding our fair value disclosures.

Deferred income taxes

We record deferred income taxes as assets or liabilities on our condensed consolidated balance sheets to reflect the net tax effect of the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets and liabilities are measured by applying enacted tax rates in effect for the years in which such differences are expected to reverse. Our deferred tax assets result from temporary differences primarily attributable to unearned premium reserves, unrealized losses on investments and loss reserves. Our deferred tax liabilities result primarily from deferred policy acquisition costs. We review the need for a valuation allowance related to our deferred tax assets each quarter. We reduce our deferred tax assets by a valuation allowance when we determine that it is more likely than not that some portion or all of the deferred tax assets will not be realized. The assessment of whether or not a valuation allowance is needed requires us to use significant judgment. See Note 11, “Income Taxes” in our condensed consolidated financial statements for further discussion regarding our deferred tax assets and liabilities.

Recent Accounting Pronouncements

Refer to Note 1, “Nature of Operations and Significant Accounting Policies,” in our condensed consolidated financial statements for further discussion regarding our recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of economic losses due to adverse changes in the estimated fair value of a financial instrument as the result of changes in interest rates, equity prices, foreign currency exchange rates and commodity prices. The primary component of market risk affecting us is interest rate risk associated with our investments in fixed maturity securities. We do not have material exposure to equity prices, foreign currency exchange rate risk or commodity risk.

Interest rate risk

Interest rate risk is the risk that we will incur economic losses due to adverse changes in interest rates. Fluctuations in interest rates have a direct effect on the market valuation of our fixed maturity securities. When market interest rates rise, the fair value of our securities decreases. Conversely, as interest rates fall, the fair value of our securities increases. Changes in interest rates will have an immediate effect on comprehensive loss and mezzanine equity and stockholders' equity, but will not ordinarily have an immediate effect on net income. We manage this interest rate risk by investing in securities with varied maturity dates.

We had fixed maturity securities, short-term investments and cash and cash equivalents with a fair value of $1,092.0 million as of March 31, 2025 and $1,024.2 million as of December 31, 2024 that were subject to interest rate risk. The table below illustrates the sensitivity of the fair value of our fixed maturity securities, short-term investments and cash and cash equivalents to selected hypothetical changes in interest rates as of March 31, 2025 and as of December 31, 2024.

	As of March 31, 2025			As of December 31, 2024		
	Estimated Fair Value	**Estimated Change in Fair Value**	**Estimated % Increase (Decrease) in Fair Value**	**Estimated Fair Value**	**Estimated Change in Fair Value**	**Estimated % Increase (Decrease) in Fair Value**
	($ in thousands, except percentages)					
200 basis point increase	$ 1,033,047	$ (58,969)	(5.4)%	$ 981,213	$ (43,018)	(4.2)%
100 basis point increase	1,062,094	(29,921)	(2.7)%	1,002,312	(21,919)	(2.1)%
No change	1,092,015	—	— %	1,024,230	—	— %
100 basis point decrease	1,121,391	29,375	2.7 %	1,046,354	22,123	2.2 %
200 basis point decrease	1,149,455	57,440	5.3 %	1,067,453	43,223	4.2 %

Actual results may differ from the hypothetical change in market rates assumed in this disclosure. This sensitivity analysis does not reflect the results of any action that we may take to mitigate such hypothetical losses in fair value.

Credit risk

Credit risk is the potential loss resulting from adverse changes in an issuer's ability to repay its debt obligations. We have exposure to credit risk as a holder of fixed maturity securities. Our investment policy is designed to primarily invest in debt instruments of high credit quality issuers and to manage the amount of credit exposure with limits on particular ratings categories, limits for any one issuer and limits for sectors and regions. We monitor our investment portfolio to ensure that credit risk does not exceed prudent levels. The majority of our investment portfolio is invested in high credit quality, investment grade fixed maturity securities. As of March 31, 2025, our fixed maturity portfolio has an average rating by at least one nationally recognized rating organization of " AA," with approximately 90.6% rated "A" or better. We purchase fixed maturity securities based on our assessment of the credit quality of the underlying assets without regard to insurance.

In addition, we are subject to credit risk as we cede a portion of our risks to reinsurers. Although our reinsurers are obligated to reimburse us to the extent we cede risk to them, we are ultimately liable to our policyholders on all risks we have ceded. As a result, reinsurance contracts do not limit our ultimate obligations to pay claims covered under the insurance policies we issue and we might not collect amounts recoverable from our reinsurers. We address this credit risk by selecting reinsurers that have an A.M. Best rating of "A" (Excellent) or better at the time we enter into the agreement and by performing, along with our reinsurance broker, periodic credit reviews of our reinsurers. As of March 31, 2025, 100% of our reinsurance recoverables were either derived from reinsurers rated "A" (Excellent) by A.M. Best, or better.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

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

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures defined under Rules 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.

Changes in internal control over financial reporting

No changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent limitations on effectiveness of controls

The effectiveness of any system of controls and procedures is subject to certain limitations, and, as a result, there can be no assurance that our controls and procedures will detect all errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be attained.

PART II. - OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to routine legal proceedings in the normal course of operating our insurance business. We are not currently a party to any such claims, lawsuits or proceedings, the outcome of which, if determined adversely to us, we believe would, individually or in the aggregate, have a material adverse effect on our business, results of operations or financial condition.

Item 1A. Risk Factors

Other than the following risk factor, there have been no material changes in our risk factors in the quarter ended March 31, 2025 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2024

Trade relations between the United States and other countries, including the imposition of new or increased tariffs, could have an adverse effect on our insureds, business and financial results.

There continues to be significant uncertainty about the future relationship between the United States and other countries, including with respect to trade policies, treaties, government regulations, sanctions and tariffs. For example, in April 2025, the U.S. government began imposing certain global tariffs intended to address trade deficits and inconsistent economic treatment of importation between the United States and other countries. In response, China, among others, has announced retaliatory tariffs against certain imports from the United States. Although we are continuing to evaluate the impact of these evolving developments, we cannot provide any assurance about the ultimate outcome or impact of these developments or other changes in trade policies, including the imposition of new or increased tariffs between the United States and China and other countries. Furthermore, changes to trade policies, retaliatory measures, or prolonged uncertainty in trade relationships could result in economic volatility and disruptions to businesses that we insure, as well as our investment portfolio, adversely affecting our business and financial results. While we do not operate outside of the United States and do not write property insurance, any new or increased sanctions, tariffs or other trade barriers or restrictions on global trade could adversely impact our business and financial results.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Securities Trading Plans of Directors or Executive Officers

During the three months ended March 31, 2025, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, terminated or modified a Rule 10b5-1 trading arrangement or “non-Rule 10b5-1 trading arrangement” (as defined in Item 408 of Regulation S-K).

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Bowhead Specialty Holdings Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form Q filed with the SEC on August 8, 2024)
3.2	Amended and Restated Bylaws of Bowhead Specialty Holdings Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 8, 2024)
31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certifications of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files (formatted as Inline XBRL)
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* This certification is deemed not filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

Pursuant to the requirements 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.

BOWHEAD SPECIALTY HOLDINGS INC.

Date: May 6, 2025	By:	/s/ Stephen Sills
	Name:	Stephen Sills
	Title:	Chief Executive Officer and President
Date: May 6, 2025	By:	/s/ Brad Mulcahey
	Name:	Brad Mulcahey
	Title:	Chief Financial Officer and Treasurer

Exhibit 31.1

CERTIFICATE OF CHIEF EXECUTIVE OFFICER

BOWHEAD SPECIALTY HOLDINGS INC.

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen Sills, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bowhead Specialty Holdings 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 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. [Reserved];

   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 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.

Dated: May 6, 2025

/s/ Stephen Sills

Stephen Sills
Chief Executive Officer and President
(Principal Executive Officer)

CERTIFICATE OF CHIEF FINANCIAL OFFICER

BOWHEAD SPECIALTY HOLDINGS INC.

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brad Mulcahey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bowhead Specialty Holdings 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 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. [Reserved];

   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 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.

Dated: May 6, 2025

/s/ Brad Mulcahey

Brad Mulcahey

Chief Financial Officer and Treasurer

(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Bowhead Specialty Holdings Inc. (the "Corporation") for the period ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen Sills, Chief Executive Officer and President of the Corporation, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge

1. The Report fully complies with the requirements of Section 13(a) or 15(d) 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 Corporation.

Dated: May 6, 2025

/s/ Stephen Sills
Stephen Sills
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 32.2

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 Bowhead Specialty Holdings Inc. (the "Corporation") for the period ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brad Mulcahey, Chief Financial Officer and Treasurer of the Corporation, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) 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 Corporation.

Dated: May 6, 2025

/s/ Brad Mulcahey

Brad Mulcahey
Chief Financial Officer and Treasurer
(Principal Financial Officer)