Heritage Insurance Holdings, Inc.
1401 N Westshore Blvd,
Tampa, Florida 33607

April 30, 2026

Dear Shareholders,

Heritage has undergone an intentional and disciplined reshaping of the foundation of our business since I became CEO at the end of 2020. Since then, the Heritage management team embarked upon a comprehensive review of our markets, portfolio of business, underwriting standards, and rate adequacy. From that assessment, we developed several strategic initiatives aimed at achieving rate adequacy, selective underwriting and capital reallocation to the products and geographies that deliver the strongest returns. The goal was to improve profitability and create long-term shareholder value.

I am pleased with the financial results that our efforts have achieved. We generated net income of $45.3 million in 2023, $61.5 million in 2024, and $195.6 million in 2025 while delivering a net combined ratio of 96.3%, 94.2%, and 73.1% for the same periods, respectively. In 2025, we achieved a record return on average equity of 49.1% and diluted earnings per share of $6.32. Our 2025 performance reflects the cumulative effect of the strategic initiatives that we expect to maintain as we move forward.

Looking ahead, our strategy continues to build on the strong foundation that we have created. First and foremost, we achieved rate adequacy in more than 90% of the geographies where we operate and they are currently open for new business. In fact, new business premium production increased over 60% in the fourth quarter of 2025 as compared to the fourth quarter of 2024. We have also continued to evaluate new geographies and products that will advance our diversification and expansion efforts. As a result of that rigorous evaluation process, we plan to enter Texas later in 2026 on an Excess & Surplus Lines basis. Our production in Texas will focus predominantly on tier one and some tier two geographies and will leverage our existing agent relationships as well as some new distribution partners. As we have done in California, which is also written on an Excess & Surplus Lines basis, we will have underwriting and marketing employees in Texas to stay abreast of the needs and issues in that market. As expected, we will maintain our focus on underwriting discipline, exposure management, and rate adequacy in our existing and new geographies. We have a long runway ahead to profitably grow our business and deliver value to our shareholders.

A major emphasis in 2026 will be the continued enhancement of our data-driven analytics, as well as our customer service and claims capabilities, building on the improvements already underway to deliver a more streamlined, transparent experience for agents and policyholders. Throughout 2026, we will continue leveraging the scale and flexibility of our infrastructure, our talented personnel, systems, processes, and regional operating model to support sustainable future growth. Fortunately, we have ample room to grow our business and can choose to be selective across our geographic footprint.

Lastly, reinsurance remains a critical component of our business, and we have maintained a stable indemnity-based reinsurance program at manageable costs with an excellent panel of highly rated and collateralized reinsurers. Our catastrophe excess of loss reinsurance program includes traditional reinsurers and insurance-linked securities (“ILS”), or catastrophe bond markets. We regularly meet with our reinsurance and ILS partners who continue to support our growth and whom we anticipate will offer incremental capacity. We also continue to see the benefits of tort reform as industry loss expectations for Hurricane Milton have been steadily decreasing, largely due to reduced litigation, which benefits not only us but also our panel of reinsurers and ultimately the consumer. Given the improved litigation environment in Florida, the lack of catastrophe losses in our markets in 2025, and increased reinsurance capacity, we are optimistic that reinsurance pricing will continue to improve in 2026. Importantly, we believe that favorable reinsurance availability and pricing will benefit the Company and our policyholders since reinsurance cost is a significant component of our rates.

To conclude, we have strong momentum with a positive outlook for both our growth and profitability. That said, we are not complacent with our results and strive to continuously improve our organization and operations.

Thank you for your continued support. We look forward to sharing our progress as we advance our strategy and build on our success.

Sincerely yours,

Ernie Garateix

Chief Executive Officer

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

FORM 10-K

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

For the Year Ended December 31, 2025

OR

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

Commission File Number 001-36462

Heritage Insurance Holdings, Inc.

Delaware	**45-5338504**
(STATE OF INCORPORATION)	**(I.R.S. ID)**

1401 N. Westshore Blvd., Tampa, FL, 33607
(727) 362-7200

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 $0.0001 per share	**HRTG**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the Registrant's common stock held by non-affiliates was $665,737,361 on June 30, 2025, computed on the basis on the closing sale price of the Registrant's common stock on the New York Stock Exchange on that date. As of March 2, 2026, the number of shares outstanding of the Registrant's common stock was 30,720,918

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K, provided that if such Proxy Statement is not filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K, an amendment to this Form 10-K shall be filed no later than the end of such 120-day period.

HERITAGE INSURANCE HOLDINGS, INC.
FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

Table of Contents

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements include, but are not limited to, statements regarding: our core strategy and ability to fully execute our business plan; our growth, including by geographic expansion, new lines of business, additional policies and new products and services, competitive strengths, proprietary capabilities, processes and new technology, results of operations and liquidity; strategic initiatives and their impact on shareholder value, including our intent to foster relationships with large independent agencies and other stakeholders; projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results and future economic performance; management's goals and objectives, including intentions to pursue certain business, diversifying the book of business and the handling of certain claims; projections of revenue, earnings, capital structure, reserves and other financial items; assumptions underlying our critical accounting policies and estimates; assumptions underlying statements regarding us and our business; our proprietary data analytic capabilities and underwriting processes with regard to our risk selections; our reinsurance program including capital, pricing and contract terms and conditions; the impact of legislation; expectations regarding claims and related expenses, and our reinsurers' obligations; our expectations regarding our vertical integration strategy; and other similar expressions concerning matters that are not historical facts. These forward-looking statements are subject to risks and uncertainties that could cause actual results and events to differ. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included throughout this filing and particularly in Item 1A: "Risk Factors" and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in this Annual Report on Form 10-K. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to revise or publicly release any revision to any such forward-looking statement, except as may otherwise be required by law.

These statements are based on current expectations, estimates and projections about the industry and market in which we operate, and management's beliefs and assumptions. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," or "continue" or the negative variations thereof or comparable terminology are intended to identify forward-looking statements. Forward-looking statements are not guarantees of future performance and involve certain known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. The risks and uncertainties include, without limitation:

- the possibility that actual losses may exceed reserves, which are based on estimates;
- the concentration of our business in coastal states, which could be impacted by hurricane losses or other significant weather-related events such as northeastern winter storms;
- our exposure to catastrophic weather-related events, including hurricanes and wildfires;
- our failure to adequately assess and price the risks we underwrite;
- the fluctuation in our results of operations, including as a result of factors outside of our control;
- increased costs of reinsurance, non-availability of reinsurance, non-collectability of reinsurance and our ability to obtain reinsurance on terms and at a cost acceptable to us;
- inherent uncertainty of our models and our reliance on such models as a tool to evaluate risk;
- increased competition, competitive pressures, industry developments and market conditions;
- continued and increased impact of abusive and unwarranted claims;
- our inability to effectively manage our growth and integrate acquired companies;
- our failure to execute our diversification strategy;
- our reliance on independent agents to write insurance policies for us on a voluntary basis and our ability to attract and retain agents;

- the failure of our claims department to effectively manage or remediate claims;
- the failure of policy renewals to meet our expectations;
- our inability to maintain our financial stability rating;
- our ability to access sufficient liquidity or obtain additional financing to fund our operations and expand our business;
- our inability to generate investment income;
- effects of emerging claim and coverage issues relating to legal, judicial, environmental and social conditions;
- the failure of our risk mitigation strategies or loss limitation methods;
- lack of effectiveness of exclusions and loss limitation methods in the insurance policies we assume or write;
- the regulation of our insurance operations;
- changes in regulations and our failure to meet increased regulatory requirements, including minimum capital and surplus requirements;
- climate change, health crisis, severe weather conditions and other catastrophe events;
- litigation or regulatory actions;
- regulation limiting rate increases or that require us to participate in loss sharing or assessments;
- the terms of our indebtedness, including restrictions that limit our flexibility in operating our business, and our inability to comply with the financial and other covenants of our debt facilities;
- our ability to maintain effective internal controls over financial reporting;
- certain characteristics of our common stock;
- failure of our information technology systems or those of our key service providers and unsuccessful development and implementation of new technologies, including our updated claims, policy and billing systems;
- a lack of redundancy in our operations; and
- our failure to attract and retain qualified employees and independent agents or our loss of key personnel.

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. The forward-looking statements speak only as of the date on which they are made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrences of anticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in the forward-looking statements. Consequently, you should not place undue reliance on forward-looking statements.

PART I

Item 1. Business

Our Business

Heritage Insurance Holdings, Inc. (“we”, “our”, “us”, “Heritage” and the “Company”) is a super-regional property and casualty insurance holding company that primarily provides personal and commercial residential insurance through our insurance company subsidiaries. We are vertically integrated and control or manage substantially all aspects of insurance underwriting, customer service, financial reporting and actuarial analysis, distribution and claims processing and adjusting. We are led by a highly experienced and diverse management team with significant expertise in the residential property insurance industry and deep industry relationships.

Our insurance subsidiaries include:

- Heritage Property & Casualty Insurance Company (“Heritage P&C”), which provides personal and commercial residential property insurance and commercial general liability insurance;
- Narragansett Bay Insurance Company (“NBIC”), which provides personal and commercial residential property insurance; and
- Zephyr Insurance Company (“Zephyr”), which provides personal and commercial residential and wind-only property insurance in Hawaii.

Our financial strength ratings are important in establishing our competitive position and can significantly impact our ability to write policies. We are rated by both Demotech, Inc. (“Demotech”) and Kroll Bond Rating Agency (“KBRA”). Demotech, a rating agency specializing in evaluating the financial stability of insurers, maintains a letter-scale financial stability rating system (“FSR”) from A’’ (A double prime) to L (licensed by insurance regulatory authorities). KBRA’s ratings assigned to insurance companies range from AAA (extremely strong operations to no risk) to R (operating under regulatory supervision).

Demotech and KBRA have assigned the following insurance financial strength ratings (“IFSR”) to the Company and our key operating subsidiaries.

Subsidiary	Demotech Rating	KBRA Rating	KBRA Investment Rating
Heritage Insurance Holdings	N/A	N/A	BBB-
Heritage P&C	A	BBB+	N/A
Zephyr	A	BBB	N/A
NBIC	A	BBB+	N/A

The KBRA outlook for each entity listed above is stable.

We also provide insurance and insurance-related services through the following operating subsidiaries:

- Osprey Re Ltd. (“Osprey”), our captive reinsurance subsidiary that may provide a portion of the reinsurance protection purchased by our insurance company subsidiaries;
- Heritage MGA, LLC, our managing general agent;
- NBIC Service Company, which provides services to NBIC; and
- Contractors’ Alliance Network, LLC (“CAN”), our vendor network manager for claims.

Our Company

Our primary products are personal and commercial residential property insurance. On an admitted basis, we provide personal residential insurance in fourteen eastern and gulf states and commercial residential insurance in three of those states. We also write personal and commercial residential insurance on an admitted basis in Hawaii and on an excess and surplus lines basis in California, Florida, Hawaii, and South Carolina. We are licensed, but inactive, in Pennsylvania.

We conduct our operations as a single operating and reporting segment.

As of December 31, 2025, we had 345,121 personal residential policies in force, representing $1.2 billion of annualized premium, 3,059 commercial residential policies in force, representing $265.0 million of annualized premium, and 9,095 commercial general liability policies in force, representing $9.3 million of annualized premium, for a total of 357, 275 policies and $1.4 billion of annualized premium. For the year ended December 31, 2025, we had gross premiums written of $1.4 billion and operating income of $267.2 million. At December 31, 2025, we had total assets of $2.2 billion and total stockholders' equity of $505.3 million.

Our Strategy

Our overall strategy continues to focus on optimizing our portfolio of over $1.0 billion in gross premiums written toward products and geographies that maximize long term returns to our shareholders, while mitigating risk from a single or series of catastrophic weather events. We intend to continue to generate profitable underwriting results by undertaking the following:

Sustain the Profitability of our Portfolio

We believe that our goal to maintain the profitability of our business is achieved through continued disciplined underwriting, diversification of our book of business, and rate adequacy, as well as maintaining a robust reinsurance program. The selective underwriting over the last several years has resulted in an intentional decline in policy count for our admitted personal lines product, while achieving a higher average premium per policy through rate actions. Given our coastal exposure, which includes exposure to hurricanes and other severe weather events, our reinsurance program provides meaningful balance sheet protection and reduces earnings volatility. We will continue underwriting and adequate rate discipline to maintain the profitability of our business and continuously monitor our portfolio to manage the risk of wind and other perils as well as the cost of our reinsurance program.

Optimize Our Reinsurance Program

We continue to strategically evaluate our reinsurance program to obtain what we believe to be the most appropriate levels and sources of reinsurance, and we trade with high quality reinsurers who are either highly rated or who collateralize our risk transfer program. Our reinsurance program includes excess of loss, quota share, per risk and facultative coverage. We believe there is sufficient capital to support our reinsurance program and that we have an opportunity to obtain reasonable pricing and contract terms and conditions. We continue to evaluate cost-efficient alternatives to traditional reinsurance, such as the issuance of catastrophe bonds by Citrus Re Ltd. ("Citrus Re"), a Bermuda special purpose insurer. In addition, each year we evaluate whether to meet a portion of the reinsurance needs of our insurance company subsidiaries through the use of our reinsurance subsidiary, Osprey, which helps to manage our reinsurance expense and reduces our reliance on third-party reinsurance.

Efficiently Manage Losses and Loss Adjustment Expenses

We are committed to proactively managing our loss costs through prudent underwriting and in-sourcing critical aspects of claims adjusting and remediation services. We have over 250 full-time employees dedicated to claims management. This includes an in-house insurance legal defense team, quality claims examiners, and claims vendor management and mediation personnel. We have additional full-time employees who take in claim information as well as contracted claims adjusting and loss mitigation resources in all states in which we conduct business and deploy those additional resources as needed. Our CAN subsidiary provides claims vendor management services and water mitigation services which benefits our claims handling processes. We believe our significant internal and external resources allow us to deliver timely service to our policyholders and effectively manage claims costs.

Expand and Cultivate Relationships with Professional Independent Agencies

As described in our competitive strengths below, we believe that relationships with professional agencies is an important component of meeting our sales and underwriting objectives. Continuing to expand and cultivate our relationships with professional independent agencies that understand our underwriting standards, the value and quality of our customer service, and claims handling capabilities helps foster a higher quality book of business. We also have established relationships with auto insurance carriers who package their auto product with our residential property insurance product which provides diversification opportunities.

Develop IT Solutions to More Effectively Service our Customers

We continuously work to enhance our technology resources in order to better serve our agents and policyholders, streamline our processes, improve efficiency, and leverage new and developing technologies. We have made it a priority to use consistent policy and claims systems for our insurance company affiliates, which provides efficiencies for our personnel as well as our agency networks. We completed a transition to a new claims system used by each of our insurance company subsidiaries during 2023 and began our transition to a new policy and billing system in the third quarter of 2024, which was fully operational for our personal lines products in 2025. We have begun the development to incorporate our commercial products into the system, which is expected to be completed during 2026.

Our Competitive Strengths

We believe that our business diversification to date and our ability to capitalize on our future business prospects are a result of the following competitive strengths of our business:

Experienced Management Team With a Long History in the Residential Property Insurance Market

We have an experienced executive management team led by Ernesto Garateix, Chief Executive Officer, Kirk Lusk, Chief Financial Officer and a highly experienced and diverse senior management team with significant expertise in the residential property insurance industry and deep industry relationships. Our former President, Richard Widdicombe, who serves as Chairman of the Board, also has extensive experience in and an in-depth knowledge of the insurance industry.

Strong, Conservative Capital Structure

As of December 31, 2025, we had stockholders' equity of $505.3 million and combined statutory surplus for our three insurance company subsidiaries of $392.5 million. Heritage P&C, NBIC and Zephyr each had policyholder surplus, as defined by statutory accounting principles, of $251.2 million, $88.5 million and $52.8 million, respectively. The surplus for each of our insurance subsidiaries is in excess of the minimum capital levels required by our insurance regulators and our ratings agencies.

Selective Underwriting and Policy Acquisition Criteria

We believe our proprietary data analytics capabilities and underwriting processes allow us to make better risk selections leading to profitability and high levels of policy retention. Our data analytics are embedded in the underwriting process and are used for new and existing business as well as strategic expansion into new product lines and states.

Unique Claims Servicing Model and Superior Customer Service

We believe that the vertical integration of our claims adjusting and loss mitigation services provides us with a competitive advantage. Contractor's Alliance Network ("CAN") is the Company's Vendor Management division. Services performed include sourcing and vetting third-party vendors, negotiating network discounts, reviewing the quality of vendors, enforcing service level agreements and auditing vendor invoices. Through our management of both claims adjusting and water mitigation services, we are generally able to begin the adjustment and mitigation process in a timely manner, which helps manage our loss costs. We also believe our unique model provides a superior level of customer service for our policyholders, enhancing our reputation and increasing the likelihood that our policyholders will renew their policies with us.

Relationships with Highly Rated Reinsurers

We manage our exposure to catastrophic events through, among other things, the purchase of reinsurance. Our relationships with highly rated reinsurers have developed as a result of our management team's industry experience and our reputation for selective underwriting and effective claims management. Our financial strength, underwriting results and the long-term relationships between our management team and our reinsurance partners help improve the cost-effectiveness of our reinsurance program.

Relationships with Independent Agents and National Underwriters

We have developed relationships with a large network of independent insurance agents. We have partnerships with certain large retail agencies which amplify our production. We believe we have been able to build this network due to our financial stability, disciplined underwriting, claims and mitigation capabilities, customer service, and robust reinsurance program. We have forged strategic relationships with national insurers and agencies that provides us access to their agent and production networks. The Products and Distribution section below describes the breadth of our agency network.

Our Competition

The market for residential property insurance is highly competitive in the states in which we conduct business. We primarily compete against single state or regional carriers, but also compete to varying degrees against large national carriers and state-sponsored homeowners' insurance entities. We compete for business on the basis of quality of service, price, financial strength, types of coverages offered, availability of coverage desired by customers, and commission structure. We believe Heritage differentiates itself from many competitors with our service levels, financial resources, including a robust reinsurance program, streamlined processes, and vertical integration of loss mitigation services. For the year 2024, we ranked in the top 31 writers of homeowners' insurance business nationwide. Our market share by state varies depending upon our premium volume and that of competing property insurance writers in those states.

Products and Distribution

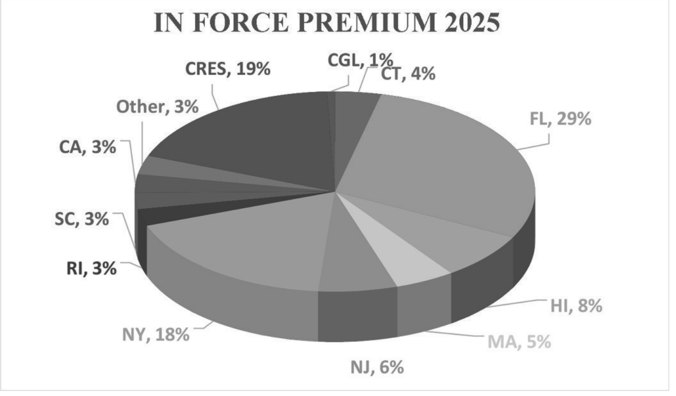
Heritage P&C writes personal residential insurance policies through a network of more than 2,500 independent agents in the states in which it is licensed. Approximately 25% of our voluntary personal lines policies are written by agents that are affiliated with eight large agency networks with which we have entered into master agency agreements. We market and write commercial residential policies through a network of over 400 independent agents in Florida.

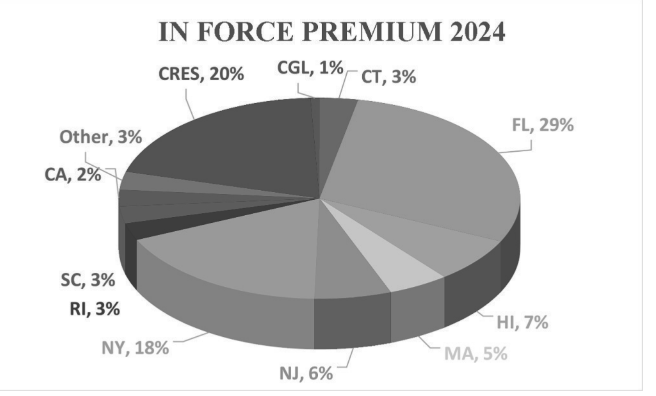
NBIC writes personal residential insurance policies through a network of retail independent agents, wholesale agents and a partnership with a large direct agency. We maintain master agency agreements with approximately 500 retail independent agents, representing over 800 agency locations, including several large agency networks. We also distribute indirectly to over 1,900 retail locations through eight wholesale agency relationships. Our three largest independent agency relationships represent approximately 15% of annualized premiums. Additionally, we have expanded our product offering to include commercial residential products in New Jersey and New York on an admitted basis and recently in Hawaii on surplus lines basis.

Zephyr writes personal residential insurance policies through a network of over 60 independent agencies in Hawaii. Approximately 52.0% of our premium is written by agents that are affiliated with three large agency networks with which we have entered into master agency agreements.

Our Markets

The following charts depict the geographic distribution of our in-force premium as of December 31, 2025 and 2024, respectively. Our in-force premium continues to be diversified, which is consistent with our strategy to allocate capital to products and geographies that maximize long-term returns.





*Note: *** Other includes AL, DE, GA, MD, MS, NC and VA*
CGL = commercial general liability
CRES = commercial residential insurance

Underwriting

Our management establishes underwriting criteria for policies we accept. Our underwriting process is generally automated with predetermined criteria programmed into our policy system to ensure consistency, efficiency, and compliance with our underwriting standards. However, certain policies have characteristics which require an independent review by our underwriters. Our underwriters evaluate and accept only those risks that they believe will enable us to achieve an underwriting profit. To achieve underwriting profitability on a consistent basis, we focus on (1) the suitability of the risk to be assumed or written, (2) the adequacy of the premium with regard to the risk to be assumed or written and (3) the geographic distribution of existing risk relative to the risk to be assumed or written.

All of our underwriting is performed internally. The underwriting team includes actuarial staff, underwriters, our risk management team, and product development personnel. Our underwriting team leverages our proprietary data analytics, which include a number of automated processes, to analyze a number of risk evaluation factors, including the age, construction, location and value of the residence, premiums to be received from insuring the residence, geographic concentrations of policies and the cost of reinsurance. The underwriting criteria that we consider continues to evolve with our business and strategy.

We also review our expiring policies to determine if those risks continue to meet our underwriting guidelines. If a given policy no longer meets our criteria, we will take appropriate action, including raising rates, or, to the extent permitted by applicable law, not offering to renew the policy.

Policy Administration

We utilize web-based software solutions and insurance personnel to perform policy administration services, including processing, billing and policy maintenance. The software is able to adapt to a variety of forms and rates, handle the administration of our policy volume, and provides detailed information about our book of business to our internal underwriters so that they can adjust our underwriting criteria, as necessary. The systems also allow us to provide renewal notices, late payment notices, cancellation notices, endorsements and policy documents to our customers on a timely basis.

Claims Administration

We closely manage all aspects of the claims process, from processing the initial claim submission to providing remediation services, through CAN, our wholly-owned subsidiary vendor management company which sources preferred vendors. Claims from policyholders are reviewed by our managers and staff adjusters, who assess the extent of the loss, which may include thorough on-site investigations, and determine the resources needed to adjust each claim. Our claims are generally adjusted by our staff claims professionals, except in the case of a major catastrophic event for which we bolster our resources by contracting with several large national claims adjusting firms and experienced independent contractors to assist with the increased volume of claims and ensure timely responses to our policyholders. We believe our approach to claims handling results in a higher level of customer service and reduces our losses and loss adjustment expense.

To encourage our Florida policyholders to allow us to manage their claims from beginning to end, we developed a program that provides participating customers with a 10% discount on their claim deductible, and gives us control over inspection, claims adjusting and repair services.

Loss and Loss Adjustment Expense Reserves

Our liability for losses and loss adjustment expenses represents our estimated ultimate liability of (i) claims that have been incurred and reported, but not yet paid (case reserves), (ii) claims that have been incurred but not yet reported to us (“IBNR”), and (iii) loss adjustment expenses (“LAE”) which are intended to cover the cost of settling claims, including investigation and defense of lawsuits resulting from such claims.

Considerable time can pass between the occurrence of an insured loss, the reporting of the loss, and the payment of that loss. Our liability for losses and LAE, which we believe represents the best estimate at a given point in time based on facts, circumstances and historical trends then known, may necessarily be adjusted to reflect additional facts that become available during the loss settlement period. We continually review and adjust our estimated losses as necessary based on industry development trends, evolving claims experience and new information obtained.

For a discussion and summary of the activity in the liability for losses and LAE for the years ended December 31, 2025, 2024 and 2023, Refer to **Note 13** “*Reserve for Unpaid Losses*” to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

Technology

Technology is an integral part of our organization and makes us more efficient, cost-effective and customer-centric. Our business depends upon the development, implementation and use of integrated technology systems to automate various processes such as underwriting, claims processing, billing and customer service. This leads to improved efficiency, reduced errors and faster turnaround times. These systems have enabled us to offer more personalized experience and better service to both our agents as well as our customers. Our technology platform has streamlined our various business processes making them faster and more efficient across our multi-state insurance business. The technology platform is supported by a robust enterprise data warehouse and analytics platform that provides key performance indicator measurements and actionable insights for our management, at the same time supporting all of our regulatory compliance reporting needs.

We license policy, billing and claims administration and catastrophe modeling software from third parties. We also own or license other technology systems used by our insurance company affiliates. Many of our technology platforms run on cloud-based solutions, and some run on servers hosted in a data center. All of our platforms are resilient and have disaster recovery backups.

Reinsurance

In order to limit our potential exposure to individual risks and catastrophic events, we purchase significant reinsurance from third party reinsurers. Purchasing reinsurance is an important part of our risk strategy, and premiums ceded to reinsurers is one of our largest costs. Reinsurance involves transferring, or “ceding”, a portion of the risk exposure on policies we write to another insurer, known as a reinsurer. To the extent that our reinsurers are unable to meet the obligations they assume under our reinsurance agreements, we remain liable for the entire insured loss.

We have strong relationships with reinsurers, which we attribute to our management’s industry experience, disciplined underwriting, and claims management capabilities. For each of the twelve month periods beginning June 1, 2025 and 2024, we purchased reinsurance from the following sources: (i) the Florida Hurricane Catastrophe Fund, a state-mandated catastrophe fund (“FHCF”) for Florida admitted market policies only and for which we elected to participate at 90%, (ii) private reinsurers, all of which were rated “A-” or higher by A.M. Best Company, Inc. (“A.M. Best”) or Standard & Poor’s Financial Services LLC (“S&P”) or were fully collateralized, (iii) Citrus Re, a special purpose vehicle through which our insurance company affiliates have sponsored catastrophe bonds, and (iv) our captive reinsurance subsidiary, Osprey. In addition to purchasing catastrophe excess of loss reinsurance, we also purchase quota share, property per risk and facultative reinsurance. Our quota share programs, which currently apply to certain NBIC business only, limit our exposure to catastrophe and non-catastrophe losses and provide ceding commission income. Our per risk programs limit our net exposure in the event of a severe non-catastrophe loss impacting a single location or risk. We also utilize facultative reinsurance to supplement our per risk reinsurance program where our capacity needs dictate.

Our reinsurance agreements are prospective contracts. We record an asset, prepaid reinsurance premiums, and a liability, reinsurance payable, for the entire contract amount upon commencement of our new reinsurance agreements. We generally amortize our catastrophe reinsurance premiums over the 12-month contract period beginning on June 1 on a straight-line basis. Our quota share, per risk and facultative reinsurance is amortized over the 12-month contract period and may be purchased on a calendar or fiscal year basis.

Our insurance regulators require all insurance companies, like us, to have a certain amount of capital and reinsurance coverage in order to cover losses and loss adjustment expenses upon the occurrence of a catastrophic event. Our reinsurance program provides reinsurance which meets or exceeds our state regulator requirements, which are based on the probable maximum loss that we would incur from an individual catastrophic event estimated to occur once in every 100 years based on our portfolio of insured risks. The nature, severity and location of the event giving rise to such a probable maximum loss differs for each insurer depending on the insurer’s portfolio of insured risks, including, among other things, the geographic concentration of insured value within such portfolio. As a result, a particular catastrophic event could be a one-in-100-year loss event for one insurance company while having a greater or lesser probability of occurrence for another insurance company. We also purchase reinsurance coverage to protect against the potential for multiple catastrophic events occurring in the same year. We share portions of our reinsurance program coverage among our insurance company affiliates.

We are responsible for all losses and loss adjustment expenses in excess of our reinsurance program. For second or subsequent catastrophic events, our total available coverage depends on the magnitude of the first event, as we may have coverage remaining from layers that were not previously fully exhausted.

In the fourth quarter of 2022 we re-estimated our ultimate losses for Hurricane Irma, which struck Florida in 2017. As a result of that re-estimation, Heritage exhausted the private layers of reinsurance specific to Hurricane Irma but had a 45% participation in the FHCF limit remaining. As further described in Note 13 Reserve for Losses, the Company's 2017 reinsurance agreement with the FHCF was commuted during the third quarter of 2023. This commutation process resulted in a final determination of and payment for known, unknown or unreported claims relating to Hurricane Irma. Accordingly, should future re-estimations to Hurricane Irma losses increase the expected loss reserves, all of the increase will be retained.

For the contract period ending May 31, 2026, our insurance company subsidiaries purchased an aggregate of $3.75 billion of catastrophe excess of loss reinsurance from the sources described above. There is no single reinsurer representing more than 10% of the limit purchased for our program other than the FHCF.

The chart below lists our third-party reinsurers with A.M. Best and S&P ratings as of December 31, 2025. To the extent a reinsurer is not rated, the reinsurance program is fully collateralized as indicated below. Refer to **Note 12** "*Reinsurance*" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

Reinsurer	A.M. Best Rating	S&P Rating
ACE Property and Casualty Insurance Company Through Chubb Tempest Re USA, LLC	A++G	AA
Aeolus Re Ltd./Keystone PF Segregated Account	Collateralized	Collateralized
Allianz Risk Transfer AG	A+	AA-
American Agriculture Insurance Company	A	NR
Arch Reinsurance Company	A+ g	AA-
Arch Reinsurance Limited	A+ g	AA-
Arch Reinsurance Limited (obo Securis ILS Management Ltd)	A+	A+
Ariel Re Bda Limited/Lloyd's Syndicate 1910	A	AA-
Ascot Bermuda Limited	A+	AA-
Ascot Underwriting Inc. for and on behalf of Lloyd's Syndicate No. 1414	A+	AA-
Aspen American Insurance Company	A g	A-
Berkley Re America	A+	A+
Chaucer Insurance Company DAC (Bermuda)	A g	A
Chubb Tempest Reinsurance Ltd.	A++	AA
Convex North America Insurance Services LLC for and on behalf of Convex Insurance UK Limited	A g	A
D.E. Shaw Re (Bermuda) Ltd., Bermuda	Collateralized	Collateralized
DaVinci Reinsurance Limited (through Renaissance Underwriting Managers)	A g	A+
Endurance Assurance Corporation	A+UG	A+
Everest Reinsurance Company	A+ g	A+
Group Ark Insurance Limited	A g	0
Hannover Rueck SE (Obo Aeolus Re Ltd)	A+	AA-
Hannover Rueck SE (obo Eskatos Capital Management)	A+	AA-
Hannover Rueck SE (obo Pillar Capital Management)	A+	AA-
Hannover Rueck SE (obo Pillar Capital Management)	A+	AA-
Hannover Rueck SE (obo Securis)	A+	AA-
Hannover Rueck SE (obo Securis)	A+	AA-
Hiscox Insurance Company (Bermuda) Limited	A g	A
Houston Casualty Company (UK Branch)	A++ g	A+
Insurance Company of the West	A p	NR
International General Insurance Company Limited	A g	A-
IQUW Re Bermuda	A	AA-
Lancashire Insurance Company Limited	A g	A
Liberty Specialty Markets Europe Two S.a.r.l (Paris)/Lloyd's Syndicate 4472	A	AA-
Lloyd's Syndicate 0033 (HIS)	A	AA-
Lloyd's Syndicate 1084 (CSL)	A	AA-
Lloyd's Syndicate 1947 (GIC)	A+	AA-
Lloyd's Syndicate 2010 (MMX)	A+	AA-
Lloyd's Syndicate 2623 (AFB)	A	AA-
Lloyd's Syndicate 4020 (ARK)	A	AA-
Lloyd's Syndicate 4444 (CNP)	A	AA-
Munich Reinsurance America, Inc.	A+ g	AA
Nautical Management Ltd./Markel Bermuda Limited	A	A
Odyssey Reinsurance Company	A+	A+
Renaissance Reinsurance Ltd.	A+	A+
SCOR Reinsurance Company	A g	A+
Shelf Opco Bermuda Limited for and on behalf of Lloyd’s Syndicate 3123	A+	AA-
Shelf Opco Bermuda Limited/Fidelis Insurance Bermuda Ltd	A g	A-
Sompo US (Endurance Assurance Corporation)	A+ ug	A+
Swiss Reinsurance America Corporation	A+ g	AA-
Taiping Reinsurance Company Limited	A	A
The Cincinnati Insurance Company	A+	A+
Topsail Reinsurance SPC, Ltd.	NR	NR
Transatlantic Reinsurance Company	A++	AA+
Vermeer (through Renaissance Underwriting Managers)	A	NR
XL Reinsurance America Inc.	A+ g	AA-

Investments

Our investments are managed by a third-party asset manager. We have designed our investment policy to provide a balance between current yield, conservation of capital and the liquidity requirements of our operations. As such, our invested assets are primarily held in cash and bonds of high credit quality with relatively short durations. Our investment policy sets guidelines that provide for a well-diversified investment portfolio that is compliant with insurance regulations applicable to the states in which we operate. Our investment objectives include liquidity, safety and security of principal, and returns. The investment policy limits investments in common and preferred stocks and requires a minimum weighted average portfolio quality of A for our bond portfolio with an overall duration of three to five years. No more than 2% of admitted assets can be invested in any one issuer, with slightly higher limits for highly rated securities, excluding government-related securities. Investments in commercial mortgages cannot exceed 10% of admitted assets. Prohibited investments include short sales and margin purchases, oil, gas, mineral or other types of leases, speculative uses of futures and options, unrated corporate securities, non-US denominated securities, convertible securities, high risk CMO instruments, repurchase agreements, securities lending transactions and speculative foreign currency valuation transactions. Our investment policy, which may change from time to time, is approved by our Investment Committee and is reviewed on a regular basis in order to ensure that our investment policy evolves in response to changes in the financial markets. Refer to **Note 2** "*Investments*" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

As of December 31, 2025, we held $559.3 million in cash and cash equivalents and $715.6 million in investments, which were comprised of $713.2 million in fixed maturity securities, $1.0 million in common stock and $1.3 million in other invested assets. Of the $715.6 million of fixed maturity securities, $4.2 million of U.S. government agency securities were pledged to the Federal Home Loan Bank-Des Moines ("FHLB-DM") in connection with FHLB loans to Zephyr Insurance Company. Refer to **Note 14** "*Long-Term Debt"* to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

Seasonality of our Business

Our insurance business is seasonal; hurricanes typically occur during the period from June 1 through November 30 and winter storms generally impact the first and fourth quarters, while hail and severe convective storms typically occur in the first and second quarters. Wildfires in the State of California could occur throughout the year. Because our catastrophe reinsurance program commences on June 1 annually, any variation in the cost of our reinsurance, whether due to changes to reinsurance rates or changes in the total insured value of our policy base, will be incurred over the twelve month period beginning with that date subject to certain adjustments.

Government Regulation

The insurance industry is extensively regulated. Our insurance company subsidiaries are subject to the laws and regulations of the states in which they conduct business. The insurance regulatory statutes and rules provide for regulation of virtually all aspects of the business of insurance companies. The states in which we conduct business, like many states, have adopted several model laws and regulations as promulgated by the National Association of Insurance Commissioners ("NAIC"). State statutes and administrative rules generally require each insurance company that is part of a holding company group to register with the department of insurance in its state of domicile and to furnish information concerning the operations of the companies within the holding company system which may materially affect the operations, management or financial condition of the insurers within the group. As part of its registration, each insurance company must identify material agreements, relationships and transactions with affiliates, including without limitation loans, investments, asset transfers, transactions outside of the ordinary course of business, certain management, service, and cost sharing agreements, reinsurance transactions, dividends and consolidated tax allocation agreements. In some instances, individual state insurance laws and regulations are even more stringent than those promulgated by the NAIC or other states.

We are subject to regulations administered by a department of insurance in our states of domicile as well as in each state in which we conduct business. These regulations relate to, among other things:

- the content and timing of required notices and other policyholder information;
- the amount of premiums the insurer may write in relation to its surplus (writing ratios);
- the amount and nature of reinsurance a company is required to purchase;
- participation in guaranty funds and other statutorily created markets or organizations;
- business operations and claims practices;
- approval of policy forms and premium rates;
- standards of solvency, including risk-based capital measurements;
- licensing of insurers and their products;
- restrictions on the nature, quality and concentration of investments;
- restrictions on the ability of insurance company subsidiaries to pay dividends to insurance holding companies;
- approval of and restrictions on transactions between insurance companies and their affiliates;
- restrictions on the size of risks insurable under a single policy;
- requiring deposits for the benefit of policyholders;
- requiring certain methods of accounting;
- periodic examinations of our operations and finances;
- the form and content of records of financial condition required to be filed; and
- requiring reserves.

Various regulatory and legislative bodies have adopted or proposed new laws or regulations to address the cyclical nature of the insurance industry, catastrophic events and insurance capacity and pricing. These regulations include (i) the creation of “market assistance plans” under which insurers are induced to provide certain coverages, (ii) restrictions on the ability of insurers to rescind or otherwise cancel certain policies in mid-term or to non-renew policies at their scheduled expirations, (iii) advance notice requirements or limitations imposed for certain policy non-renewals, (iv) limitations upon increases or decreases in rates permitted to be charged, (v) expansion of governmental involvement in the insurance market and (vi) increased regulation of insurers’ policy administration and claims handling practices. Further, regulatory authorities have relatively broad discretion to impose fines, sanctions, and other penalties, and to deny or revoke licenses for various reasons, including the violation of regulations. In some instances, we follow practices based on our interpretations of regulations or practices that we believe may be generally followed by the insurance industry. These practices may turn out to be different from the interpretations of regulatory authorities. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us.

Our insurance subsidiaries are subject to risk-based capital standards and other minimum capital and surplus requirements imposed under applicable state laws. The risk-based capital standards, based upon the Risk-Based Capital Model Act adopted by the NAIC, require our insurance subsidiaries to report the results of risk-based capital calculations to state regulators and the NAIC. These risk-based capital standards provide for different levels of regulatory attention depending upon the ratio of an insurance company’s total adjusted capital, as calculated in accordance with NAIC guidelines, to its authorized control level risk-based capital. Authorized control level risk-based capital is determined using the NAIC’s risk-based capital formula, which measures the minimum amount of capital that an insurance company needs to support its overall business operations.

The Florida Office of Insurance Regulation (“FLOIR”), the state insurance regulator in one of our states of domicile, imposed certain solvency related requirements as a condition of receiving a certificate of authority for Florida domestic insurers, such as our Florida insurance company subsidiary. Finally, our insurance company affiliates are subject to state statutes, regulations and consent orders setting conditions related to various transactions, including intercompany transactions. In some instances, our insurance company affiliates are subject to consent orders governing the outcomes of financial or market conduct examinations. We are in full compliance with all consent orders.

Examinations

State regulators in those jurisdiction where we are or may become licensed to do business conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports related to financial condition, holding company issues and other matters. These regulatory authorities also conduct periodic examinations into insurers’ business practices. Additionally, we are subject to assessments levied by governmental and quasi-governmental entities from the states in which we conduct business. Generally, other state regulators defer to the state insurance regulator in our states of domicile. However, any state insurance regulator in a state where we conduct business has the discretion to conduct examinations to determine compliance with applicable state insurance laws and regulations. The scope of such examinations varies and may include a review of forms, disclosures, marketing, sales practices, claims processes, underwriting, and various other practices and procedures. Upon the conclusion of the examination, state regulators will issue a report or order with findings and may make the examination reports publicly available.

Insurance Holding Company

The Company is also subject to insurance holding company laws in the states of domicile of our insurance company affiliates. As part of our obligations under applicable insurance holding company laws, we are required to file certain information with state insurance regulators in Florida, Rhode Island, and Hawaii, who may require us to file information regarding capital structure, financials, operations, and ownership. These state insurance regulators must also approve any transactions between the Company and our affiliate entities.

Privacy and Cybersecurity Regulations and Oversight

We are subject to numerous federal and state insurance regulations that impose significant requirements and standards for protecting personally identified information of insurance company policyholders, employee and other individuals.

Federal Regulation

The federal Gramm-Leach-Bliley Act ("GBLA") requires financial institutions, including insurers, to protect the privacy of non-public information, to restrict use of such information and disclosure to non-affiliated third parties, and to provide notices to customers regarding use of their non-public personal information and an opportunity to “opt out” of certain disclosures. State departments of insurance and certain federal agencies adopted implementing regulations as required by federal law. In addition, SEC rules require disclosure regarding cybersecurity oversight and incidents.

State Laws and Regulations

For the past few years, state insurance regulators have focused increasing attention on cybersecurity. As an example, we are required to maintain a cybersecurity program, incident response plan and information technology system safeguards that protect customer information under extensive cybersecurity regulations adopted by a number of states based on the insurance data security model issued by the National Association of Insurance Commissioners (“NAIC”). In addition, state insurance regulators focus significant attention on data security during financial exams, and the NAIC has strengthened and enhanced the cybersecurity guidance included in its handbook for state insurance examiners. Additional state laws outside of the insurance industry impose notification requirements in the event of cybersecurity breaches affecting their residents. On the privacy front, we anticipate continued focus on new regulatory and legislative proposals at the state and federal levels that may further regulate practices regarding privacy and security of personal information. However, we note that in many instances we will be exempt from comprehensive state privacy laws as a financial institution regulated under the GBLA. We continue to assess the applicability of this exemption to the Company in light of our operations so as to stay vigilant of new compliance requirements under applicable privacy laws.

Human Capital

Growth and Development

At December 31, 2025, we had 542 full-time and part-time employees. We do not have collective bargaining agreements relating to any of our associates. Our employees are our most valuable asset, and we are committed to building a workforce that supports each employee’s unique professional journey. We believe having an inclusive work environment, which not only drives engagement but fosters innovation, is critical to driving growth. Our business results depend in part on our ability to successfully manage our human capital resources, including attracting, identifying and retaining key talent. We remain focused on employee development though training opportunities, including courses which provide insurance designations, and other employee engagement activities. Our performance management and other processes are intended to align associate aspirations, interests, performance, and experiences with the talent needs that supports a healthy working environment for the success of our business. Managers and associates conduct periodic check-in discussions to encourage continuous performance feedback and improvement. These discussions also act to hold leaders accountable for creating an associate development culture.

We are committed to the health and safety of our employees, which is critical to our success. We provide our employees with access to a variety of innovative, flexible and convenient health and wellness programs. These programs are designed to support employees' physical and mental health by providing tools and resources to help them improve or maintain their health status and encourage engagement in healthy behaviors. We provide competitive compensation and benefits as well as a 401(k) plan with employee matching opportunities, healthcare and insurance benefits, health savings and flexible spending accounts, telemedicine, paid time off including volunteer time off, family leave, employee assistance programs and free education, training and development programs.

We are committed to the wellness of our employees and our community and as part of that commitment we have volunteer programs to support our local community’s wellness which provides our employees paid time off to volunteer to Heritage-sponsored volunteer opportunities.

Available Information

We make available free of charge on our investor website, investors.heritagepci.com, all materials that we file electronically with the Securities and Exchange Commission (“SEC”), including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after electronically filing such materials with, or furnishing them to, the SEC. During the period covered by this Form 10-K, we made all such materials available through our website as soon as reasonably practicable after filing such materials with the SEC. To access these filings, go to the Company’s website at **https://investors.heritagepci.com** and under the “Investors” heading, click on “Financial Information” then “SEC Filings”.

The SEC maintains an Internet website, www.sec.gov that contains reports, proxy and information statements and other information that we file electronically with the SEC. Our principal corporate offices are located at 1401 N. Westshore Blvd., Tampa, Florida, 33607.

Item 1A. Risk Factors

Set forth below are certain risk factors that could harm our business, results of operations and financial condition. You should carefully read the following risk factors, together with the financial statements, related notes and other information contained in this Annual Report on Form 10-K. Our business, financial condition and operating results may suffer if any of the following risks are realized. If any of these risks or uncertainties *occur, the trading price of our common stock could decline and you might lose all or part of your investment. This Annual Report on Form 10-K contains forward-looking statements that contain risks and uncertainties. Please Refer to the discussion of "Forward-Looking Statements" of this Annual Report in connection with your consideration of the risk factors and other important factors that may affect future results described herein.*

Risks Related to Our Business

Our loss reserves are estimates and may be inadequate to cover our actual liability for losses, causing our results of operations to be adversely affected.

We maintain reserves to cover our estimated ultimate liabilities for losses and loss adjustment expenses, also referred to as loss reserves. Our loss reserves are based primarily on our historical data and statistical projections of what we believe the resolution and administration of claims will cost based on facts and circumstances then known to us. Our claims experience and our experience with the risks related to certain claims is inherently limited. We use company historical data to the extent it is available and rely on industry historical data which may not be indicative of future periods. As a result, our projections and our estimates may be inaccurate, which in turn may cause our actual losses to exceed our loss reserves. If our actual losses exceed our loss reserves, our financial results and our ability to expand our business and to compete in the property and casualty insurance industry may be negatively affected.

Factors that affect unpaid losses and loss adjustment expenses include the estimates made on a claim-by-claim basis known as "case reserves" coupled with bulk estimates known as "incurred but not yet reported" (or "IBNR"). Periodic estimates by management of the ultimate costs required to resolve all claims are based on our analysis of historical data and estimations of the impact of numerous factors such as (i) per claim information, (ii) industry and company historical loss experience and development patterns, (iii) legislative enactments, judicial decisions, legal developments in the awarding of damages and changes in political attitudes, and (iv) trends in general economic conditions, including the effects of inflation. Management revises its estimates based on the results of its analysis. This process assumes that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for estimating the ultimate resolution of all claims. There is no precise method for subsequently evaluating the impact of any specific factor on the adequacy of the reserves because the eventual redundancy or deficiency is affected by multiple factors.

Because of the inherent uncertainties in the reserving process, we cannot be certain that our reserves will be adequate to cover our actual losses and loss adjustment expenses. If our reserves for unpaid losses and loss adjustment expenses are less than actual losses and loss adjustment expenses, we will be required to increase our reserves with a corresponding reduction in our net income in the period in which the deficiency is identified. Future loss experience substantially in excess of our reserves for unpaid losses and loss adjustment expenses could substantially harm our results of operations and financial condition.

We have exposure to unpredictable catastrophes that are more pronounced because a large portion of our insurance business is conducted in coastal states, which exposure can materially and adversely affect our financial results.

We write insurance policies that cover homeowners, condominium owners and commercial residential buildings for losses that result from, among other things, catastrophes. We are therefore subject to losses, including claims under policies we have assumed or written, arising out of catastrophes that may have a significant effect on our business, results of operations and financial condition. A significant catastrophe, or a series of catastrophes, could also have an adverse effect on our reinsurers. Catastrophes can be caused by various events, including hurricanes, severe convective storms, tropical storms, snowstorms, tornadoes, earthquakes, hailstorms, explosions, power outages, fires (including wildfires) and by man-made events, such as terrorist attacks. Climate change, to the extent it produces extreme changes in temperatures and changes in weather patterns, could affect the frequency or severity of weather-related catastrophes. The incidence and severity of catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected and the severity of the event.

As of December 31, 2025, nearly all of our premium in force related to business in coastal states, which are especially subject to adverse weather conditions such as hurricanes, tropical storms, and winter storms. We also have in-force premiums from policies in the State of California, which was impacted by wildfires during the first quarter of 2025 for which our incurred losses of reinsurance approximated $32.0 million for the calendar year 2025. A single catastrophic event, or a series of such events, destructive weather patterns, general economic trend, regulatory development or other condition specifically affecting the states in which we conduct business, particularly the more densely populated areas of those states, could have a disproportionately adverse impact on our business, financial condition and results of operations. Therefore, although we attempt to manage our exposure to catastrophes through our underwriting process and the purchase of reinsurance protection, an especially severe catastrophe or series of catastrophes could exceed our reinsurance protection and may have a material adverse impact on our results of operations and financial condition. As further described in Note 13 Reserve for Losses, the Company's 2017 reinsurance agreement with the FHCF was commuted during the third quarter of 2023. This commutation process resulted in a final determination of and payment for known, unknown or unreported claims relating to Hurricane Irma. The final amount paid by the FHCF could vary from the Company's future estimation of losses to have been recovered from the FHCF. Accordingly, should future re-estimations to Hurricane Irma losses increase the expected loss reserves, all of the increase would be retained.

In total, for the period from June 1, 2025 through May 31, 2026, we have purchased an aggregate limit of $3.75 billion of catastrophe reinsurance coverage for Heritage P&C, Zephyr, and NBIC, for multiple catastrophic events. Our ability to access this coverage, however, is subject to the severity and frequency of such events. We may experience significant losses and loss adjustment expenses in excess of our retention or experience multiple retentions for a series of catastrophic events in a single season, which could materially and adversely affect our financial results.

Our success depends on our ability to adequately assess risk and set premiums accordingly, and our failure to do so could affect the growth of our business and adversely impact our financial results.

Our results of operations and financial condition depend on our ability to underwrite and set premium rates accurately for a wide variety of risks. Rate adequacy is necessary to generate sufficient premiums to pay losses, loss adjustment expenses, reinsurance costs and underwriting expenses and to earn a profit. In order to price our products accurately, we must collect and properly analyze a substantial amount of data; develop, test and apply appropriate rating formulas; closely monitor and timely recognize changes in trends; and project both severity and frequency of losses with reasonable accuracy. Our ability to successfully perform these tasks, and as a result price our products accurately, is subject to a number of risks and uncertainties, some of which are outside our control, including:

- the availability of sufficient reliable data and our ability to properly analyze available data;
- regulatory delays in approving filed rate changes;
- the uncertainties that inherently characterize estimates and assumptions;
- inflationary pressures on labor and materials, including supply chain disruptions;
- our ability to stay competitive as evolving competitive technologies emerge such as artificial intelligence ("AI") and machine learning to make pricing, underwriting, or other decisions;
- our selection and application of appropriate rating and pricing techniques;
- the effect of climate change on frequency and severity of insured events from severe weather;
- changes in legal standards, claim resolution practices, and restoration costs; and
- legislatively imposed consumer initiatives

In addition, we could underprice risks, which would negatively affect our profit margins. We could also overprice risks, which could reduce the number of policies we write and our competitiveness. In either event, our profitability could be materially and adversely affected.

Our results of operations may fluctuate significantly based on industry factors.

The insurance business historically has been a cyclical industry characterized by periods of intense price competition due to excess underwriting capacity, as well as periods when shortages of capacity permitted an increase in pricing. As premium levels increase, there may be new entrants to the market, which could then lead to increased competition, a significant reduction in premium rates, less favorable policy terms and fewer opportunities to underwrite insurance risks, which could have a material adverse effect on our results of operations and cash flows. In addition to these considerations, changes in the frequency and severity of losses suffered by insureds and insurers, including changes resulting from multiple and/or catastrophic weather events, may affect the cycles of the insurance business significantly. We cannot predict whether market conditions will improve, remain constant or deteriorate. Negative market conditions may impair our ability to write insurance at rates that we consider appropriate relative to the risk assumed. If we cannot write insurance at appropriate rates, our business would be materially and adversely affected.

In addition, the uncertainties inherent in the reserving process, together with the potential for unforeseen developments, including changes in laws and the prevailing interpretation of policy terms, may result in losses and loss adjustment expenses materially different from the reserves initially established. Changes to prior year reserves will affect current underwriting results by increasing net income if the prior year reserves prove to be redundant or by decreasing net income if the prior year reserves prove to be insufficient. We may not record contingency reserves to account for expected future losses. As a result, we expect volatility in operating results in periods in which significant loss events occur because generally accepted accounting principles do not permit insurers or reinsurers to reserve for loss events until they have occurred and are expected to give rise to a claim. We anticipate that claims arising from future events may require the establishment of substantial reserves from time to time.

Reinsurance coverage may not be available to us in the future at commercially reasonable rates or at all.

The cost of reinsurance is subject to prevailing market conditions beyond our control such as the amount of capital in the reinsurance market, public policy decisions and the expiration of time-limited governmental programs such as the RAP program, as well as the frequency and magnitude of natural and man-made catastrophes. Our total cost of obtaining reinsurance could increase in the future. We cannot be assured that reinsurance will remain continuously available to us in the amounts we consider sufficient and at prices acceptable to us. As a result, we may determine to increase the amount of risk we retain or look for other alternatives to reinsurance, which could in turn have a material adverse effect on our financial position, results of operations and cash flows. Further, an increase in frequency of severe weather events may cause an increase in credit exposure to the reinsurers with which we transact business.

We may not be able to collect reinsurance amounts due to us from the reinsurers with which we have contracted.

Reinsurance is a method of transferring part of an insurance company’s risk under an insurance policy to another insurance company. To the extent that our reinsurers are unable to meet the obligations they assume under our reinsurance agreements, we remain liable for the entire insured loss. We use reinsurance arrangements to significantly limit and manage the amount of risk we retain, to stabilize our underwriting results, and to increase our underwriting capacity. Our ability to recover amounts due from reinsurers under the reinsurance treaties we currently have in effect is subject to the reinsurance company’s ability and willingness to pay and to meet its obligations to us. We attempt to select financially strong reinsurers with an A.M. Best or S&P rating of “A-” or better or we require the reinsurer to fully collateralize its exposure. While we monitor from time to time their financial condition, we also rely on our reinsurance broker and rating agencies in evaluating our reinsurers’ ability to meet their obligations to us.

Our reinsurance coverage in any given year may be concentrated with one or a limited group of reinsurers. No single private market reinsurer represented more than 10% of the overall limit purchased from our total reinsurance coverage. Any failure on the part of any one reinsurance company to meet its obligations to us could have a material adverse effect on our financial condition or results of operations.

All residential insurance companies that write admitted business in Florida, including Heritage P&C, are required to obtain reinsurance through the FHCF, and this coverage comprises a significant portion of the Heritage P&C reinsurance program for our Florida insured properties. The limit and retention of the FHCF coverage is subject to upward or downward adjustment based on, among other things, submitted exposures to FHCF by all participants. We have purchased private reinsurance alongside our FHCF layer to fill in gaps in coverage that may result from the adjustment of the limit or retention of our FHCF coverage; however, such reinsurance would not cover any losses we may incur as a result of FHCF's inability to pay the full amount of our claims. If a catastrophic event occurs in Florida, the FHCF may not have sufficient funds to pay all of its claims from insurance companies in full or in a timely manner. This could result in significant financial, legal and operational challenges to our Company. In the event of a catastrophic loss, the FHCF's ability to pay may be dependent upon its ability to issue bonds in amounts that would be required to meet its reinsurance obligations. There can be no assurance that FHCF will be able to do this. While we believe FHCF currently has adequate capital and financing capacity to meet its reinsurance obligations, there can be no assurance that it will be able to meet its obligations in the future, and any failure to do so could have a material adverse effect on our liquidity, financial condition and results of operations.

We carry a significant amount of intangible assets on our consolidated balance sheets. Earnings for future periods may be impacted by impairment charges for intangible assets.

We have a significant amount of intangible assets that could be subject to impairment. If we determine that a significant impairment has occurred in the value of our unamortized intangible assets, we could be required to write off a portion of our assets, which could adversely affect our consolidated financial condition or our reported results of operations.

The inherent uncertainty of models and our reliance on such models as a tool to evaluate risk may have an adverse effect on our financial results.

Along with other insurers in the industry, we license analytic and modeling software from third parties to facilitate our pricing, assess our risk exposure and determine our reinsurance needs. Given the inherent uncertainty of modeling techniques and the application of such techniques, these models have limitations with respect to their usefulness in predicting losses in any reporting period. Examples of these limitations include significant variations in estimates between models and modelers and material increases and decreases in model results due to changes and refinements of the underlying data elements and assumptions, including with respect to the risks arising from climate change, social inflation or other factors. Such limitations may lead to questionable predictive capability and post-event measurements that have not been well understood or proven to be sufficiently reliable. In addition, the models are not necessarily reflective of company or state-specific policy language, demand surge for labor and materials, consumer behavior, prevailing or changing claims, legal and litigation environments, or loss settlement expenses, all of which are subject to wide variation by catastrophe. Further, in accordance with laws and regulatory requirements in various states in which we conduct business, we may be required to use a model that has been reviewed and deemed acceptable by a particular state in accordance with standards over which we have no control and that might not align with our business.

Increased competition, competitive pressures, industry developments and market conditions could affect the growth of our business and adversely impact our financial results.

The property and casualty insurance industry in the states in which we do business is cyclical and, during times of increased capacity, highly competitive. We compete not only with other public and private insurance companies, but also with state governmental insurance entities, mutual companies, other underwriting organizations and alternative risk sharing mechanisms. Our principal lines of business are also written by numerous other insurance companies. Competition for any one account may come from very large, well-established national companies, smaller regional companies, other specialty insurers in our field and other companies that write insurance. Some of these competitors have greater financial resources, larger agency networks and greater name recognition than we do. We compete for business not only on the basis of price, but also on the basis of financial strength, types of coverages offered, and availability of coverage desired by customers, commission structure and quality of service. We may have difficulty continuing to compete successfully on any of these bases in the future. Competitive pressures coupled with market conditions may affect our rate of premium growth and financial results.

In addition, industry developments could further increase competition in our industry. These developments could include:

- an influx of new capital in the marketplace as existing companies attempt to expand their businesses and new companies attempt to enter the insurance business as a result of better premium pricing and/or policy terms;
- an increase in programs in which state-sponsored entities provide property insurance in catastrophe-prone areas;
- changes in state regulatory climates; and
- the passage of federal proposals for an optional federal charter that would allow some competing insurers to operate under regulations different or less stringent than those applicable to us.

These developments and others could make the property and casualty insurance marketplace more competitive by increasing the supply of insurance available. If competition limits our ability to write new business at adequate rates, our future results of operations would be adversely affected.

Our ability to operate efficiently and remain competitive may depend in part on our ability to adapt to technological innovation in our industry.

Our industry is experiencing increased adoption of AI technologies, including applications used to automate underwriting, assess risk, run actuarial and other modeling functions, accelerate claims processing, and detect fraud. We use, and expect to continue to evaluate and deploy, AI‑enabled tools to support various operational and strategic decision‑making. While AI is not the sole driver of our business performance, our ability to operate efficiently and remain competitive may depend in part on the effective implementation and use of such technologies.

The adoption and use of AI involves challenges and risks. AI systems can be complex to develop, integrate, and maintain, and may require substantial investment, high‑quality data, ongoing monitoring, and specialized expertise. AI‑enabled tools may produce inaccurate, incomplete, or misleading outputs due to data limitations, model assumptions, or changing conditions, which could result in operational errors, service disruptions, regulatory or contractual non‑compliance, increased costs, or reputational harm. In addition, the use of AI may increase our exposure to cybersecurity, data privacy, and third‑party vendor risks.

We may not be able to effectively integrate newly acquired businesses or achieve expected profitability from acquisitions.

We have in the past and may in the future expand through the acquisition of complementary businesses. This could occur through an acquisition of a company or a portion of a company’s business. Any future acquisitions may entail a number of risks that could adversely affect our business and the market price of our common stock, including the integration of the acquired operations and information systems, inability to recognize anticipated benefits of such acquisitions, diversion of management's attention, risks of entering new market regions in which we have limited experience, adverse short-term effects on our reported operating results, the potential loss of key employees of acquired businesses, changes for impairment of long-term assets or goodwill and risks associated with unanticipated liabilities.

In connection with an acquisition, we could incur debt, recognize amortization expenses related to intangible assets, have to take large and immediate write-offs, including but not limited to goodwill impairment, and assume liabilities. We may also use our common stock to pay for acquisitions. If the owners of potential acquisition candidates are not willing to accept our common stock in exchange for their businesses, our acquisition prospects could be limited. Future acquisitions could also result in accounting charges, potentially dilutive issuances of equity securities and increased debt and contingent liabilities, including liabilities related to unknown or undisclosed circumstances, any of which could have a material adverse effect on our business and the market price of our common stock.

We may not be able to effectively execute our business diversification strategy.

We have and intend to continue to invest significant time and resources to employ our business strategies, including the rebalancing of our portfolio toward products and geographies that maximize long-term returns to our shareholders, and we may not achieve the return on our investment that we expect. Initial timetables for optimizing and diversifying our portfolio of policies may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting customer preferences may also impact the successful implementation of our business plan. Such external factors and requirements may increase our costs and potentially affect the speed with which we will be able to re-allocate capital among our portfolio of policies. There can be no assurance that we will be successful in deploying this strategy. Additionally, to the extent our business strategies include any geographic expansion, new line of business and/or new product or service, such expansion or new products or services could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks could have a material adverse effect on our business, results of operations and financial condition.

We rely on independent agents to write insurance policies for us, and if we are not able to attract and retain independent agents, our revenues would be negatively affected.

We write personal and commercial insurance policies through a network of independent agents. As a result, our business is dependent on the marketing efforts of these independent agents, and our agency relationships are concentrated. For example, for our southeastern personal lines portfolio, approximately 23% of our voluntary personal lines policies are written by agents that are affiliated with eight large agency networks with which we have entered into master agency agreements. In the northeastern U.S., our three largest agency relationships represent approximately 15% of our annualized premiums, and approximately 52.0% of our Hawaiian independent agencies are affiliated with three large multi-producer agencies.

Our strategic focus is to improve the underwriting performance of our policies throughout the states in which we are licensed, which will further increase our reliance on our network of independent agents. If any of our independent agents cease writing policies for us, or if any of our master agency agreements are terminated, we may suffer a reduction in the number of products we are able to sell, which would negatively impact our results of operations.

Many of our competitors also rely on independent agents. As a result, we must compete with other insurers for independent agents' business. Our competitors may offer a greater variety of insurance products, lower premiums for insurance coverage, or higher commissions to their agents. If our products, pricing and commissions do not remain competitive, we may find it more difficult to attract business from existing or new independent agents to sell our products.

The failure of our claims department to effectively manage or remediate claims could adversely affect our insurance business, financial results and capital requirements.

We rely on our claims department and any outsourced claims resources to facilitate and oversee the claims adjustment process for our policyholders. Many factors could affect the ability of our claims department to effectively manage claims by our policyholders, including:

- the accuracy of our adjusters as they make their assessments and submit their estimates of damages;
- the training, background and experience of our claim's representatives;
- the ability of our claims department to ensure consistent claims handling;
- the ability of our claims department to translate the information provided by adjusters into acceptable claims resolutions;
- the availability and timing of information from, and the overall degree of cooperation or lack thereof by, policyholders and their representatives; and
- the ability of our claims department to maintain and update its claims handling procedures and systems as they evolve over time based on claims and geographical trends in claims reporting.

Any failure to effectively manage the claims adjustment process, including failure to pay claims accurately, could lead to material litigation, undermine our reputation in the marketplace, impair our corporate image and negatively affect our financial results.

Additionally, as a component of the claims process, we leverage CAN's vendor network to provide remediation services to the policyholder. If such services are not performed properly, we may face liability. Although we maintain professional liability insurance to cover losses arising from our repair and remediation services, there can be no assurances that such coverage is adequate. In addition, our failure to timely and properly remediate claims, or the perception of such failure, may damage our reputation and adversely affect our ability to renew existing policies or write new policies.

If actual renewals of our existing contracts do not meet expectations, our premiums written in future years and our future results of operations could be materially adversely affected.

Our insurance policies are written for a one-year term. We make assumptions about the renewal of our prior year's contracts, including for purposes of determining the amount of reinsurance we purchase. If actual renewals do not meet expectations or if we choose not to write on a renewal basis because of pricing conditions, our premiums written in future years and our future operations would be materially adversely affected, and we may purchase reinsurance beyond what we believe is the most appropriate level.

Our inability to maintain our financial stability rating may have a material adverse effect on our competitive position, the marketability of our product offerings, and our liquidity, operating results and financial condition.

Financial stability ratings are important factors in establishing the competitive position of insurance companies and can have a significant effect on an insurance company's business. Many insurance buyers, agents, brokers and secured lenders use the ratings assigned by rating agencies to assist them in assessing the financial stability and overall quality of the companies from which they are considering purchasing insurance or in determining the financial stability of the company that provides insurance. Each of our insurance company affiliates currently maintain a Demotech rating of "A" ("Exceptional") or higher. Our insurance company subsidiaries and the Company is also rated BBB or better by KBRA. These financial stability ratings provide an objective baseline for assessing solvency and should not be interpreted as (and are not intended to serve as) an assessment of a recommendation to buy, sell, or hold, any securities of an insurance company or its parent holding company, including shares of our common stock.

On an ongoing basis, rating agencies review the financial performance and condition of insurers and can downgrade or change the outlook on an insurer's ratings due to, for example, a change in an insurer's statutory capital, a reduced confidence in management or a host of other considerations that may or may not be under the insurer's control. All ratings are subject to continuous review; therefore, the retention of these ratings cannot be assured. A downgrade in any of these ratings could have a material adverse effect on our competitive position, the marketability of our product offerings and our ability to grow in the marketplace.

If we are unable to expand our business because our capital must be used to pay greater than anticipated claims, our financial results may suffer. Further, we may require additional capital in the future which may not be available or may only be available on unfavorable terms.

Our future growth and future capital requirements will depend on the number of insurance policies we write, the kinds of insurance products we offer, the geographic markets in which we do business and, to the extent part of our business strategy in the future, policy and/or geographic expansion, all balanced by the business risks we choose to assume and cede. Growth initiatives require capital. Our existing sources of funds include possible sales of common or preferred stock, incurring debt and our earnings from operations and investments. Unexpected catastrophic events in our coverage areas, such as hurricanes, may result in greater claims losses than anticipated, which could require us to limit or halt our growth while we redeploy our capital to pay these unanticipated claims unless we are able to raise additional capital.

To the extent that our present capital is insufficient to meet future operating requirements or to cover losses, we may need to raise additional funds through financing or curtail our growth. Based on our current operating plan, we believe that our current capital together with our anticipated retained income will support our operations. However, we cannot provide any assurance in that regard, since many factors will affect the amount and timing of our capital needs, including profitability of our business, the availability and cost of reinsurance, market disruptions and other unforeseeable developments. If we require additional capital, it is possible that equity or debt financing may not be available on acceptable terms or at all. In the case of equity financings, dilution to our stockholders could result, and in any case such securities may have rights, preferences and privileges that are senior to those of existing stockholders. If we cannot obtain adequate capital on favorable terms or at all, our business, financial condition or results of operations could be materially adversely affected.

Our financial results may be negatively affected by the fact that a portion of our income is generated by the investment of our company's capital, premiums and loss reserves.

A portion of our income is, and likely will continue to be, generated by the investment of our capital, premiums and loss reserves. The amount of income generated is a function of our investment policy, available investment opportunities and the amount of available cash invested. We are also constrained by investment limitations required by our state insurance regulators. At December 31, 2025, approximately 99.7% of our total investments were invested in fixed-maturity securities. We may, under certain circumstances, be required to liquidate our investments in securities at prices below book value, which may adversely affect our financial results. This risk could be amplified in periods of rising interest rates. We currently hold all of our cash in accounts with twelve financial institutions and, as a result of this concentration, a portion of the balances in such accounts exceeds the Federal Deposit Insurance Corporation ("FDIC") insurance limits. While we monitor and adjust the balances in our accounts as appropriate, these balances could be impacted if any of these financial institutions fail and could be subject to other adverse conditions in the financial markets.

We may alter our investment policy to accept higher levels of risk with the expectation of higher returns. Fluctuating interest rates and other economic factors make it impossible to estimate accurately the amount of investment income that will be realized. In fact, we may realize losses on our investments.

The effects of emerging claim and coverage issues on our business are uncertain.

Loss frequency and severity in the property and casualty insurance industry and multi-peril personal lines business has continued to increase in recent years, often driven by actual and social inflation. Litigation and assignment of benefits ("AOB") in the State of Florida is an example of these trends. For example, in recent years, Florida homeowners have been assigning the benefit of their insurance recovery to third parties, which has resulted in increases in the size and number of claims and the amount of litigation, interference in the adjustment of claims, the assertion of bad faith actions and one-way rights to claim attorney fees. The Florida legislature enacted several reform bills in the last several years with the intention of limiting AOB and frivolous litigation. These legislative changes have positively impacted the Florida property insurance market by curtailing AOB and litigated claims abuses. There can be no assurance that this legislation will further reduce the future impact of AOB or litigated claims practices and legislative changes could be reversed in whole or in part in the future.

Many legal actions and proceedings have been brought on behalf of classes of complainants, which can increase the size of judgments. The propensity of policyholders and third-party claimants to litigate and the willingness of courts to expand causes of loss and the size of awards may render the loss reserves of our insurance subsidiaries inadequate for current and future losses. In addition, as industry practices and social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. In some instances, these changes may not become apparent until sometime after we have issued insurance policies that are affected by the changes. As a result, the full extent of liability under our insurance policies may not be known at the time such policies are issued or renewed, and our financial position and results of operations may be adversely affected.

The failure of the risk mitigation strategies we utilize could have a material adverse effect on our financial condition or results of operations.

We utilize a number of strategies to mitigate our risk exposure including:

- employing proper underwriting processes;
- carefully evaluating the terms and conditions of our policies;
- geographic diversification; and
- ceding insurance risk to reinsurance companies.

However, there are inherent limitations in these strategies. No assurance can be given that an event or series of unanticipated events will not result in loss levels which could have a material adverse effect on our financial condition or results of operations. It is also possible that losses could manifest themselves in ways that we do not anticipate and that our risk mitigation strategies are not designed to address. Such a manifestation of losses could have a material adverse effect on our financial condition and results of operations.

Lack of effectiveness of exclusions and other loss limitation methods in the insurance policies we assume or write could have a material adverse effect on our financial condition or our results of operations.

Various provisions of our policies, such as limitations or exclusions from coverage which are designed to limit our risks, may not be enforceable in the manner we intend. In addition, the policies we issue contain conditions requiring the prompt reporting of claims to us and our right to decline coverage in the event of a violation of that condition. While our insurance product exclusions and limitations reduce the loss exposure to us and help eliminate known exposures to certain risks, it is possible that a court or regulatory authority could nullify or void an exclusion or limitation, or legislation could be enacted modifying or barring the use of such endorsements and limitations in a way that would adversely affect our loss experience, which could have a material adverse effect on our financial condition or results of operations.

We are dependent on our executives, key employees and the ability to hire and retain a qualified workforce.

Our future success depends on the efforts of our leadership team and workforce.

If any member of senior management retires, dies or becomes incapacitated, or leaves the company to pursue employment opportunities elsewhere, we would be solely responsible for locating an adequate replacement for such senior management and for bearing any related cost. To the extent that we are unable to locate an adequate replacement or are unable to do so within a reasonable period of time, our business may be significantly and negatively affected.

Additionally, our future success is also based on our ability to develop the talent and skills of our human resources and attract and retain experienced and qualified employees. For example, if the quality of our underwriters, claims or other personnel decreases, we may be unable to maintain our current competitive position in the specialized markets in which we operate, which could adversely affect our results. There is strong competition within the insurance industry and from businesses outside the insurance industry for qualified employees. The unexpected loss of key employees could have a material adverse impact on our business because of the loss of such skills, knowledge of our products and years of industry experience.

Risks Related to Regulation of Our Insurance Operations

We are subject to extensive regulation which may reduce our profitability or limit our growth. Moreover, if we fail to comply with these regulations, we may be subject to penalties, including fines and suspensions, which may adversely affect our financial condition and results of operations.

We are subject to extensive state regulation. The NAIC and state insurance regulators regularly examine existing laws and regulations, generally focusing on modifications to holding company regulations, interpretations of existing laws and the formation of new laws. Our insurance company affiliates are subject to supervision and regulation that is primarily designed to protect our policyholders rather than our stockholders, and such regulation is imposed by the states in which we are domiciled and the states in which our insurance subsidiaries do business. These regulations relate to, among other things, the approval of policy forms and premium rates, our conduct in the marketplace, our compliance with solvency and financial reporting requirements, transactions with our affiliates, corporate governance requirements, limitations on the amount of business we can write, the amount of dividends we can pay to stockholders, and the types of investments we can make. Insurance holding company regulations generally provide, in part, that transactions between an insurance company and its affiliates must be fair and reasonable and must be clearly and accurately disclosed in the records of the respective parties, with expenses and payments allocated between the parties in accordance with customary accounting practices. Many types of transactions between an insurance company and its affiliates, such as transfers of assets, loans, reinsurance agreements, service agreements, certain dividend payments by the insurance company and certain other material transactions, may be subject to prior approval by, or prior notice to, state regulatory authorities. If we are unable to obtain the requisite prior approval for a specific transaction, we would be precluded from taking the action, which could adversely affect our operations. These regulatory requirements may adversely affect or inhibit our ability to achieve some or all of our business objectives. In addition, regulatory authorities also may conduct periodic examinations into insurers' business practices. These reviews may reveal deficiencies in our insurance operations or differences between our interpretations of regulatory requirements and those of the regulators.

State insurance regulations also frequently impose notice or approval requirements for the acquisition of specified levels of ownership in the insurance company or insurance holding company. Additionally, state legislation can impact our results of operations. Florida lawmakers may impact the rates of Citizens Property Insurance through legislation, which may impact the private insurance market. These and other aspects of the political environment in jurisdictions where we operate may reduce our profitability, limit our growth, or otherwise adversely affect our operations.

Various regulatory and legislative bodies have adopted or proposed new laws, regulations or orders to address the cyclical nature of the insurance industry, catastrophic events and insurance capacity and pricing. These regulations include (i) the creation of "market assistance plans" under which insurers are induced to provide certain coverages, (ii) restrictions on the ability of insurers to rescind or otherwise cancel certain policies in mid-term or to non-renew policies at their scheduled expirations, (iii) advance notice requirements or limitations imposed for certain policy non renewals, (iv) limitations upon increases or decreases in rates permitted to be charged, (v) expansion of governmental involvement in the insurance market and (vi) increased regulation of insurers' policy administration and claims handling practices. Further, regulatory authorities have relatively broad discretion to deny or revoke licenses for various reasons, including the violation of regulations. In some instances, we follow practices based on our interpretations of regulations or practices that we believe may be generally followed by the insurance industry. These practices may turn out to be different from the interpretations of regulatory authorities. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us. This could adversely affect our ability to operate our business.

We cannot predict with certainty the effect any enacted, proposed or future state or federal legislation or NAIC initiatives may have on the conduct of our business. Furthermore, there can be no assurance that the regulatory requirements applicable to our business will not become more stringent in the future or result in materially higher costs than current requirements, or that creation of a federal insurance regulatory system will not adversely affect our business or disproportionately benefit our competitors. Changes in the regulation of our business may reduce our profitability, limit our growth or otherwise adversely affect our operations.

Our insurance subsidiaries are subject to minimum capital and surplus requirements, and our failure to meet these requirements could subject us to regulatory action.

Our insurance subsidiaries are subject to risk-based capital standards and other minimum capital and surplus requirements imposed under applicable state laws. The risk-based capital standards, based upon the Risk-Based Capital Model Act adopted by the NAIC, require our insurance subsidiaries to report the results of risk-based capital calculations to state regulators and the NAIC. These risk-based capital standards provide for different levels of regulatory attention depending upon the ratio of an insurance company's total adjusted capital, as calculated in accordance with NAIC guidelines, to its authorized control level risk-based capital. Authorized control level risk-based capital is determined using the NAIC's risk-based capital formula, which measures the minimum amount of capital that an insurance company needs to support its overall business operations.

An insurance company with total adjusted capital that is less than 200% of its authorized control level risk-based capital is at a company action level, which would require the insurance company to file a risk-based capital plan that, among other things, contains proposals of corrective actions the company intends to take that are reasonably expected to result in the elimination of the company action level event. Additional action level events occur when the insurer's total adjusted capital falls below 150%, 100%, and 70% of its authorized control level risk-based capital. The lower the percentage, the more severe the regulatory response, including, in the event of a mandatory control level event (total adjusted capital falls below 70% of the insurer's authorized control level risk-based capital), placing the insurance company into receivership. As of December 31, 2025, our insurance subsidiaries each maintained a risk-based capital ratio of over 300% and complied with the requirement of our state regulators. Our subsidiary, Heritage P&C, has agreed to continue to maintain a risk-based capital ratio of at least 300%. Our subsidiary, NBIC, has agreed to maintain a risk-based capital ratio requirement of 325%.

In addition, our insurance subsidiaries are required to maintain certain minimum capital and surplus and to limit its written premiums to specified multiples of its capital and surplus. Our insurance subsidiaries could exceed these ratios if their volume increases faster than anticipated or if their surplus declines due to catastrophe or non-catastrophe losses or excessive underwriting and operational expenses.

Any failure by our insurance subsidiaries to meet the applicable risk-based capital or minimum statutory capital requirements or the writings ratio limitations imposed by state law could subject our insurance subsidiaries to further examination or corrective action imposed by state regulators, including limitations on our writing of additional business, state supervision or liquidation.

Any changes in existing risk-based capital requirements, minimum statutory capital requirements, or applicable writings ratios may require us to increase our statutory capital levels, which we may be unable to do.

Litigation or regulatory actions could have a material adverse impact on us.

From time to time, we are subject to civil or administrative actions and litigation. Civil litigation frequently results when we do not pay insurance claims in the amounts or at the times demanded by policyholders or their representatives. We also may be subject to litigation or administrative actions arising from the conduct of our business and the regulatory authority of state insurance departments. Further, we are subject to other types of litigation inherent in operating our businesses, employing personnel, contracting with vendors and otherwise carrying out our affairs. As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may arise, including judicial expansion of policy coverage and the impact of new theories of liability, plaintiffs targeting property and casualty insurers in purported class-action litigation relating to claims-handling and other practices, and adverse changes in loss cost trends, including inflationary pressures in home repair costs. Multiparty or class action claims may present additional exposure to substantial economic, non-economic or punitive damage awards. Current and future litigation or regulatory matters may negatively affect us by resulting in the payment of substantial awards or settlements, increasing legal and compliance costs, requiring us to change certain aspects of our business operations, diverting management attention from other business issues, harming our reputation with agents and customers or making it more difficult to retain current customers and to recruit and retain employees or agents.

Regulation limiting rate increases may decrease our profitability.

From time to time, political dispositions affect the insurance market, including efforts to effectively suppress rates at a level that may not allow us to reach targeted levels of profitability. Despite efforts to remove politics from insurance regulation, facts and history demonstrate that public policymakers, when faced with untoward events and adverse public sentiment, can act in ways that impede a satisfactory correlation between rates and risk. Such acts may affect our ability to obtain approval for rate changes that may be required to attain rate adequacy along with targeted levels of profitability and returns on equity. Additionally, because we often must obtain regulatory approval prior to changing rates, delays in the filing, review or implementation of rate changes can adversely affect our ability to attain rate adequacy. Our ability to afford reinsurance required to reduce our catastrophe risk may be dependent upon the ability to adjust rates for our cost. Moreover, when state regulations allow us to implement rate changes while filings are pending, we risk having to refund premiums if the implemented changes are greater than those ultimately approved.

Our revenues and operating performance will fluctuate due to statutorily approved assessments that support property and casualty insurance pools and associations.

We operate in a regulatory environment where certain entities and organizations have the authority to require us to participate in assessments. Currently these entities and organizations include, but are not limited to, state guaranty funds, state joint underwriting associations, fair plans, wind pools, or the FHCF. Additionally, we are required to participate in guaranty funds for insolvent insurance companies. The funds periodically assess losses against all insurance companies doing business in the state. Our operating results and financial condition could be adversely affected by any of these factors.

Insurance companies currently pass these assessments on to holders of insurance policies in the form of a policy surcharge and reflect the collection of these assessments as liability for future payment to the entities levying the assessments. The collection of these fees, however, may adversely affect our overall marketing strategy due to the competitive landscape of our business. As a result, the impact of possible future assessments on our balance sheet, results of operations or cash flow are indeterminable at this time.

Risks Related to Financing

Our variable rate indebtedness subjects us to interest rate risk, which could cause our annual debt service obligations to increase significantly.

Borrowings under our credit facilities are at variable rates of interest and expose us to interest rate risk. If the rates on which our borrowings are based were to increase from current levels, our debt service obligations on our variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash available to service our other obligations would decrease. Compared to recent history, interest rates have been above historical levels, which may decrease our net income and cash flows.

Our credit agreement contains restrictions that can limit our flexibility in operating our business.

The agreement governing our credit facilities contains various covenants that limit our ability to engage in certain transactions. These covenants limit our and our subsidiaries' ability to, among other things:

- incur additional indebtedness;
- declare or make any restricted payments, including dividends;
- make investments, including the contribution of capital to our insurance subsidiaries;
- create liens on any of our current or future assets;
- consolidate, merge, sell, or otherwise dispose of all or substantially all of our current or future assets; and
- enter into certain transactions with our affiliates.

These covenants could place us at a disadvantage compared to some of our competitors that may have fewer restrictive covenants and may not be required to operate under these restrictions. Further, these covenants could have an adverse effect on our business by limiting our ability to take advantage of financing and business opportunities. If we fail to comply with these covenants, it could result in an event of default under our credit facilities. If any default occurs, all amounts outstanding under our credit facilities may become immediately due and payable.

Dividend payments on our common stock in the future are uncertain.

Although we have paid dividends on our common stock in the past, the declaration and payment of dividends are at the discretion of our board of directors and will depend on our profits, financial requirements and other factors, such as restrictions under our credit facilities, which limit our ability to pay dividends, and other legal and regulatory restrictions on the payment of dividends, our overall business condition and other elements our board of directors considers relevant. Therefore, investors who purchase our common stock may only realize a return on their investment if the value of our common stock appreciates.

We depend on the ability of our subsidiaries to generate and transfer funds to meet debt obligations and to make dividend payments.

We do not have significant revenue generating operations at the parent company. As such, our ability to make scheduled payments on our debt obligations and pay dividends depends on the financial condition and operating performance of our subsidiaries. If the funds we receive from our subsidiaries, some of which are subject to regulatory restrictions on the payment of distributions, are insufficient to meet our debt obligations, we may be required to raise funds through the issuance of additional debt or equity securities, reduce or suspend dividend payments, or sell assets.

Risks Related to Ownership of Our Common Stock

Certain provisions of our certificate of incorporation and our bylaws may make it difficult for stockholders to change the composition of our board of directors and may discourage hostile takeover attempts that some of our stockholders may consider to be beneficial.

Certain provisions of our certificate of incorporation and bylaws may have the effect of delaying or preventing changes in control if our board of directors determines that such changes in control are not in the best interests of us and our stockholders. The provisions in such certificate of incorporation and bylaws include, among other things, the following:

- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms, including preferences and voting rights, of those shares without stockholder approval;
- stockholder action can only be taken at a special or regular meeting and not by written consent;
- advance notice procedures for nominating candidates to our board of directors or presenting matters at stockholder meetings; and
- allowing only our board of directors to fill vacancies on our board of directors.

We have elected in our certificate of incorporation not to be subject to Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation's voting stock for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Accordingly, we will not be subject to any anti-takeover effects of Section 203.

While these provisions have the effect of encouraging persons seeking to acquire control of our company to negotiate with our board of directors, they could enable the board of directors to hinder or frustrate a transaction that some, or a majority, of the stockholders might believe to be in their best interests, including an acquisition that would result in a price per share at a premium over the market price, and, in that case, may prevent or discourage attempts to remove and replace incumbent directors.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

Applicable insurance laws may make it difficult to effect a change of control of our company.

State insurance holding company laws require prior approval by the state insurance department of any change of control of an insurer that is domiciled in that respective state. "Control" is generally defined as the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a company, whether through the ownership of voting securities, by contract or otherwise. Control is generally presumed to exist through the direct or indirect ownership of 10% or more of the voting securities of a domestic insurance company or any entity that controls a domestic insurance company. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change of control of us, including through transactions, and in particular unsolicited transactions, that some or all of our stockholders might consider to be desirable.

Our stock price in recent years has been volatile and is likely to continue to be volatile, which may impact the value of stock held by investors.

The market price of our common stock has experienced, and may continue to experience, significant volatility from time to time. Such volatility may be affected by various factors and events, such as:

- our operating results, including a shortfall in revenues or operating performance from that expected by securities analysts and investors;
- recognition of large unanticipated accounting charges, such as impairment charges;

- changes in securities analysts' estimates of our financial performance or the financial performance of our competitors or companies in our industry generally;
- a downgrade of our Demotech or KBRA rating;
- the announcement of a material event or anticipated event involving us or our industry or the markets in which we operate; and
- the other risk factors described in this Annual Report.

In recent years, the U.S. stock market has experienced extreme price and volume fluctuations, which have sometimes affected the market price of the securities issued by a particular company in a manner unrelated to our operational performance. This type of market effect could impact the price of our common stock as well. This volatility means that the price of our common stock may have declined substantially at such time as our stockholders may look to sell shares of our common stock, which reduces the value of their investment.

Risks Related to our Information Technology Systems

Our information technology systems, or those of our key service providers, may fail or suffer a loss of security which could adversely affect our business.

Our insurance business is highly dependent upon the successful and uninterrupted functioning of our computer and data processing systems. We rely on these systems to perform actuarial and other modeling functions necessary for writing business, as well as to handle our policy and claims administration process (i.e., handling and adjusting claims, the billing, printing and mailing of our policies, endorsements, renewal notices, etc.). The successful operation of our systems depends on both internal and external factors, such as internal system security protocols operating properly, a continuous supply of electrical power and compliant use of the systems by employees and any third parties. The failure of these systems could interrupt our operations and result in a material adverse effect on our business.

The development and expansion of our insurance business is dependent upon the successful development and implementation of advanced technology, including modeling, underwriting and information technology systems. We have engaged service providers to provide us with policy and other administration services for certain policies and we intend to continue to utilize third party systems. The failure of any of these systems to function as planned could adversely affect our future business volume service levels and results of operations. In addition, we have licensed certain systems and data from third parties. We cannot be certain that we will have access to these, or comparable systems, or that our technology or applications will continue to operate as intended. Moreover, we cannot be certain that we would be able to replace these systems without slowing our underwriting or claims handling response time. A major defect or failure in our internal controls or information technology systems could result in management distraction, harm to our reputation, a loss or delay of revenues or increased expense.

We may be subject to information technology failures, including data protection breaches and cyber-attacks, that could disrupt our operations, damage our reputation and adversely affect our business, operations, and financial results.

We rely on our information technology systems for the effective operation of our business and for the secure maintenance and storage of confidential data relating to our business and for our policyholders. Cybersecurity risks could include breaches of systems resulting in compromised data including personally identifiable customer information or other proprietary or confidential information. We could also be subject to attacks that include denial of service attacks, or the deployment of malware intended to compromise the functionality of our information systems. Our third-party providers of products, services and support are subject to similar cybersecurity risks. Any of these breaches could impact our policyholders and our business, resulting in a loss of customers, suppliers, or revenue, including interruptions to our operations or damage to our reputation, regulatory enforcement actions, substantial fines and penalties, litigation or other liability or actions which could have a material adverse effect on our business, cash flows, financial condition and results of operations.

We have implemented security controls to protect our information technology systems, but experienced programmers or hackers may be able to penetrate our security controls, and develop and deploy viruses, worms and other malicious software programs that compromise our confidential information or that of third parties and cause a disruption or failure of our information technology systems. In addition, we have in the past and may in the future be subject to "phishing" attacks in which third parties send emails purporting to be from reputable companies in order to obtain personal information and infiltrate our systems to initiate wire transfers or otherwise obtain proprietary or confidential information.

Our customers provide personal information that we store and maintain in our data warehouse and policy and claims systems. We have implemented systems and processes to protect against unauthorized access to or use of such personal information, but there is no guarantee that these procedures can prevent any security breaches or misuse of the information. Furthermore, we rely on encryption and authentication technology to provide security and authentication to secure transmission of confidential information, including customer bank account, credit card information and other personal information. However, there is no guarantee that these systems or processes will address all of the cyber threats that continue to evolve. In addition, many of the third parties who provide products, services, or support to us could also experience any of the above cyber risks or security breaches, which could impact our policyholders and our business and could result in a loss of customers, suppliers or revenue.

Any compromise of our information technology systems could result in the unauthorized publication of our confidential business or proprietary information, result in the unauthorized release of customer, supplier or employee data, result in a violation of privacy or other laws, expose us to a risk of litigation, cause us to incur direct losses if attackers access our actuarial and other models, bank or investment accounts. Any breach in our information systems could result in interruptions to our operations and damage to our reputation, and the misappropriation of confidential information could result in regulatory enforcement actions, substantial fines and penalties, litigation or other liability or actions which could have a material adverse effect on our business, cash flows, financial condition and results of operations. Any interruption to the use or access of our information systems at critical points in time could adversely affect the timely and efficient operation of our business. Any delay in our business growth, significant costs or lost policyholders resulting from such information technology failures could adversely affect our business, operations and financial results.

The cost and operational consequences of implementing additional data protection measures either as a response to specific breaches or as a result of evolving changes in technology or risks, could be significant and negatively affect our income.

The development and implementation of new technologies will require an additional investment of our capital resources in the future.

Frequent technological changes, new products and services and evolving industry standards are all influencing the insurance business. We believe that the development and implementation of new technologies will require additional investment of our capital resources in the future. We have not determined, however, the amount of resources and the time that this development and implementation may require, which may result in short-term, unexpected interruptions to our business, or may result in a competitive disadvantage in price and/or efficiency, as we endeavor to develop or implement new technologies. In addition, changes in technology typically outpace corresponding regulations, which may lead to periods of uncertainty in the permissible uses of certain technology and to differences or even inconsistencies in the regulatory approaches across jurisdictions. The absence of regulations or conflicts in regulations may further limit our ability to implement new technology in an effective and timely manner.

We do not have significant redundancy in our operations.

Not all of our systems are fully redundant, and our disaster recovery planning may not be sufficient, despite our testing, to meet our business needs in the event of a material disruption We contract with a third-party vendor to maintain complete daily backups of our systems; however, we have not fully tested our plan to recover data in the event of a disaster. Our systems are vulnerable to damage from a number of sources, including energy blackouts, natural disasters and other catastrophic events, terrorism, war, telecommunication failures and malicious software programs or cyber security attacks. We conduct our business primarily from offices located in Florida, Hawaii, and Rhode Island where catastrophic weather events could damage our facilities or interrupt our power supply. The loss or significant impairment of functionality in these facilities for any reason could have a material adverse effect on our business, as we do not have significant redundancies to replace our facilities if functionality is impaired. Our disaster recovery and business continuity plans involve arrangements with our off-site, secure data centers. In the event of a catastrophic weather event or cyber security attack, we cannot assure that we will be able to access our systems from these facilities in the event that our primary systems are unavailable. While we have established infrastructure and geographic redundancy for our critical systems, our ability to utilize these redundant systems requires further testing and we cannot be assured that such systems are fully functional.

Most of our information technology systems are currently outsourced to third party vendors. We are not directly involved in any security testing with any of our vendors and we rely on the SOC-2 reports they provide us. If these third parties are unable, unwilling, or otherwise experience interruptions in their ability to provide services to us or to provide us access to the systems on which we rely, or if these third parties are unable to secure our data from cyberattacks and other cyber incidents, our operations may be disrupted, and we may incur significant costs, harm to our reputation or relationships with our customers or otherwise experience a material adverse effect on our business.

Item 1B. Unresolved Staff Comments

None

Item 1C. Cybersecurity

The Audit Committee (“Audit Committee”) of the Company’s Board of Directors (the “Board”) is actively involved in oversight of the Company’s risk management program, which includes the identification, assessment and management of material cybersecurity risks. A cybersecurity threat is any potential unauthorized occurrence, on or conducted through, the Company’s information systems that may result in adverse effects on the confidentiality, integrity or availability of the Company’s information systems or any information residing therein. In general, the Company seeks to address cybersecurity risks through a comprehensive, cross-functional approach that is focused on preserving the confidentiality, security and availability of the information that the Company collects and stores by identifying, preventing and mitigating cybersecurity threats and effectively responding to cybersecurity incidents when they occur.

Cybersecurity risk management and strategy

As one of the elements of the Company’s overall risk management program, the Company’s cybersecurity program is focused on the following key areas:

- **Technical Safeguards:** The Company deploys technical safeguards that are designed to protect the Company’s information systems from cybersecurity threats, including firewalls, intrusion prevention and detection systems, anti-malware functionality and access controls, which are evaluated and improved through vulnerability assessments and cybersecurity threat intelligence.
- **Incident Response and Recovery Planning:** The Company has established and maintains incident response and recovery plans to timely, consistently, and compliantly address cybersecurity threats that may occur despite the Company’s safeguards, and such plans are tested and evaluated on a regular basis.
- **Third-Party Risk Management:** The Company maintains a risk-based approach to identifying and overseeing cybersecurity risks presented by third parties, including vendors, service providers and other external users of

the Company's systems, as well as the systems of third parties that could adversely impact the Company's business in the event of a cybersecurity incident affecting those third-party systems.

- **Outside Consultants:** The Company engages various outside consultants, including contractors, assessors, auditors, outside attorneys and other third parties, to among other things:
  - Assist in the design, implementation, and testing of our cybersecurity program, policies and procedures;
  - monitor Company networks, servers and endpoints to identify vulnerabilities;
  - perform assessments on the Company's cybersecurity measures, including audits and independent reviews of the Company's information security control environment and operating effectiveness;
  - obtain information of a cybersecurity incident and isolate compromised systems and electronic data from further exposure;
  - determine and execute mitigation and remediation options and plans; and
  - ensure ongoing compliance with applicable legal and regulatory requirements, including notification to required individuals and regulatory bodies in the event of the discovery of an information security breach as defined under applicable laws, and timely and adequate disclosure under applicable SEC rules.

Education and Awareness: The Company provides annual training for personnel regarding cybersecurity threats as a means to equip the Company's personnel with effective tools to address cybersecurity threats, and to communicate the Company's evolving information security policies, standards, processes and practices.

Governance

The Company maintains an Information Security Committee (the "ISC") which is a cross-functional governance committee comprised of the AVP- Enterprise Information Technology ("IT AVP"), Chief Financial Officer ("CFO") and Chief Executive Officer ("CEO"). The ISC is the focal point for all information security activities throughout the Company and acts as a liaison on security matters throughout our group of affiliates. The ISC, led by the IT AVP works collaboratively across the Company to implement a program designed to protect the Company's information systems from cybersecurity threats and to promptly respond to any cybersecurity incidents in accordance with the Company's incident response and recovery plans. The ISC is charged with developing and implementing policies and procedures for incident response handling, monitoring, and addressing security risks on an ongoing basis. The ISC is responsible for deploying technology and information security experts to monitor security risks and advise, contain, analyze, and report on security incidents, as necessary. As described above, the Company also retains a third-party cybersecurity firm to work hand-in-hand with the ISC to develop and oversee a program to prevent, detect, mitigate and remediate cybersecurity incidents.

The Board has delegated to the Audit Committee the responsibility for monitoring and overseeing the Company's cybersecurity and other information technology risks, controls, strategies and procedures. The Company's IT AVP, on behalf of the ISC, reports to the Audit Committee at least annually regarding technological risk exposure and the Company's cybersecurity risk management strategy and reports any incidents to the Audit Committee in real time. Based on these reports, the Audit Committee periodically evaluates the Company's information security strategies to ensure its effectiveness and, if appropriate, may also include a review from third-party experts. The Company's Internal Audit function also provides quarterly updates to the Audit Committee which include an update on cybersecurity risks and related internal controls.

Management's Expertise

Our IT AVP also ensures he is continually informed about the latest developments in cybersecurity, including potential threats and innovative risk management techniques. Staying informed on developments in the cyber industry is crucial to the Company's effective prevention, detection, mitigation and remediation of any cybersecurity incidents. In addition, the Company's CEO and IT AVP each hold undergraduate degrees and graduate degrees in their respective fields, and each have over 20 years of experience managing risks at the Company or at similar companies, including risks arising from cybersecurity threats.

Risks from Cybersecurity Threats

Cybersecurity threats, including as a result of any previous cybersecurity incidents, have not materially affected or are reasonably likely to affect the Company, including its business strategy, results of operations or financial condition.

Item 2. Properties

The following is a summary of our offices and locations:

Location	Business Use	Square Footage	Leased/Owned	Lease Expiration Date
Tampa, Florida	Corporate Headquarters	89,000	Leased	March 31, 2031
Honolulu, Hawaii	Insurance Company HI, Operations	4,405	Leased	February 28, 2030
Sunrise, Florida	Regional Office	28,000	Leased	October 31, 2029
Johnston, Rhode Island	Insurance Company NE, Operations	28,098	Leased	January 31, 2026

Item 3. Legal Proceedings

We are subject to routine legal proceedings in the ordinary course of business. We believe that the ultimate resolution of these matters will not have a material adverse effect on our business, financial condition or results of operations.

Item 4. Mine Safety Disclosures

Not applicable

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "HRTG". As of March 2, 2026, we had 30,720,918 shares of common stock outstanding, including 1,479,245 shares of restricted stock for which restrictions have not lapsed.

Holders of Record

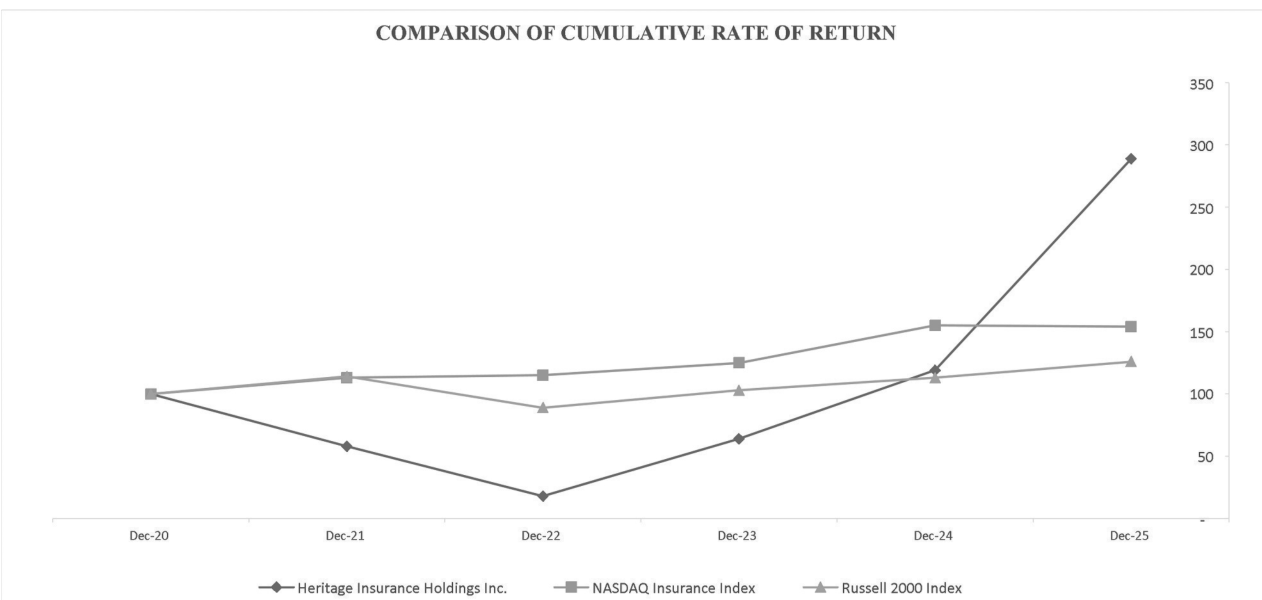
As of March 2, 2026, there were 53 holders of record of our common stock.

Dividends

We have not declared quarterly dividends since the first quarter of 2022. The declaration and payment of dividends will continue to be at the discretion of our board of directors and will depend on our profits, financial requirements and other factors, such as restrictions under our credit facilities, which limit our ability to pay dividends, and other legal and regulatory restrictions on the payment of dividends, our overall business condition and other elements our board of directors considers relevant. Refer to **Note 22** "*Equity*" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

Stock Performance Graph

The following five year graph and table compare the cumulative total stockholder return of our common stock over the period from December 31, 2020 through 2025, assuming an initial investment of $100 and reinvestment of dividends with the performance among Heritage, NASDAQ Insurance Index and Russell 2000 Index. We are a component of the Russell 2000 index and it provides a small and mid-cap benchmark index. The NASDAQ Insurance Index consists of all publicly traded insurance underwriters in the property and casualty sector in the United States.



	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Heritage Insurance Holdings Inc.	100	58	18	64	119	289
NASDAQ Insurance Index	100	113	115	125	155	154
Russell 2000 Index	100	114	89	103	113	126

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a super-regional property and casualty insurance holding company that primarily provides personal and commercial residential insurance products across our multi-state footprint. We provide personal residential insurance in Alabama, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Maryland, Massachusetts, Mississippi, New Jersey, New York, North Carolina, Rhode Island, South Carolina, and Virginia and commercial residential insurance in Florida, Hawaii, New Jersey, and New York. We provide personal residential insurance in Florida, Hawaii and South Carolina on both an admitted and non-admitted basis and in California on a non-admitted basis. As a vertically integrated insurer, we control or manage substantially all aspects of risk management, underwriting, claims processing and adjusting, actuarial rate making and reserving, customer service, and distribution. Our financial strength ratings are important to us in establishing our competitive position and can impact our ability to write policies.

Recent Developments

Economic and Market Factors

We continue to monitor the effects of general changes in economic and market conditions on our business. As a result of general inflationary pressures, we have experienced, and may continue to experience, increased cost of materials and labor needed for repairs and to otherwise remediate claims throughout all states in which we conduct business. We mitigate the impact of inflation by implementation of rate increases and the use of inflation guard, which ensures appropriate replacement cost values for our business to reflect the inflationary impact on costs to repair properties. Use of inflation guard impacts both premium and total insured value ("TIV"). To the extent that reinsurance costs rise, we may seek to recoup the cost of reinsurance in future rate filings as well as mitigate the cost through exposure management.

Supplemental Information

The Supplemental Information table below demonstrates progress on our initiatives by providing policy count, premiums-in-force, and total insured value for Florida and all other states as of December 31, 2025 and comparing those metrics to December 31, 2024. One of our strategies had been to reduce personal lines exposure in Florida, given historical abusive claims practices. Since 2022, several legislative changes have been implemented to positively impact the Florida property insurance market by curtailing assignment of benefits and litigated claims abuses. The positive impact of the legislative changes is reflected in our loss trends, which favorably impact the cost of insurance to our policyholders. Our strategy has been to obtain rate adequacy throughout our portfolio. Through various underwriting, rate making and other actions over the last several years, we believe we have achieved rate adequacy in over 90% of our portfolio, with each of those rate adequate territories being currently open for writing new business. During 2025, we concluded our exposure management initiatives from previous years and began deployment of our managed growth initiative. We anticipate growing our portfolio during 2026 while maintaining our disciplined underwriting standards.

	At December 31,		
Policies in force:	***2025***	***2024***	***% Change***
Florida	123,437	133,775	(7.7) %
Other States	233,838	255,700	(8.5) %
Total	**357,275**	**389,475**	(8.3) %
Premiums in force:	***(In thousands)***		
Florida	$ 679,079	$ 707,197	(4.0) %
Other States	752,738	726,048	3.7 %
Total	**$ 1,431,817**	**$ 1,433,245**	(0.1) %
Total Insured Value:	***(In thousands)***		
Florida	$ 105,997,817	$ 102,661,095	3.3 %
Other States	257,533,142	264,950,914	(2.8) %
Total	**$ 363,530,959**	**$ 367,612,009**	(1.1) %

Policies-in-force decreased from the prior year, driven primarily by the final stages of our continued strategy to re-underwrite our existing personal lines book of business and gradually open territories for new business written where rates are adequate. At the same time, the policies-in-force specific to our commercial residential business grew during 2025, which drove an increase in our Florida TIV. As rates for our personal lines business became more adequate during 2025, the Company embarked upon a managed growth strategy. New business premium production for the fourth quarter of 2025 increased over 60% compared to new business production for the fourth quarter of 2024. Premiums in force for our personal lines business grew year over year but was offset by a larger decline in premiums in force for our commercial residential business. The decline in premium in force for commercial residential business was driven mostly by the current competitive market in Florida for this product. We have a substantial book of commercial business at December 31, 2025 with $265.0 million of in-force premium and will maintain our established pricing and underwriting discipline.

Florida policies-in-force declined from the prior year by 7.7% and Florida premiums-in-force decreased by 4.0%, while Florida TIV increased over the prior year. The decrease in Florida premiums-in-force was driven mostly by a reduction in premium for commercial residential business related to the current competitive market in the state. However the in-force policies for the commercial residential product grew resulting in higher Florida TIV. Compared to the year ended December 31, 2024, the policy count for markets outside of Florida decreased 8.5% due to underwriting actions and intentional exposure management, resulting in a TIV decrease of 2.8% while premiums-in-force increased by 3.7% due to rating actions.

Strategic Profitability Initiatives

The Company has focused on three main strategic initiatives aimed at achieving consistent long-term quarterly earnings and driving shareholder value including:

- Generating underwriting profit through rate adequacy and more selective underwriting.
- Allocating capital to products and geographies that maximize long-term returns.
- Targeting a balanced and diversified portfolio

Fulfilled Strategic Profitability Initiatives in 2025

- Re-opened profitable geographies and allocated capital to sustain profits and margin on a measured basis
- Persistent underwriting discipline and focus on rate adequacy
- Continued data driven analytics
- Enhanced customer service and claims capabilities
- Leveraged infrastructure and capabilities to foster future growth

Strategic Profitability Initiatives for 2026

- Target geographies open for new business, while closely managing risk and exposure
- Continue persistent underwriting discipline and focus on rate adequacy while driving prudent growth of the top line
- Enhance data driven analytics using AI and other technology tools
- Continue the refinement of customer service and claims capabilities
- Leverage infrastructure and capabilities to foster future growth, which includes our plan to enter the State of Texas to offer products on an excess and surplus lines basis

Trends

Inflation, Underwriting and Pricing

We address reinsurance and loss costs trends in the property insurance sector through rates and inflation guard factors which resulted in an increase in the average premium per policy of 8.9% at December 31, 2025, as compared to the prior year . The higher average premium is driven by rate changes, inclusion of inflation guard, and by the mix of business written. We experienced intentional growth of our commercial residential business during 2024, with in-force premium in that line of business decreasing during 2025, driven primarily by competitive market conditions as described above. New rates, which are subject to approval by our regulators, become effective when a policy is written or renewed, and the premium is earned pro rata over the policy period of one year. As a result of this timing, it can take up to twenty-four months for the complete impact of a rate change to be fully earned in our financial statements. For that reason, we account for inflation in our rate indications and filings with our regulators.

We invest in data analytics, using software and experienced personnel, to continuously evaluate our underwriting criteria and manage exposure to catastrophe and other losses. Our policy retention has remained steadily in the range of 90.0%. While we believe our rates are generally competitive with private market insurers operating in our space, we are focused on managing exposure and achieving rate adequacy throughout our book of business as well as providing high levels of customer service to our agents and policyholders.

We experience rising inflation in the form of increased labor and material costs, which drive up claim costs throughout all states in which we conduct business. However, inflation is increasing at a lower rate than what we have experienced in the last several years. We adjust for changes in inflation by increasing or decreasing the inflation factor used in our pricing. Florida personal lines claim costs associated with litigated claims have decreased over the last several years due to favorable legislation aimed to curtail claims abuse and stabilizing the Florida property insurance market. This is reflected in our rates and as the legislation appears to have achieved its intended impact, our outlook on conducting business in Florida has improved.

We have experienced a sufficient supply of catastrophe excess of loss reinsurance and believe our cost of reinsurance to be competitive. In contrast, our industry had experienced significantly higher reinsurance costs and more constrained availability for catastrophe excess of loss reinsurance in 2022 and 2023.

Key Components of our Results of Operations

Revenue

Gross premiums written represent, with respect to a period, the sum of direct premiums written (premiums from policies written during the period, net of any midterm cancellations and renewals of voluntary policies) and assumed premiums written (primarily premiums from state fair plan policies), in each case prior to ceding premiums to reinsurers.

Gross premiums earned represent the total premiums earned during a period from policies written. Premiums associated with new and renewal policies are earned ratably over the twelve-month term of the policy and premiums associated with assumed policies are earned ratably over the remaining term of the policy.

Ceded premiums represent the cost of our reinsurance during a period. We recognize the cost of our reinsurance program ratably over term of the arrangement, which is typically twelve months. Our catastrophe excess of loss reinsurance generally commences on June 1 and runs through May 31 of the following year. Our net quota share treaty commences on December 31. Our other reinsurance programs may be purchased on a calendar or fiscal year basis.

Net premiums earned reflect gross premiums earned less ceded premiums during the period.

Net investment income represents interest earned on fixed maturity securities, short term securities and other investments, dividends on equity securities.

Net realized and unrealized gains or losses represent gains or losses on investment sales and unrealized gains or losses on equity securities.

Other revenue is primarily comprised of policy and pay-plan fees and also includes rental income due under non-cancelable leases for space at the Company's commercial property in Clearwater, Florida, which was sold in the third quarter of 2025. Our regulators have approved a policy fee on each policy written for certain states; to the extent these fees are not subject to refund, the Company recognizes the income immediately when collected. The Company also charges pay-plan fees to policyholders that pay premiums in more than one installment and record the fees as income when collected.

Expenses

Losses and loss adjustment expenses ("LAE") reflect losses paid, expenses paid to resolve claims, such as fees paid to adjusters, attorneys and investigators, and changes in our reserves for unpaid losses and loss adjustment expenses during the period, in each case net of losses ceded to reinsurers. Our reserves for unpaid losses and loss adjustment expenses represent the estimated ultimate cost of resolving all reported claims plus all losses we incurred related to insured events that we assume have occurred as of the reporting date, but that policyholders have not yet reported to us (which are commonly referred to as incurred but not reported, or "IBNR"). We estimate our reserves for unpaid losses using individual case-based estimates for reported claims and actuarial estimates for IBNR losses. We continually review and adjust our estimated losses as necessary based on our evolving claims experience, new information obtained and industry development trends. If our unpaid losses and loss adjustment expenses are considered deficient or redundant, we increase or decrease the liability in the period in which we identify the difference and reflect the change in our current period results of operations.

Policy acquisition costs ("PAC") consist of: (i) commissions paid to outside agents at the time of policy issuance, (ii) policy administration fees paid to a third-party, (iii) premium taxes and (iv) inspection fees. We recognize policy acquisition costs ratably over the term of the underlying policy. We earn ceding commissions on our net quota share reinsurance contract and certain other reinsurance contracts, which are reported as a reduction to policy acquisition costs and general and administrative expenses based upon the proportion these costs bear to production of new business. Ceding commission income is deferred and earned over the contract period. The amount and rate of ceding commissions earned on the net quota share contract can slide within a prescribed minimum and maximum, depending on loss performance and how future losses develop. Refer to **Note 11** "*Deferred Policy Acquisition Costs*" to our consolidated financial statements under Item 8 of this Annual Report on Form 10K.

General and administrative expenses ("G&A") include compensation and related benefits, professional fees, office lease and related expenses, information system expenses, corporate insurance, and other general and administrative costs. As noted above, a certain portion of our ceding commissions are allocated to general and administrative expenses.

Provision for income taxes consists of federal and state corporate level income taxes. The effective tax rate can fluctuate throughout the year as estimates used in the quarterly tax provision are updated with additional information throughout the year and updated with actual amounts in the fourth quarter. The effective tax rate can vary from the 25.8% statutory federal and state blended rate depending on the amount of pretax income in proportion to permanent tax differences as well as state tax apportionment.

Ratios

*Ceded premium rat*io represents ceded premiums earned as a percentage of gross premiums earned.

Net loss ratio represents net losses and LAE as a percentage of net premiums earned.

Net expense ratio represents PAC and G&A expenses as a percentage of net premiums earned. Ceding commission income is reported as a reduction of policy acquisition costs and G&A expenses.

Net combined ratio represents the sum of the net loss and expense ratio. The net combined ratio is a key measure of underwriting performance traditionally used in the property and casualty insurance industry. A net combined ratio under 100% generally reflects profitable underwriting results.

Overview of 2025 Financial Results

In the following section, we discuss our financial condition and results of operations for the year ended December 31, 2025 compared to the year ended December 31, 2024. For a discussion of the year ended December 31, 2024 compared to the year ended December 31, 2023, please Refer to Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2024, which was filed with the SEC on March 13, 2025.

The discussion of our financial condition and results of operations that follows provides information that will assist the reader in understanding our consolidated financial statements, the changes in certain key items in those financial statements from year to year, including certain key performance indicators such as net combined ratio, ceded premium ratio, net expense ratio and net loss ratio, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect our consolidated financial statements. This discussion should be read in conjunction with our consolidated financial statements and the related notes included under Part II, Item 8 of this Annual Report on Form 10-K.

- Net income for the year ended December 31, 2025 was $195.6 million or $6.32 per diluted share, compared to a net income of $61.5 million or $2.01 diluted loss per share in the prior year. The increase was primarily driven by higher net premiums earned, higher investment income, a significant decrease in losses and LAE, and lower operating expenses. The improvement in net income is attributable to the positive impact of rate actions, underwriting actions, and exposure management taken during the last several years, which favorably impacted results for the year ended December 31, 2025. These actions resulted in growth of 3.4% in net premiums earned, with a 29.9% decrease in net losses and LAE. The decrease in net losses and LAE is attributable to lower weather and attritional losses as described below. Policy acquisition costs decreased 9.0%, driven by higher ceding commission income on the net quota share reinsurance contracts. General and administrative costs increased 9.2% driven primarily by human capital and systems costs as described below.

- Gross premiums written of $1.44 billion, an improvement of 0.2% from $1.43 billion in the prior year, reflecting rating actions and deployment of our managed growth initiative, while ending exposure management initiatives from prior years. These actions resulted in growth of our personal lines premium over the prior year. A reduction of written premium for commercial residential business, driven by competitive market conditions, mostly offset the growth in the personal lines gross written premium. Management believes we have achieved rate adequacy in over 90% of our territories and each of those territories were open for new business as of December 31, 2025.

- Gross premiums earned of $1.43 billion, an improvement of 1.8% from $1.41 billion in the prior year, reflecting higher gross premiums written over the last twelve months.

- Net premiums earned of $794.2 million, an improvement of 3.4% from $767.9 million in the prior year, reflecting the higher gross earned premium coupled with a reduction in ceded premiums compared to the prior year.

- Losses and loss adjustment expenses incurred of $313.2 million, a 29.9% improvement from $447.0 million in the prior year. The decrease primarily stems from significantly lower catastrophe losses and lower attritional losses as well as favorable net loss development. Net weather and catastrophe losses for the current accident year were $77.5 million, a decrease from $146.7 million in the prior year. Catastrophe losses in the current year were $33.2 million, down from $104.6 million in the prior year. Other weather losses totaled $44.3 million, up from the prior year amount of $42.1 million. Net favorable prior year loss development was $13.5 million for the current year compared to net unfavorable loss development of $25.4 million for the prior year.

- Ceded premium ratio of 44.5%, a 0.9 point improvement over the prior year ratio of 45.4%, driven by growth in gross premiums earned, coupled with less ceded premium compared to the prior year as described below.
- Net loss ratio of 39.4%, an 18.8 point improvement over the prior year ratio of 58.2%, driven by the reduction of losses and LAE as described above coupled with higher net premiums earned.
- Net expense ratio of 33.6%, down 2.4 points from the prior year amount of 36.0%, driven by lower operating expenses coupled with higher net earned premium. The decrease in policy acquisition costs is primarily driven by higher ceding commission associated with the net quota share reinsurance program while the increase in general and administrative expenses relates to higher human capital and systems costs, both of which are described below.
- Net combined ratio of 73.1%, a 21.1 point improvement from 94.2% in the prior year, primarily driven by lower net loss ratio and a lower net expense ratio as described above.
- Effective tax rate was 24.6% compared to 25.7% in the prior year. The effective tax rate for 2025 was slightly lower than the statutory rate, driven primarily by higher pretax income which had a dilutive effect on permanent tax differences.

Consolidated Results of Operations

The following table summarizes our results of operations for the years indicated:

	Year Ended December 31,			
	2025	***2024***	***$ Change***	***% Change***
		(in thousands, expect per share amounts)		
REVENUE:				
Gross premiums written	$ 1,436,346	$ 1,432,942	$ 3,404	0.2%
Change in gross unearned premiums	(5,243)	(26,836)	21,593	80.5%
Gross premiums earned	1,431,103	1,406,106	24,997	1.8%
Ceded premiums	(636,946)	(638,246)	1,300	0.2%
Net premiums earned	794,157	767,860	26,297	3.4%
Net investment income	37,156	36,631	525	1.4%
Net realized gains (losses) on debt securities and other investments	2,713	(705)	3,418	NM
Other revenue	13,304	13,199	105	0.8%
Total revenue	847,330	816,985	$ 30,345	3.7%
OPERATING EXPENSES:				
Losses and loss adjustment expenses	$ 313,246	$ 447,048	$ (133,802)	(29.9%)
Policy acquisition costs	173,961	191,189	(17,228)	(9.0%)
General and administrative expenses	92,972	85,138	7,834	9.2%
Total operating expenses	580,179	723,375	(143,196)	(19.8%)
Operating income	267,151	93,610	173,541	185.4%
Interest expense, net	7,887	10,934	(3,047)	(27.9%)
Income before taxes	259,264	82,676	176,588	213.6%
Income tax expense	63,670	21,136	42,534	201.2%
Net income	$ 195,594	$ 61,539	$ 134,054	217.8%
Basic net income per share	$ 6.33	$ 2.01	$ 4.32	214.9%
Diluted net income per share	$ 6.32	$ 2.01	$ 4.31	214.4%

Total revenue

Total revenue was $847.3 million for the year ended December 31, 2025, up 3.7% compared to $817.0 million in the prior year. The increase primarily stems from higher net premiums earned and net investment income, which includes a realized gain on a building sale, as described below.

Gross premiums written

Gross premiums written were $1.44 billion, up 0.2% from $1.43 billion in the prior year, reflecting rating actions and deployment of our managed growth initiative, while ending our exposure management initiatives from prior years. These actions resulted in growth of our personal lines premium over the prior year. A reduction of written premium for commercial residential business, driven by competitive market conditions, was mostly offset the growth in the personal lines gross written premium. We believe we have achieved rate adequacy in over 90% of our territories and each of those territories were open for new business as of December 31, 2025.

Premiums-in-force were $1.43 billion as of December 31, 2025, representing a 0.1% decrease from the prior year due to a reduction in commercial residential in-force premium that offset growth in personal lines in-force premium throughout the book.

Gross premiums earned

Gross premiums earned were $1.43 billion for the year ended December 31, 2025, up 1.8% compared to $1.41 billion in the prior year reflecting higher gross premiums written over the last twelve months.

Ceded premiums

Ceded premiums were $636.9 million for the year ended December 31, 2025, down 0.2% compared to $638.2 million in the prior year. The decrease is primarily attributable to a favorable adjustment recorded in the fourth quarter to reflect a TIV true up on the catastrophe excess of loss reinsurance program and lower catastrophe loss reinstatement premium compared to the prior year, which was partly offset by higher ceded premium on the net quota share program from higher subject premium for that program.

Net premiums earned

Net premiums earned were $794.2 million for the year ended December 31, 2025, up 3.4% compared to $767.9 million in the prior year. The increase primarily stems from higher gross premiums earned coupled with lower ceded premiums as described above.

Net investment income, inclusive of net realized gains on debt securities and other investments

Net investment income, inclusive of net realized gains on debt securities and other investments was $39.9 million for the year ended December 31, 2025, up 11.0% compared to $35.9 million in the prior year. The increase is primarily due to a gain on a building sale during the third quarter as well as higher investment yields driven by higher cash and invested assets balances which are moving out on the yield curve, which was partly offset by lower yields on money market funds and our bank sweep accounts as a result of the current interest rate environment.

EXPENSE

	Year Ended December 31,			
	2025	***2024***	***$ Change***	***% Change***
		(in thousands)		
OPERATING EXPENSES:				
Losses and loss adjustment expenses	$ 313,246	$ 447,048	$ (133,802)	(29.9%)
Policy acquisition costs	173,961	191,189	(17,228)	(9.0%)
General and administrative expenses	92,972	85,138	7,834	9.2%
Total operating expenses	$ 580,179	$ 723,375	$ (143,196)	(19.8%)

Total operating expenses

Total operating expenses were $580.2 million, an improvement of 19.8% from $723.4 million in the prior year. As described below, the decrease in operating expenses was driven by a decrease in losses and loss adjustment expenses and policy acquisition costs offset by higher general and administrative expenses.

Losses and loss adjustment expenses (LAE)

Losses and LAE were $313.2 million for the year ended December 31, 2025, an improvement of 29.9% compared to $447.0 million in the prior year. The decrease primarily stems from lower catastrophe losses, lower attritional losses and favorable loss development, which was partly offset by slightly higher weather losses compared to the prior year. Net current accident year weather and wildfire losses were $77.5 million, up from $146.7 million in the prior year. Current year catastrophe losses were $33.2 million compared to catastrophe weather losses of $104.6 million in the prior year. Other weather losses were $44.3 million compared to $42.1 million in the prior year. Additionally, attritional losses were lower than the prior year. Net favorable prior year loss development was $13.5 million for the year 2025 compared to net unfavorable loss development of $25.4 million for the prior year. The 2024 net unfavorable loss development stemmed primarily from losses associated with Hurricane Irma, for which the losses were fully retained.

Policy acquisition costs

Policy acquisition costs were $174.0 million for the year ended December 31, 2025, an improvement of 9% compared to $191.2 million in the prior year. The decrease is primarily attributable to higher ceding commission earned on the net quota share reinsurance contract, the income of which offsets other policy acquisition costs. The increase in ceding commission income is due to changes in the program which incepted December 31, 2024 and included a higher ceded premium rate and more written premium applicable to the program, as well as a higher ceding commission rate driven by favorable loss experience during 2025 for that program.

General and administrative expenses

General and administrative expenses were $93.0 million for the year ended December 31, 2025, up 9.2% compared to $85.1 million in the prior year. The increase was driven largely by human capital costs and higher costs associated with the implementation of a new claims, billing and policy system, which were partly offset by higher ceding commission and certain lower costs associated with the non-recurrence of 2024 expenses. The policy, billing and claims system was placed in service on a pilot basis late in the third quarter of 2024. Certain costs associated with the system are currently being capitalized as development is still in progress and the previously capitalized costs are now being amortized, while other costs associated with the system are being expensed as incurred. The Company’s implementation of enhanced and updated claims, policy, and billing systems is expected to enhance customer service, and improve the timeliness and quality of data analytics used to drive underwriting income, as well as the ability to leverage current and developing technology.

INCOME

	Year Ended December 31,			
	2025	***2024***	***$ Change***	***% Change***
	(in thousands, expect per share amounts)			
Operating income	$ 267,151	$ 93,610	$ 173,541	185.4%
Interest expense, net	7,887	10,934	(3,047)	(27.9%)
Income before taxes	259,264	82,676	176,588	213.6%
Income tax expense	63,670	21,136	42,534	201.2%
Net income	$ 195,594	$ 61,539	$ 134,054	217.8%
Basic net income per share	$ 6.33	$ 2.01	$ 4.32	214.9%
Diluted net income per share	$ 6.32	$ 2.01	$ 4.31	214.4%

Net income

Net income for the year ended December 31, 2025 was $195.6 million or $6.32 per diluted share, an improvement of 217.8% from net income of $61.5 million or $2.01 per diluted share in the prior year. The increase was driven by higher net premiums earned, higher investment income, a significant decrease in losses and LAE, and lower operating expenses. The improvement in net income is also attributable to the positive result of rate actions, underwriting discipline, and exposure management undertaken during the last several years. These and other actions resulted in growth of 3.4% in net premiums earned and a 29.9% decrease in net losses and LAE, as described above. Policy acquisition costs decreased 9.0%, primarily related to an increase in ceding commission income on the net quota share reinsurance contracts. General and administrative costs increased

9.2% driven primarily by costs associated with software, including a new claims, billing and policy system as well as an increase in human capital costs as described above. As described below, a lower effective tax rate amplified the benefit of these items on an after tax basis.

Interest expense, net

Interest expense was $7.9 million for the year ended December 31, 2025, a reduction from the prior year amount of $10.9 million by 27.9%. The decrease was attributable to the impact from the reduction of debt obligations accompanied with a lower interest rate environment for our variable rate debt.

Income tax expense

The expense for income taxes was $63.7 million for the year ended December 31, 2025 compared to $21.1 million for the year ended December 31, 2024. The effective tax rate for the year ended December 31, 2025 was 24.6%, which is slightly lower than the statutory rate, compared to 25.6% in the prior year. The effective tax rate for 2025 was slightly lower than the statutory rate, driven primarily by higher pretax income which had a dilutive effect on permanent tax differences.

RATIOS

	Year Ended December 31,	
	2025	***2024***
Ceded premium ratio	44.5%	45.4%
Net loss and LAE ratio	39.4%	58.2%
Net expense ratio	33.6%	36.0%
Net combined ratio	73.1%	94.2%

Net combined ratio

The net combined ratio was 73.1% for the year ended December 31, 2025, a 21.1 point improvement from 94.2% in the prior year. The improvement stems primarily from a significantly lower net loss and LAE ratio coupled with a lower net expense ratio, as described below.

Ceded premium ratio

The ceded premium ratio was 44.5% for the year ended December 31, 2025, a 0.9 point improvement from 45.4% to the prior year, reflecting the growth in gross premiums earned as well as lower reinsurance costs as described above.

Net loss and LAE ratio

The net loss and LAE ratio was 39.4% for the year ended December 31, 2025, an 18.8 point improvement from 58.2% in the prior year, primarily driven by the benefit of higher net premiums earned coupled with lower losses and LAE as described above.

Net expense ratio

The net expense ratio was 33.6% for the year ended December 31, 2025, a 2.4 point improvement from 36.0% in the prior year primarily driven by growth in net premiums earned coupled with lower policy acquisition costs which were partly offset by higher net general and administrative expenses as described above.

Financial Condition – December 31, 2025 compared to December 31, 2024

Cash and Cash Equivalents

At December 31, 2025, cash and cash equivalents increased by $106.6 million to $559.3 million from $452.7 million at December 31, 2024. The increase was primarily a result of net cash provided by operations, which was held in money market funds for liquidity.

Fixed Maturity Securities

At December 31, 2025, fixed income securities increased by $57.7 million to $713.2 million from $655.6 million at December 31, 2024. The increase primarily relates to purchases of fixed income securities to lock in interest rates.

Premiums Receivable, net

At December 31, 2025, premiums receivable, net decreased by $6.8 million to $95.3 million from $102.1 million at December 31, 2024. The decrease is primarily due to timing of issuance of policies as well as a smaller population of policyholders using pay plans for their premium payment. When premiums are paid upfront rather than using pay plans, the impact on premiums receivable is to decrease the balance.

Deferred Income Tax Asset, net

At December 31, 2025, the net deferred tax asset decreased by $8.0 million to $5.9 million from $13.9 million at December 31, 2024. The decrease is driven primarily by a reduction of net capitalized software costs as those costs were amortized during 2025. Additionally, the reduction in unrealized losses on investments contributed to a lower net deferred tax asset compared to the prior year.

Reinsurance Recoverable on Paid and Unpaid Claims

At December 31, 2025, reinsurance recoverable on paid and unpaid claims decreased by $421.6 million to $318.6 million from $740.2 million at December 31, 2024. The decrease is primarily due to reinsurance recoveries collected during 2025 for losses associated with Hurricanes Ian and Milton as well as a reduction in ultimate losses for certain catastrophic events which reduced reinsurance recoverable on unpaid claims as hurricane claims developed favorably during 2025.

Other Assets

At December 31, 2025, other assets increased by $22.2 million to $33.8 million from $11.6 million at December 31, 2024. A portion of the increase is driven by an $11.0 million loan to the buyer of a building sold during 2025 which was repaid in full to the Company in January 2026. Another portion of the increase is driven by an amount due from the Florida Department of Revenue associated with a premium tax credit provided by the Company to its policyholders, which was mandated by Florida law and will be credited against the Company's 2025 Florida premium tax on its return to be filed in March 2026.

Unpaid Losses and Loss Adjustment Expenses

At December 31, 2025, unpaid losses and loss adjustment expenses decreased by $463.2 million to $579.5 million from $1.0 billion at December 31, 2024. This balance represents unpaid loss and loss adjustment expenses gross of reinsurance. The decrease was primarily due to payment of claims for Hurricanes Milton and Ian during the year ended 2025, as well as a reduction in ultimate losses for certain catastrophic events as hurricane claims developed favorably during 2025.

Long-term debt, net

At December 31, 2025, long-term debt, net decreased by $37.9 million to $78.4 million from $116.3 million at December 31, 2024. The decrease is driven by a payoff of the FHLB loan coupled with a payoff of the mortgage on the building that was sold during 2025, as well as principal payments on the term loan.

Total Shareholders' Equity

At December 31, 2025, total shareholders' equity increased by $214.5 million to $505.3 million from $290.8 million at December 31, 2024. The increase is primarily due to net income of $195.6 million for the year ended December 31, 2025, coupled with a reduction in unrealized losses on our fixed income portfolio from $37.2 million at December 31, 2024 to $13.5 million at December 31, 2025 driven by lower interest rates during 2025, partly offset by the repurchase of stock during 2025.

Liquidity and Capital Resources

Our principal sources of liquidity include cash flows generated from operations, our cash and cash equivalents, our marketable securities balances and borrowings available under our credit facilities. As of December 31, 2025, we held $559.3 million in cash and cash equivalents and $715.6 million in investments, compared to $452.7 million in cash and $663.4 million in investments as of December 31, 2024. The increase in cash and cash equivalents was primarily driven by cash from operations including collection of premiums and reinsurance recoveries, funds used for payment of claims, as well as timing of reinsurance premium payments. The increase in investments was driven by re-investment of proceeds from investment maturities and short term funds.

We generally hold substantial cash balances to meet seasonal liquidity needs including amounts to pay quarterly reinsurance installments as well as meet the collateral requirements of Osprey, our captive reinsurance company, which is required to maintain a collateral trust account equal to the risk that it assumes from our insurance company affiliates.

We believe that our sources of liquidity are adequate to meet our cash requirements for at least the next twelve months.

We may continue to pursue the acquisition of complementary businesses and make strategic investments. We may increase capital expenditures consistent with our investment plans and anticipated growth strategy. Cash and cash equivalents may not be sufficient to fund such expenditures. As such, in addition to the use of our existing Credit Facilities, we may need to utilize additional debt to secure funds for such purposes.

Statement of Cash Flows

The net increases (decreases) in cash and cash equivalents are summarized in the following table:

	For the Year Ended December 31,				
	2025	***2024***	***2023***	***2025 vs 2024 Change***	***2024 vs 2023 Change***
Net cash provided by (used in):			*(in thousands)*		
Operating activities	$ 182,238	$ 87,095	$ 70,415	$ 95,143	$ 16,680
Investing activities	(32,673)	(91,599)	100,806	58,926	(192,405)
Financing activities	(40,629)	(5,190)	14,546	(35,439)	(19,736)
Net change in cash, cash equivalents, and restricted cash	$ 108,936	$ (9,694)	$ 185,767	$ 118,630	$ (195,461)

Operating Activities

Net cash provided by operating activities for the years ended December 31, 2025 and 2024 was $182.2 million and $87.1 million, respectively. The increase was primarily driven by cash from operations including timing of receipt of premiums and reinsurance recoveries, and timing of cash flows associated with claim and reinsurance payments.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2025 was $32.7 million compared to net cash used of $91.6 million in the prior year. The change in cash used in investing activities relates primarily to timing of investment maturities and use of proceeds as well as availability of existing cash to invest in longer duration fixed income securities to lock in current interest rates, as well as proceeds from the sale of investment property, net of costs and commission expenses.

Financing Activities

Net cash used in financing activities for the year ended December 31, 2025 was $40.6 million, as compared to cash used in financing activities of $5.2 million for the comparable period in 2024. The change in net cash from financing activities relates primarily to the repayments of the FHLB-ATL loan and the mortgage loan agreements for $19.2 million and $10.6 million during 2025, respectively, as well as stock repurchases. In comparison, we reported $5.5 million of proceeds in the first quarter of 2024 from a FHLB Des Moines loan.

Credit Facilities

On July 22, 2025, the Company and its subsidiary guarantors entered into the Amended and Restated Credit Agreement (the "Amended and Restated Credit Agreement") with lenders from time to time party thereto and Regions Bank, as administrative agent and collateral agent. The Amended and Restated Credit Agreement amended and restated in its entirety the Credit Agreement dated as of December 14, 2018 (as amended to date, the "Prior Credit Agreement").

The Amended and Restated Credit Agreement provides for senior secured credit facilities in the aggregate principal amount of up to $200.0 million, consisting of (1) a five-year senior secured term loan facility in an aggregate principal amount of $75 million with a maturity of July 2030 (the "Term Loan Facility"), (2) a $75 million committed delayed draw term loan that may be advanced to finance specified permitted acquisitions and investments with a maturity of July 2030 (the "Delayed Draw Term Loan Facility") and (3) a senior secured revolving credit facility in an aggregate principal amount of $50 million with a maturity of July 2030 (inclusive of a sublimit for the issuance of letters of credit equal to the unused amount of the revolving credit facility and a sublimit for swingline loans equal to the lesser of $25 million and the unused amount of the revolving credit facility) (the "Revolving Credit Facility" and together with the Term Loan Facility and the Delayed Draw Term Loan Facility, the "Credit Facilities").

Term Loan Facility. The principal amount of the term loan facility under the Prior Credit Agreement amortized in quarterly installments, with a scheduled maturity date of July 28, 2026, which was refinanced in full in connection with the Amended and Restated Credit Agreement. The principal amount of the Term Loan Facility under the Amended and Restated Credit Facility amortizes in quarterly installments beginning with the close of the fiscal quarter ending December 31, 2025, in an amount equal to $937,500 per quarter, payable quarterly, and increasing to approximately $1.4 million per quarter commencing with the quarter ending September 30, 2028, with the remaining balance payable at maturity in July 2030. As of December 31, 2025, there was $74.1 million in aggregate principal amount outstanding under the Term Loan Facility and as of December 31, 2024, there was $70.1 million in aggregate principal outstanding under the term loan facility under the Prior Credit Agreement.

Revolving Credit Facility. The Revolving Credit Facility allows for borrowings of up to $50 million inclusive of a sublimit for the issuance of letters of credit equal to the unused amount of the Revolving Credit Facility and a sublimit for swingline loans equal to the lesser of $25.0 million and the unused amount of the Revolving Credit Facility. Immediately prior to entering into the Amended and Restated Credit Agreement the outstanding balance under the revolving credit facility under the Prior Credit Agreement was $10.0 million, which amount was repaid in connection with the Amended and Restated Credit Agreement. During 2024, the Company secured letters of credit in aggregate of $24.4 million with a maturity date of March 16, 2025. There were no draws on the letters of credit during 2025, which were cancelled effective on their maturity date of March 16, 2025. On December 3, 2025, the Company secured letters of credit in aggregate of $32.0 million with a maturity date of March 31, 2026, with no draws as of December 31, 2025. Immediately prior to entering into the Amended and Restated Credit Agreement the outstanding balance under the revolving credit facility under the Prior Credit Agreement was $10.0 million, which was repaid in connection with the Amendment and Restated Credit Agreement. At December 31, 2025, the Company had $32.0 million in outstanding letters of credit issued from the Revolving Credit Facility.

At our option, borrowings under the Credit Facilities, bear interest at rates equal to either (1) a rate determined by reference to SOFR, plus an applicable margin (described below) or (2) a base rate determined by reference to the highest of (a) the "prime rate" of Regions Bank, (b) the federal funds rate plus 0.50%, and (c) the adjusted term SOFR in effect on such day for an interest period of one month plus 1.00%, plus an applicable margin (described below).

The applicable margin for loans under the Credit Facilities, varies from 2.50% per annum to 3.00% per annum (for SOFR loans) and 1.50% to 2.00% per annum (for base rate loans) based on our consolidated leverage ratio ranging from less than or equal to 1-to-1 to greater than 1.5-to-1. Interest payments with respect to the Credit Facilities are required either on a quarterly basis (for base rate loans) or at the end of each interest period (for SOFR loans) or, if the duration of the applicable interest period exceeds three months, then every three months. As of December 31, 2025, the borrowings under the Term Loan Facility were accruing interest at a rate of 6.416% per annum, respectively.

In addition to paying interest on outstanding borrowings under the Revolving Credit Facility, we are required to pay a quarterly commitment fee based on the unused portion of the Revolving Credit Facility, which is determined by our consolidated leverage ratio. As of December 31, 2025, the Company paid in commitment fees in aggregate of $109,688 as it relates to the unused portion of the Revolving Credit Facility.

The Company may prepay the loans under the Credit Facilities, in whole or in part, at any time without premium or penalty, subject to certain conditions including minimum amounts and reimbursement of certain costs in the case of prepayments of SOFR loans. In addition, we are required to prepay the loan under the Term Loan Facility with the proceeds from certain financing transactions, involuntary dispositions or asset sales (subject, in the case of asset sales, to reinvestment rights).

All obligations under the Credit Facilities are or will be guaranteed by each existing and future direct and indirect wholly owned domestic subsidiary of the Company, other than all of the Company's current and future regulated insurance subsidiaries (collectively, the "Guarantors").

The Company and the Guarantors are party to a Pledge and Security Agreement, (as amended from time to time the "Security Agreement"), in favor of a collateral agent. Pursuant to the Security Agreement, amounts borrowed under the Credit Facilities are secured on a first priority basis by a perfected security interest in substantially all of the present and future assets of the Company and each Guarantor (subject to certain exceptions), including all of the capital stock of the Company's domestic subsidiaries, other than its regulated insurance subsidiaries.

The Amended and Restated Credit Agreement contains, among other things, covenants, representations and warranties and events of default customary for facilities of this type. The Amended and Restated Credit Agreement requires the Company to maintain, as of each fiscal quarter (1) a maximum consolidated leverage ratio of 2.00 to 1.00, (2) a minimum consolidated fixed charge coverage ratio of 1.20 to 1.00 and (3) a minimum consolidated tangible net worth for the Company and its subsidiaries, which is required to be not less than the sum of 75% of consolidated tangible net worth measured as of the fiscal quarter ended September 30, 2025 plus 25% of positive consolidated net income (including its subsidiaries and regulated subsidiaries) plus the net cash proceeds of any equity transactions. Events of default include, among other events, (i) nonpayment of principal, interest, fees or other amounts; (ii) failure to perform or observe certain covenants set forth in the Credit Agreement; (iii) breach of any representation or warranty; (iv) cross-default to other indebtedness; (v) bankruptcy and insolvency defaults; (vi) monetary judgment defaults and material nonmonetary judgment defaults; (vii) customary ERISA defaults; (viii) a change of control of the Company; and (ix) failure to maintain specified catastrophe retentions in each of the Company's regulated insurance subsidiaries or observe specified reinsurer concentration limits.

Convertible Notes

On August 10, 2017, the Company and Heritage MGA, LLC (the "Notes Guarantor") entered into a purchase agreement (the "Purchase Agreement") with the initial purchaser party thereto (the "Initial Purchaser"), pursuant to which the Company agreed to issue and sell, and the Initial Purchaser agreed to purchase, $136.8 million aggregate principal amount of the Company's 5.875% Convertible Senior Notes due 2037 (the "Convertible Notes") in a private placement transaction pursuant to Rule 144A under the Securities Act, as amended (the "Securities Act"). The net proceeds from the offering of the Convertible Notes, after deducting discounts and commissions and estimated offering expenses payable by the Company, were approximately $120.5 million. The offering of the Convertible Notes was completed on August 16, 2017.

The Company issued the Convertible Notes under an Indenture (the "Convertible Note Indenture"), dated August 16, 2017, by and among the Company, as issuer, the Notes Guarantor, as guarantor, and the trustee party thereto (the "Trustee").

The Convertible Notes bear interest at a rate of 5.875% per year. Interest is payable semi-annually in arrears, on February 1 and August 1 of each year. The Convertible Notes are senior unsecured obligations of the Company that rank senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to the Company's unsecured indebtedness that is not so subordinated; effectively junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness or other liabilities incurred by the Company's subsidiaries other than the Notes Guarantor, which fully and unconditionally guarantee the Convertible Notes on a senior unsecured basis.

The Convertible Notes mature on August 1, 2037, unless earlier repurchased, redeemed or converted.

Holders may convert their Convertible Notes at any time prior to the close of business on the business day immediately preceding February 1, 2037, under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2017, if the closing sale price of the Company's common stock, for at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 130% of the conversion price of the Convertible Notes in effect on each applicable trading day; (2) during the ten consecutive business-day period following any five consecutive trading-day period in which the trading price for the Convertible Notes for each such trading day was less than 98% of the closing sale price of the Company's common stock on such date multiplied by the then-current conversion rate; (3) if the Company calls any or all of the Convertible Notes for redemption, at any time prior to the close of business on the third business day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events.

On or after February 1, 2037 until the close of business on the second business day immediately preceding August 1, 2037, holders may surrender their Convertible Notes for conversion at any time, regardless of the foregoing circumstances.

Upon the occurrence of a fundamental change (as defined in the Convertible Note Indenture) (but not, at the Company's election, a public acquirer change of control (as defined in the Convertible Note Indenture)), holders of the Convertible Notes may require the Company to repurchase for cash all or a portion of their Convertible Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

At any time prior to February 1, 2037, the Company may redeem for cash all or any portion of the Convertible Notes, at the Company's option, at a redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Convertible Notes, which means that the Company is not required to redeem or retire the Convertible Notes periodically. Holders of the Convertible Notes are able to cause the Company to repurchase their Convertible Notes for cash on any of August 1, 2022, August 1, 2027 and August 1, 2032, in each case at 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the relevant repurchase date.

The Convertible Note Indenture contains customary terms and covenants and events of default. If an Event of Default (as defined in the Convertible Note Indenture) occurs and is continuing, the Trustee by notice to the Company, or the holders of at least 25% in aggregate principal amount of the Convertible Notes then outstanding by notice to the Company and the Trustee, may declare 100% of the principal of, and accrued and unpaid interest, if any, on, all the Convertible Notes to be immediately due and payable. In the case of certain events of bankruptcy, insolvency or reorganization (as set forth in the Convertible Note Indenture) with respect to the Company, 100% of the principal of, and accrued and unpaid interest, if any, on, the Convertible Notes automatically become immediately due and payable.

As of December 31, 2025 and December 31, 2024, there was $885,000 principal amount of outstanding Convertible Notes, net of $21.1 million of Convertible Notes held by an insurance company subsidiary.

FHLB Loan Agreements

In December 2018, a subsidiary of the Company received a 3.094% fixed interest rate cash loan of $19.2 million from the Federal Home Loan Bank Atlanta ("FHLB-ATL"). On September 29, 2023, the Company restructured the December 2018 agreement to extend the maturity date to March 28, 2025, with a 5.109% fixed interest rate payable quarterly commencing on December 28, 2023. Membership in the FHLB-ATL required an investment in FHLB-ATL's common stock which was purchased in December 2018 and valued at $1.4 million. In March 2025, the FHLB-ATL agreement was repaid and the securities were released from pledged collateral. As of December 31, 2025, the subsidiary continues to be a member in FHLB-ATL with its common stock valued at $570,000.

In December 2018, another subsidiary became a member of the Federal Home Loan Bank Des Moines ("FHLB-DM"). Membership in the FHLB-DM required an investment in FHLB-DM's common stock which was purchased in December 2018 and valued at $133,200. In January 2024, the insurance subsidiary of the Company received a 4.23% fixed interest rate cash loan of $5.5 million from the FHLB-DM. Additionally, the transaction required the acquired FHLB-DM common stock and certain other investments to be pledged as collateral. As of December 31, 2025, the fair value of the collateralized securities was $4.2 million and the equity investment in FHLB-DM common stock was $316,300.

Contractual Obligations and Commitments

The following table summarizes our material contractual obligations and commitments as of December 31, 2025:

Contractual Obligations and Commercial Commitments	Total	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 - Years
			(in thousands)		
Term loans, notes and interest [(1)]	$ 74,063	$ 3,750	$ 8,425	61,888	$ —
Convertible debt [(1)]	36,990	1,293	2,586	2,586	30,524
FHLB agreement [(1)]	6,221	236	472	5,512	—
Operating lease obligations	23,725	4,964	9,812	8,085	864
Total Contractual Obligations	$ 140,998	$ 10,243	$ 21,297	$ 78,071	$ 31,388

(1) Amounts represent principal and interest payments to debt obligations. Debt obligations are classified based on their stated maturity date. For further information on long-term debt, Refer to **Note 14** "*Long Term Debt*" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

The expected timing of payments of the obligations in the preceding table is estimated based on current information. Timing of payments and actual amounts paid may be different due to changes to agreed-upon amounts for some obligations.

Market Sensitive Instruments and Risk Management

Our investment results are subject to a variety of risks, including risks related to changes in the business, financial condition or results of operations of the entities in which we invest, as well as changes in general economic conditions and overall market conditions. We are also exposed to potential loss from various market risks, including changes in equity prices and interest rates.

In accordance with the SEC's Financial Reporting Release No 48, we performed sensitivity analysis, also referenced as the hypothetical analysis (refer to Item 7A. Quantitative and Qualitative Disclosures About Market Risk) to determine the effects that market risk exposures could have on the Company's future portfolio's earnings, fair value or cash flow as of December 31, 2025. Market risk represents the risk of changes in the fair value of financial instrument and consists of several components, including liquidity, basis and price risks.

The sensitivity analysis performed as of December 31, 2025 presents hypothetical losses in cash flows, earnings and fair values of market sensitive instruments which were held by as of the year ended December 31, 2025 and are sensitive to changes in interest rates. This risk management discussion and the estimated amounts generated from the following sensitivity analysis represent forward-looking statements of market risk assuming certain adverse market conditions occur. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets. The analysis methods used by us to assess and mitigate risk should not be considered projections of future events of losses.

Exposure to market risk is managed and monitored by senior management of the parent company and its subsidiaries along with a nationally recognized asset manager. The investment committee, appointed by our board of directors approves the overall investment strategy and has responsibility to ensure that the investment positions are consistent with that strategy with an acceptable level of risk. Management of risk may include buying or selling instruments or entering into offsetting positions.

Fixed Income Securities

We invest in interest rate sensitive securities, primarily debt securities. We consider the effect of interest rate movements on the fair value of our fixed maturities, short-term investments and certain of our other investments, and investment funds accounted for using the equity method which invest in fixed income securities (collectively, "Fixed Income Securities") and the corresponding change in unrealized appreciation. As interest rates rise, the fair value of our Fixed Income Securities falls, and the converse is also true.

The Company's invested assets at December 31, 2025 were $715.6 million, of which 99.67% was invested in fixed maturity and short-term investments, 0.15% in equity securities, and 0.18% in other investments. Because the primary purpose of the investment portfolio is to fund future claims payments, the Company employs a thoughtful investment philosophy that focuses on appropriate risk-adjusted returns. A significant majority of funds available for investment are deployed in a widely diversified portfolio of high quality, liquid, taxable U.S. government, tax-exempt and taxable U.S. municipal and taxable corporate and U.S. agency mortgage-backed bonds.

Effects of Inflation

General economic inflation has increased in recent years and may continue to remain at elevated levels for an extended period of time. The potential also exists, after a catastrophe loss or pandemic events like COVID-19, for the development of inflationary pressures in a local economy. This may have a material effect on the adequacy of our reserves for losses and loss adjustment expenses, especially in longer-tailed lines of business, and on the market value of our investment portfolio through rising interest rates. The anticipated effects of inflation are considered in our pricing models, reserving processes and exposure management, across all lines of business and types of loss including natural catastrophe events. The actual effects of inflation on our results cannot be accurately known until claims are ultimately settled and will vary by the specific type of inflation affecting our business.

The carrying value of the Company's fixed maturity portfolio at December 31, 2025 was $712.2 million. The Company closely monitors the duration of its fixed maturity investments, and investment purchases and sales are executed with the objective of having adequate funds available to satisfy the Company's insurance and debt obligations. The weighted average credit quality of the Company's fixed maturity portfolio, both including and excluding U.S. Treasury securities, was "A+" at December 31, 2025 and "A" at December 31, 2024. Below investment grade securities represented 0.01% of the total fixed maturity investment portfolio at both December 31, 2025 and 2024. The weighted average effective duration of fixed maturities and short-term securities was 3.17 (3.21 excluding short-term securities) at December 31, 2025 and 3.06 (3.07 excluding short-term securities) at December 31, 2024.

Critical Accounting Policies and Estimates

The following discussion and analysis presents the more significant factors that affected our financial condition as of December 31, 2025 and 2024 and results of operations for each of the years then ended. The preparation of financial statements in conformity with accounting principles of generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. While we base estimates on historical experience, current information and other factors deemed to be relevant, actual results could differ from those estimates.

We consider accounting estimates to be critical to reported financial results if (i) the accounting estimate requires management to make assumptions about matters that are highly uncertain and (ii) different estimates that management reasonably could have used for the accounting estimates in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on our consolidated financial statements. When we prepare our condensed consolidated financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles (GAAP), we must make estimates and assumptions about future events that affect the amounts we report. Certain of these estimates result from judgments that can be subjective and complex. As a result of that subjectivity and complexity, and because we continuously evaluate these estimates and assumptions based on a variety of factors, actual results could materially differ from our estimates and assumptions if changes in one or more factors require us to make accounting adjustments.

Premiums. We recognize direct and assumed premiums written as revenue, net of ceded amounts, on a daily pro rata basis over the contract period of the related policies that are in force. For any portion of premiums not earned at the end of the reporting period, we record an unearned premium liability.

Premiums receivable represents amounts due from our policyholders for billed premiums and related policy fees. Our billing system is established in a manner to ensure that policies are canceled if the unpaid premium exceeds the amount of premium earned. When we receive payments on amounts previously charged off, we credit bad debt expense in the period we receive the payment. Balances in premiums receivable and the associated allowance account are removed upon cancellation of the policy due to non-payment. For December 31, 2025 and 2024 we recorded bad debt expense of approximately $390,200 and $51,500 respectively.

When we receive premium payments from policyholders prior to the effective date of the related policy, we record an advance premium liability. On the policy effective date, we reduce the advance premium liability and record the premiums as described above.

Reserves for Unpaid Losses and Loss Adjustment Expenses. Reserves for unpaid losses and loss adjustment expenses, also referred to as loss reserves, represent the most significant accounting estimate inherent in the preparation of our financial statements. These reserves represent management's best estimate of the amount we will ultimately pay for losses and loss adjustment expenses and we base the amount upon the application of various actuarial reserve estimation techniques as well as considering other material facts and circumstances known at the balance sheet date. We establish two categories of loss reserves as follows: **Case reserves**—When a claim is reported, we establish an initial estimate of the losses that will ultimately be paid on the reported claim. Our initial estimate for each claim is based upon the judgment of our claims professionals who are familiar with property and liability losses associated with the coverage offered by our policies. Then, our claims personnel perform an evaluation of the type of claim involved, the circumstances surrounding each claim and the policy provisions relating to the loss and adjust the reserve, as necessary. As claims mature, we increase or decrease the reserve estimates as deemed necessary by our claims department based upon additional information we receive regarding the loss, the results of on-site reviews and any other information we gather while reviewing the claims. **IBNR reserves**—Our IBNR reserves include true IBNR reserves plus "bulk" reserves. True IBNR reserves represent amounts related to claims for which a loss occurred on or before the date of the financial statements, but which have not yet been reported to us. Bulk reserves represent additional amounts that cannot be allocated to particular claims, but which are necessary to estimate ultimate losses on known claims. We estimate our IBNR reserves by projecting our ultimate losses using industry accepted actuarial methods and then deducting actual loss payments and case reserves from the projected ultimate losses. We review and adjust our IBNR reserves on a quarterly basis based on information available to us at the balance sheet date.

When we establish our reserves, we analyze various factors such as the evolving historical loss experience of the insurance industry as well as our experience, claims frequency and severity, our business mix, our claims processing procedures, legislative enactments, judicial decisions and legal developments in imposition of damages, and general economic conditions, including inflation. A change in any of these factors from the assumptions implicit in our estimates will cause our ultimate loss experience to be better or worse than indicated by our reserves, and the difference could be material. Due to the interaction of the foregoing factors, there is no precise method for evaluating the impact of any one specific factor in isolation, and an element of judgment is ultimately required. Due to the uncertain nature of any future projections, the ultimate amount we will pay for losses will be different from the reserves we record.

We determine our ultimate loss reserves by selecting an estimate within a relevant range of indications that we calculate using generally accepted actuarial techniques. Our selection of the point estimate is influenced by the analysis of our paid losses and incurred losses since inception.

Our external reserving actuaries evaluated the adequacy of our reserves as of December 31, 2025 and concluded that our reported loss reserves would meet the requirements of the insurance laws of the states in which our insurance subsidiaries are domiciled, be consistent with reserves computed in accordance with accepted loss reserving standards and principles, and make a reasonable provision for all unpaid loss and loss adjustment expense obligations under the terms of our contracts and agreements. In addition to $128.7 million of recorded case reserves, we recorded $450.8 million of IBNR reserves as of December 31, 2025 to achieve overall gross reserves of $579.5 million. At December 31, 2025, ceded IBNR and net IBNR were $203.1 million and $247.7 million, respectively.

The process of establishing our reserves is complex and inherently imprecise, as it involves using judgment that is affected by many variables. We believe a reasonably likely change in almost any of the factors we evaluate as part of our loss reserve analysis could have an impact on our reported results, financial position and liquidity.

The following table quantifies the pro forma impact of hypothetical changes in our net loss reserves on our net income, stockholders' equity, and liquidity as of and for the year ended December 31, 2025 (in thousands):

	Actual	Low Estimate	% Change from Actual	High Estimate	% Change from Actual
Net Loss Reserves	$ 310,109	$ 220,586	28.9%	$ 333,059	(7.4)%
Impact on:					
Net income	$ 195,594	$ 261,394	33.6%	$ 178,726	(8.6)%
Stockholders' equity	$ 505,251	$ 571,051	13.0%	$ 488,383	(3.3)%
Cash, cash equivalents and investments[1]	$ 1,274,860	$ 1,340,660	5.2%	$ 1,257,992	(1.3)%

(1) Estimated cash, cash equivalents and investments is intended to present a measure of future liquidity and consists of cash, cash equivalents, and investments, less the change in loss reserves, net of taxes.

Policy Acquisition Costs. We incur policy acquisition costs that vary with, and are directly related to, the production of new business. Policy acquisition costs consist of the following four items: (i) commissions paid to outside agents at the time of policy issuance, (ii) policy administration fees paid to a third-party administrator at the time of policy issuance, (iii) premium taxes and (iv) inspection fees. We capitalize policy acquisition costs to the extent recoverable, then we amortize those costs over the contract period of the related policy. We also earn ceding commission on our quota share reinsurance contracts, which is presented as a reduction of policy acquisition costs on the Consolidated Statements of Operations and Other Comprehensive Income, with any unearned ceding commission recognized as an offset to deferred policy acquisition costs on the Consolidated Balance Sheet and within the notes to the Consolidated Financial Statements described in Note 11. Deferred Policy Acquisition Costs. Ceding commission income is deferred and earned over the contract period. The amount and rate of ceding commissions earned on the net quota share contract can slide within a prescribed minimum and maximum, depending on loss performance and how future losses develop.

Our accounting policy is to allocate ceding commission income between policy acquisition costs and general and administrative expenses for financial reporting purposes based upon the proportion these costs bear to production of new business. For the years ended December 31, 2025, 2024 and 2023, we earned ceding commission income of $72.9 million, $50.3 million and $64.8 million of which $54.8 million, $37.8 million and $48.7 million was allocable to policy acquisition costs.

Deferred taxes. At December 31, 2025, we assessed our deferred tax position and hold no valuation against our net deferred tax assets as there is sufficient evidence to support the recorded net deferred tax asset.

Provision for Premium Deficiency. At each reporting date, we determine whether we have a premium deficiency. A premium deficiency would result if the sum of our expected losses, deferred policy acquisition costs and policy maintenance costs (such as costs to store records and costs incurred to collect premiums and pay commissions) exceeded our related unearned premiums plus investment income. Should we determine that a premium deficiency exists, we would write off the unrecoverable portion of deferred policy acquisition costs. No accruals for premium deficiency were considered necessary as of December 31, 2025 and 2024.

Reinsurance. We follow the industry practice of reinsuring a portion of our risks. Reinsurance involves transferring, or "ceding", all or a portion of the risk exposure on policies we write to another insurer, known as a reinsurer. To the extent that our reinsurers are unable to meet the obligations they assume under our reinsurance agreements, we remain liable for the entire insured loss.

Our reinsurance agreements are prospective contracts. We record an asset, prepaid reinsurance premiums, and a liability, reinsurance payable, for the entire contract amount upon commencement of our new reinsurance agreements. We amortize our prepaid reinsurance premiums over the 12-month contract period.

In the event that we incur losses recoverable under our reinsurance program, we record amounts recoverable from our reinsurers on paid losses plus an estimate of amounts recoverable on unpaid losses. The estimate of amounts recoverable on unpaid losses is a function of our liability for unpaid losses associated with the reinsured policies; therefore, the amount changes in conjunction with any changes to our estimate of unpaid losses. In the event that we incur losses recoverable under the reinsurance program, the estimate of amounts recoverable from reinsurers on unpaid losses may change at any point in the future because of its relation to our reserves for unpaid losses.

We estimate uncollectible amounts receivable from reinsurers based on an assessment of factors including the creditworthiness of the reinsurers and the adequacy of collateral obtained, where applicable. We had no uncollectible amounts under our reinsurance program or bad debt expense related to reinsurance for the years ended December 31, 2025, 2024, and 2023.

Recent Accounting Pronouncements Not Yet Effective

The Company describes the recent pronouncements that have had or may have a significant effect on its financial statements or on its disclosures. The Company does not discuss recent pronouncements that a) are not anticipated to have an impact on, or b) are unrelated to its financial condition, results of operations, or related disclosures. For accounting pronouncements not yet adopted, Refer to **Note 1** "*Basis of Presentation, Nature of Business and Significant Accounting Policies and Practices"* to our consolidated financial statements included in this Annual Report on Form 10-K, for further information.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Our investment portfolios at December 31, 2025, include interest rate-sensitive securities, mainly fixed income securities. Our fixed income securities portfolio is comprised primarily of investment grade (investments receiving Standard & Poor's Global Ratings ("S&P") or an equivalent rating of BBB- or above) corporate securities, U.S. government and agency securities, municipal obligations, and other asset-backed securities ("ABS"), and mortgage-backed securities ("MBS"). Our main objective is to maximize after-tax investment income and maintain sufficient liquidity to meet policyholder obligations while minimizing market risk, which is the potential economic loss from adverse fluctuations in the price of the securities that we hold for investment. We consider many factors when establishing our investment policy, including credit ratings, investment concentrations, regulatory requirements, anticipated fluctuation of interest rates, durations and market conditions in developing investment strategies. We classify our fixed-maturity securities as available-for-sale and report any unrealized gains or losses, net of deferred income taxes, as a component of other comprehensive income within our stockholders' equity. As such, any material temporary changes in their fair value can adversely impact the carrying value of our stockholders' equity. Unrealized gains and losses for any equity securities held are reported in our consolidated statement of operations as a component of net realized and unrealized gains and losses.

Interest Rate Risk

Borrowings under the Credit Facilities bear interest at rates equal to either (1) a rate determined by reference to SOFR, plus an applicable margin or (2) a base rate determined by reference to the highest of (a) the "prime rate" of Regions Bank, (b) the federal funds rate plus 0.50%, and (c) the adjusted term SOFR in effect on such day for an interest period of one month plus 1.00%, plus an applicable margin.

Our exposure to interest rate risk relates primarily to the market price and cash flow variability associated with changes in interest rates. Our fixed income securities portfolio contains interest rate-sensitive instruments, and its performance could be adversely affected by changes in interest rates resulting from governmental monetary policies, domestic and international economic and political conditions, and other factors beyond our control. All else being equal, a rise in interest rates will decrease the fair value of our existing fixed income investments, and a decline in interest rates will increase the fair value of our existing fixed income investments. However, new and reinvested money used to purchase fixed income securities would benefit from rising interest rates and would be negatively impacted by falling interest rates. We seek to mitigate our interest rate risk associated with holding fixed income investments by monitoring and managing the effective duration of our portfolio to maximize yield while managing interest rate risk at an acceptable level.

The duration of the financial instruments held in our portfolio that are subject to interest rate risk was 3.17 years at December 31, 2025 and 3.06 years at December 31, 2024. Credit risk results from uncertainty in a counterparty's ability to meet its obligations. Credit risk is managed by maintaining a high credit quality fixed maturity securities portfolio. As of December 31, 2025, the estimated weighted-average credit quality rating of the fixed maturity securities portfolio was "A+", at fair value, at December 31, 2024 our average credit quality rating was an "A".

The following table illustrates the impact of hypothetical changes in interest rates to the fair value of our fixed-maturity securities at December 31, 2025 (in thousands, except percentages):

Hypothetical Change in Interest rates	Estimated Fair Value After Change	Change In Estimated Fair Value	Percentage Increase (Decrease) in Estimated Fair Value
300 basis point increase	$ 642,993	$ (70,244)	(9.8)%
200 basis point increase	$ 666,935	$ (46,302)	(6.5)%
100 basis point increase	$ 690,350	$ (22,888)	(3.2)%
100 basis point decrease	$ 735,598	$ 22,360	3.1%
200 basis point decrease	$ 757,431	$ 44,193	6.2%
300 basis point decrease	$ 778,574	$ 65,337	9.2%

Credit risk can expose us to potential losses arising principally from adverse changes in the financial condition of the issuer of our fixed-maturity securities. The Company's Investment Committee has the responsibility to create, oversee, implement and review investment policies. The Investment Committee is responsible for ensuring the policies mitigate this risk by investing in fixed-maturity securities that are generally investment grade and by diversifying our investment portfolio to avoid concentrations in any single issuer or market sector.

The following table presents the composition of our fixed-maturity portfolio by rating at December 31, 2025 (in thousands, except percentages):

Comparable Rating		Amortized Cost	% of Total Amortized Cost		Fair Value	% of Total Fair Value
AAA	$	48,046	7%	$	46,045	6%
AA+, AA, AA-	$	424,739	58%	$	413,421	58%
A+, A, A-	$	147,994	20%	$	147,640	21%
BBB+, BBB, BBB-, BB	$	105,906	15%	$	106,045	15%
Not rated	$	89	0%	$	88	0%
	$	**726,774**	**100%**	**$**	**713,237**	**100%**

Below investment grade securities have different characteristics than investment grade corporate fixed-maturity securities. Risk of loss from default by the borrower is greater with below-investment grade securities. Typically, below investment grade securities are generally unsecured and are often subordinated to other creditors of the issuer. Also, issuers of below-grade securities usually have higher levels of debt and are more sensitive to adverse economic conditions, such as recession or increasing interest rates, than investment grade issuers.

Our equity investment portfolio at December 31, 2025 consisted of membership shares held of FHLB common stock which are carried at cost. The estimated fair value of the FHLB common stock was based on the amount we would receive if our memberships were canceled, as the membership cannot be sold.

The following table illustrates the composition of our equity portfolio at December 31, 2025 (in thousands):

		Estimated Fair Value	% of Total Estimated Fair value
Stocks by sector:			
Financial	$	—	0%
Energy		—	0%
Other		1,064	100%
Subtotal	$	1,064	100%
Mutual Funds and ETF by type:			
Equity	$	—	0%
Subtotal	$	—	0%
Total	$	1,064	100%

Foreign Currency Exchange Risk

At December 31, 2025, we did not have any material exposure to foreign currency related risk.

Item 8. Financial Statements and Supplementary Data

HERITAGE INSURANCE HOLDINGS, INC.

INDEX OF CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Heritage Insurance Holdings, Inc.

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Heritage Insurance Holdings, Inc. (the "Company") as of December 31, 2025 and 2024; the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2025; and the related notes and schedules (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2025 based on criteria established in *Internal Control - Integrated Framework (2013)*issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO framework").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2025 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in the COSO framework.

Basis for Opinion

The Company's management is responsible for these financial statements; maintaining effective internal control over financial reporting; and its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (the "PCAOB") and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Liability for Unpaid Losses and Loss Adjustment Expenses - Refer to Notes 1 and 13 to the Financial Statements

Critical Audit Matter Description

The Company's estimated liability for unpaid losses and loss adjustment expense (LAE) totaled $579 million at December 31, 2025. The Company's reserve for unpaid losses and LAE represents the estimated ultimate cost of settling all claims incurred related to insured events that have occurred as of the reporting date. The Company determines the reserve for unpaid losses and LAE on an individual-case basis for those claims reported as of December 31, 2025, with bulk reserves for additional development, if any, on the reported claims and an estimate for unpaid losses and LAE for all claims incurred related to insured events that have occurred as of December 31, 2025 but have not yet been reported by the policyholders to the Company (collectively referred to as incurred but not reported or IBNR). Management estimates IBNR reserves by projecting ultimate losses using industry-accepted actuarial methods. Management also engages independent actuarial firms to prepare an actuarial analysis of unpaid losses and LAE and provides statements of actuarial opinion on management's estimate of unpaid losses and LAE.

Estimating the liability for unpaid losses and LAE requires significant judgment including the selection of loss ratios, projection of loss development patterns, and use of and weighting of actuarial methods. Estimating the liability for unpaid losses and LAE is inherently uncertain, dependent on management's judgment, and significantly impacted by claim and actuarial factors and conditions that may change over time. The ultimate settlement of unpaid losses and LAE may vary materially from the recorded liability, and such variance may adversely affect the Company's financial results. For these reasons, we identified the estimate of unpaid losses and LAE as a critical audit matter, as it involved especially subjective auditor judgment.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to the unpaid losses and LAE reserve included the following, among others:

- We obtained an understanding, evaluated the design, and tested the operating effectiveness of key controls over the process and data used by management to estimate the liability for unpaid losses and LAE, including those controls related to the estimation of and management's review of the estimated liability of unpaid losses and LAE.

- We tested the completeness, integrity, and accuracy of the underlying data used by the Company's engaged actuaries, such as paid loss data, case reserve data, loss adjustment expense data, and loss development tables.

- With assistance from our engaged actuarial specialist, we reviewed the reasonableness of the methods and assumptions used by the Company's engaged actuaries to evaluate their unpaid losses and LAE reserve estimate. We assessed the reasonableness of management's selection of its estimate for unpaid losses and LAE, including the key factors considered by management in arriving at such estimates

/s/ Plante & Moran, PLLC

We have served as the Company's auditor since 2018.
Chicago, Illinois
March 12, 2026

HERITAGE INSURANCE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31, 2025	December 31, 2024
ASSETS		
Fixed maturities, available-for-sale, at fair value (amortized cost of $726,774 and $692,790)	$ 713,237	$ 655,555
Equity securities, at fair value, (cost $1,064 and $1,936)	1,064	1,936
Other investments, net	1,285	5,952
Total investments	715,586	663,443
Cash and cash equivalents	559,274	452,666
Restricted cash	13,307	10,979
Accrued investment income	6,556	5,592
Premiums receivable, net	95,331	102,134
Reinsurance recoverable on paid and unpaid claims, net of allowance for credit losses of $175 and $197	318,588	740,204
Prepaid reinsurance premiums	307,039	309,802
Deferred income tax asset, net	5,855	13,876
Deferred policy acquisition costs, net	64,544	63,204
Property and equipment, net	28,254	38,080
Right-of-use lease asset, finance	12,598	15,082
Right-of-use lease asset, operating	4,878	5,850
Intangibles, net	30,189	36,372
Other assets	33,823	11,640
Total Assets	$ 2,195,822	$ 2,468,924
LIABILITIES AND STOCKHOLDERS' EQUITY		
Unpaid losses and loss adjustment expenses	$ 579,477	$ 1,042,687
Unearned premiums	707,923	702,707
Reinsurance payable	232,801	227,060
Long-term debt, net	78,428	116,319
Advance premiums	19,164	15,186
Income taxes payable, net	4,282	846
Accrued compensation	8,844	8,926
Lease liability, finance	15,587	18,071
Lease liability, operating	5,800	6,945
Accounts payable and other liabilities	38,265	39,378
Total Liabilities	$ 1,690,571	$ 2,178,125
Commitments and contingencies (Note 17)		
Stockholders' Equity:		
Common stock, $0.0001 par value, 50,000,000 shares authorized, 43,171,585 shares issued and 30,833,776 outstanding at December 31, 2025 and 42,838,713 shares issued and 30,607,039 outstanding at December 31, 2024	3	3
Additional paid-in capital	365,736	362,644
Accumulated other comprehensive income, net of taxes	(10,555)	(28,604)
Treasury stock, at cost, 12,337,809 and 12,231,674 shares December 31, 2025 and 2024, respectively	(133,183)	(130,900)
Retained earnings	283,250	87,656
Total Stockholders' Equity	505,251	290,799
Total Liabilities and Stockholders' Equity	$ 2,195,822	$ 2,468,924

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

HERITAGE INSURANCE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(In thousands, except share and per share data)

	For the Year Ended December 31,		
	2025	2024	2023
REVENUES:			
Gross premiums written	$ 1,436,346	$ 1,432,942	$ 1,343,101
Change in gross unearned premiums	(5,243)	(26,836)	(19,458)
Gross premiums earned	1,431,103	1,406,106	1,323,643
Ceded premiums earned	(636,946)	(638,246)	(626,458)
Net premiums earned	794,157	767,860	697,185
Net investment income	37,156	36,631	25,756
Net realized gains (losses) on debt securities and other investments	2,713	(705)	(972)
Other revenue	13,304	13,199	13,529
Total revenues	847,330	816,985	735,498
EXPENSES:			
Losses and loss adjustment expenses	313,246	447,048	426,129
Policy acquisition costs, net of ceding commission income (1)	173,961	191,189	167,610
General and administrative expenses, net of ceding commission income (2)	92,972	85,138	77,777
Intangible asset impairment	—	—	767
Total expenses	580,179	723,375	672,283
Operating income	267,151	93,610	63,215
Interest expense, net	7,887	10,934	11,210
Income before income taxes	259,264	82,676	52,005
Income tax expense	63,670	21,136	6,698
Net income	$ 195,594	$ 61,539	$ 45,307
OTHER COMPREHENSIVE INCOME			
Change in net unrealized gains on investments	23,588	8,771	23,388
Reclassification adjustment for net realized investment losses (gains)	107	(51)	636
Income tax expense related to items of other comprehensive income	(5,646)	(2,074)	(5,690)
Total comprehensive income	$ 213,643	$ 68,185	$ 63,641
Weighted average shares outstanding			
Basic	30,890,609	30,595,348	26,193,065
Diluted	30,949,899	30,654,611	26,252,328
Earnings per share			
Basic	$ 6.33	$ 2.01	$ 1.73
Diluted	$ 6.32	$ 2.01	$ 1.73

(1) *Policy acquisition costs includes $54.8 million, $37.8 million and $48.7 million of ceding commission income for the reporting years 2025, 2024 and 2023, respectively.*

(2) *General and administration includes $18.1 million, $12.5 million and $16.1 million of ceding commission income for the reporting years 2025, 2024 and 2023, respectively.*

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

HERITAGE INSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except share and per share data)

	Common Shares	*Common Shares Amount*	*Additional Paid-in-Capital*	*Retained Earnings (Deficit)*	*Treasury Stock*	*Accumulated Other Comprehensive Income (Loss)*	*Total Stockholders' Equity*
Balance at December 31, 2022	25,539,433	$ 3	$ 334,711	$ (19,190)	$ (130,900)	$ (53,585)	$ 131,039
Net unrealized change in investments, net of tax	—	—	—	—	—	18,335	18,335
Surrendered shares for tax withholding	(68,865)	—	(429)	—	—	—	(429)
Restricted stock vested	25,000	—	—	—	—	—	—
Issued restricted stock	1,286,855	—	—	—	—	—	—
Forfeiture on restricted stock	(483,454)	—	(1,750)	—	—	—	(1,750)
Stock-based compensation on restricted stock	—		3,112	—	—	—	3,112
Issuance of common stock through public and private offering, net	3,919,969	—	24,666	—	—	—	24,666
Net income	—	—	—	45,307	—	—	45,307
Balance at December 31, 2023	30,218,938	$ 3	$ 360,310	$ 26,117	$ (130,900)	$ (35,250)	$ 220,280
Net unrealized change in investments, net of tax	—	—	—	—	—	6,646	6,646
Surrendered shares for tax withholding	(77,159)	—	(971)	—	—	—	(971)
Issued restricted stock	465,260	—	—	—	—	—	—
Stock-based compensation on restricted stock	—	—	3,254	—	—	—	3,254
Additional costs associated to public offering	—	—	(3)	—	—	—	(3)
Unallocated dividends on restricted stock forfeitures	—	—	54	—	—	—	54
Net income	—	—	—	61,539	—	—	61,539
Balance at December 31, 2024	30,607,039	$ 3	$ 362,644	$ 87,656	$ (130,900)	$ (28,604)	$ 290,799
Net unrealized change in investments, net of tax	—	—	—	—	—	18,049	18,049
Surrendered shares for tax withholding	(77,659)	—	(2,296)	—	—	—	(2,296)
Issued restricted stock	410,531	—	—	—	—	—	—
Stock-based compensation on restricted stock	—	—	5,388	—	—	—	5,388
Stock buyback	(106,135)	—	—	—	(2,283)	—	(2,283)
Net income	—	—	—	195,594	—	—	195,594
Balance at December 31, 2025	30,833,776	$ 3	$ 365,736	$ 283,250	$ (133,183)	$ (10,555)	$ 505,251

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

HERITAGE INSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	For the Year Ended December 31,		
	2025	2024	2023
OPERATING ACTIVITIES			
Net income	$ 195,594	$ 61,539	$ 45,307
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation	5,388	3,254	1,362
Bond amortization and accretion	(779)	(2,644)	(3,488)
Amortization of original issuance discount on debt	363	857	469
Depreciation and amortization	12,699	9,551	8,689
Provision for credit losses	368	51	856
Net realized (gains) losses	(2,713)	705	937
Deferred income taxes	2,375	(4,839)	40
Goodwill or intangible asset impairment	—	—	767
Changes in operating assets and liabilities:			
Accrued investment income	(964)	(1,524)	(251)
Premiums receivable, net	6,413	(12,695)	2,403
Prepaid reinsurance premiums	2,763	(15,580)	12,755
Reinsurance recoverable on paid and unpaid claims	421,638	(257,775)	322,630
Income taxes receivable	—	13,354	(1,236)
Deferred policy acquisition costs, net	(1,340)	6,053	(3,267)
Right-of-use asset, net	3,456	3,509	3,026
Other assets	(11,157)	1,034	(1,165)
Unpaid losses and loss adjustment expenses	(463,210)	196,732	(285,852)
Unearned premiums	5,216	26,786	19,280
Reinsurance payable	5,741	67,237	(39,980)
Income taxes payable	3,436	846	—
Debt issuance costs	(2,204)	—	—
Accrued interest	121	(179)	(410)
Advance premiums	3,978	(8,714)	(2,616)
Accrued compensation	(82)	(535)	2,867
Lease liability, net	(3,629)	(3,446)	(2,785)
Other liabilities	(1,233)	3,518	(9,923)
Net cash provided by operating activities	182,238	87,095	70,415
INVESTING ACTIVITIES			
Fixed maturity securities sales, maturities and paydowns	311,323	203,512	332,511
Fixed maturity securities purchases	(344,644)	(286,970)	(230,743)
Redemption of equity securities	893	—	—
Return on other investments	4,666	359	1,080
Other investment sales	—	—	8,000
Equity securities reinvestments of dividends	(21)	(270)	(152)
Proceeds from the sale of property	3,184	—	—
Cost of property and equipment acquired	(8,074)	(8,230)	(9,890)
Net cash (used in) provided by investing activities	(32,673)	(91,599)	100,806
FINANCING ACTIVITIES			
Proceeds from loan agreement	—	5,500	—
Issuance of common stock, net of offering costs	—	(3)	24,666
Mortgage loan payments	(10,787)	(270)	(180)
Principal payments on term loan facility	(6,063)	(9,500)	(9,500)
Repayment of loan agreement	(19,200)	—	—
Tax withholding on share-based compensation awards	(2,296)	(971)	(429)
Purchase of treasury stock	(2,283)	—	—
Dividends forfeited (paid)	—	54	(11)
Net cash (used in) provided by financing activities	(40,629)	(5,190)	14,546
Increase (decrease) in cash, cash equivalents, and restricted cash	108,936	(9,694)	185,767
Cash, cash equivalents and restricted cash, beginning of period	463,645	473,339	287,572
Cash, cash equivalents and restricted cash, end of period	$ 572,581	$ 463,645	$ 473,339

	For the Year Ended December 31,		
	2025	2024	2023
Supplemental Cash Flows Information:		*(in thousands)*	
Non-cash promissory note received in connection with the sale of property	$ 11,000	$ —	$ —
Interest paid	$ 6,891	$ 9,466	$ 9,312

Cash paid for income taxes consisted of the following as of December 31:

	For the Year Ended December 31,		
	2025	2024	2023
Income taxes paid, net of refunds		*(in thousands)*	
Federal	$ 50,300	$ 8,500	$ 5,992
State	7,558	4,090	1,902
Total income taxes paid, net of refunds	$ 57,858	$ 12,590	$ 7,894

Income taxes paid, net of refunds exceeded 5% of total income taxes paid, net of refunds in the following state and local jurisdictions:

State	*2025*	*2024*	*2023*
Florida	$ 6,673	$ 3,800	$ 675
New York	*	*	$ 507

* Jurisdiction below the threshold for the period presented

Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets:

	December 31, 2025	*December 31, 2024*
	(in thousands)	
Cash and cash equivalents	$ 559,274	$ 452,666
Restricted cash	13,307	10,979
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 572,581	$ 463,645

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

Note 1. Basis of Presentation, Nature of Business and Significant Accounting Policies and Practices

Business Description

Heritage Insurance Holdings, Inc. (the "Company") is an insurance holding company. The Company's insurance subsidiaries are Heritage Property & Casualty Insurance Company ("Heritage P&C"), Zephyr Insurance Company ("Zephyr"), and Narragansett Bay Insurance Company ("NBIC"). The Company's other subsidiaries include: Heritage MGA, LLC ("MGA"), the managing general agent that manages substantially all aspects of Heritage P&C; Contractors' Alliance Network, LLC, the Company's vendor network manager; Osprey Re Ltd., the Company's reinsurance subsidiary that may provide a portion of the reinsurance protection purchased by the Company's insurance subsidiaries; Heritage Insurance Claims, LLC, an inactive subsidiary reserved for future development; Zephyr Acquisition Company ("ZAC"), a holding company; NBIC Holdings, Inc., and NBIC Service Company, which provides services to NBIC.

The Company's primary products are personal and commercial residential insurance, which the Company currently offers in Alabama, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Maryland, Massachusetts, Mississippi, New Jersey, New York, North Carolina, Rhode Island, South Carolina, and Virginia. The Company conducts its operations under a single reporting and operating segment.

Basis of Presentation

The consolidated financial statements include the accounts of Heritage Insurance Holdings, Inc. and its wholly-owned subsidiaries. The accompanying consolidated financial statements include the accounts of the Company and all other entities in which the Company has a controlling financial interest (none of which are variable interest entities). All intercompany accounts and transactions have been eliminated in consolidation.

Business Segment

Pursuant to FASB Accounting Standards Codification ("ASC") 280, Segment Reporting, operating segments represent components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in determining how to allocate resources and in assessing performance. The Company's operations consist of a single operating and reportable segment: residential property insurance. The Company conducts its business as a property and casualty insurer, which is based upon the Company's business organizational and management structure, as well as information used by the Company's Chief Executive Officer and Board of Directors, who are collectively the chief operating decision maker ("CODM") to allocate the Company's resources. The CODM makes decisions, allocates resources, and assesses corporate performance using consolidated financial information. The CODM receives consolidated financial statements to evaluate the performance of the Company and to make decisions that affect the Company's prospects for future cash flows and profitability.

Reclassification

The Company did not have any reclassifications for the years ended December 31, 2025 and 2024.

Use of Estimates

The preparation of consolidated financial statements in conformity with United States Generally Accepted Accounting Principles ("U.S. GAAP") requires the Company to make estimates and assumptions about future events that affect the amounts reported in the Company's consolidated financial statements and accompanying notes. The Company evaluates its estimates on an ongoing basis when updated information related to such estimates becomes available. The Company bases its estimates on historical experience and information available to it at the time these estimates are made. Actual results could differ materially from these estimates.

Cash and Cash Equivalents

The Company's cash and cash equivalents include demand deposits with financial institutions and short-term, highly-liquid financial instruments with original maturities of three months or less when purchased. The carrying amounts reported in the consolidated balance sheets for interest bearing deposits approximate their fair value because of the short maturity of these financial instruments.

To the extent there are negative cash balances with any individual financial institution, the Company excludes the negative amount from cash and cash equivalents negative cash balances and reports as accounts payable and other liabilities.

Restricted Cash

Restricted cash related to individual state regulatory deposits of $13.3 million and $11.0 million as of December 31, 2025 and 2024, respectively. The Company earned interest income of $58,022 and $33,545 on its restricted cash deposits.

Investments

Securities Available for sale

The Company investments in debt securities and short-term investments are classified as available-for-sale with maturities of greater than three months and reported at fair value in the consolidated balance sheet. Subsequent to its acquisition of debt securities and short-term available-for-sale, the Company records changes in value through the date of disposition as unrealized holding gains and losses, net of tax effects, and includes them as a component of other comprehensive income. Premium and discount on investment securities are amortized and accreted using the interest method and charged or credited to investment income. Refer to **Note 2** *"Investments"* to these consolidated financial statements for further information.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists solely of unrealized gains and losses on debt securities available-for-sale, net of tax.

Investment Gains and Losses

Net realized investment gains and losses are included as a component of pre-tax revenues based upon specific identification of the investments sold on the trade date. Included in net realized and unrealized gains (losses) are credit impairment losses on invested assets other than those investments accounted for using the equity method of accounting described in the "Allowance for Credit Losses" and "Impairment of Other Investments" section discussed below.

Allowance for Credit Losses (Available-for-Sale-Debt Securities)

The impairment model for available-for-sale ("AFS") debt securities differs from the current expected credit loss ("CECL") methodology applied for held to maturity debt securities because AFS debt securities are measured at fair value rather than amortized cost. For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either criterion is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities where neither of the criteria are met, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the credit rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited to the amount that the fair value is less than the amortized cost basis. Under the guidance, an entity may no longer consider the length of time fair value has been less than amortized cost. As of December 31, 2025 and 2024, management evaluated and determined a credit allowance was not significant to the financial statements.

Other Investments

Non-Consolidating Variable Interest Entities ("VIEs")

The Company holds certain passive investments as described in Note 2 "*Investments*" to these financial statements. The Company determines at the inception of each arrangement whether an entity in which it has made an investment or in which it has other variable interests is considered a variable interest entity ("VIE"). The Company consolidates VIEs when it is determined to be the primary beneficiary. The Company is the primary beneficiary of a VIE when it has the power to direct activities that most significantly affect the economic performance of the VIE and has the obligation to absorb the majority of their losses or entitled to benefits. If the Company is not the primary beneficiary in a VIE, it will account for the investment or other variable interests in a VIE in accordance with applicable GAAP. For the year ended December 31, 2025 and 2024, the Company was not the primary beneficiary to any of its other investments and therefore considered the other investments as non-consolidated VIEs.

Equity securities that do not result in consolidation and are not accounted for under the equity method, are measured at fair value. Equity securities without a readily determinable fair value are reported at cost, less impairment, unless the Company identifies observable price changes in orderly transactions for the identical or a similar investment of the same issuer (measurement alternative). Changes in fair value are reflected in the Company's consolidated statements of operations. Certain other investments provide the Company with monthly or quarterly return on capital on a regular schedule.

Impairment of Other Investments

The Company maintains various interests in other investments without a readily determinable fair value that are evaluated for impairment at each reporting period. When such events or changes occur, the Company evaluates the estimated present value of future cash flows compared to its cost basis in the investment to evaluate whether there may be an impairment. The Company had no impairments for the year ended December 31, 2025. For the year ended December 31, 2024 and 2023, the Company recorded \$0.8 million and \$2.2 million , respectively, for impairment charges on its other investments.

Fair Value

Major categories of financial assets and liabilities are measured at fair value on a recurring basis. Certain assets and liabilities are measured at fair value on a nonrecurring basis when impaired, which include long-lived assets, and other investments that the Company cannot significantly influence.

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the principal or most advantageous market in which the Company would transact is analyzed. Assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance, are considered.

The Company estimates the fair value of its investments using the closing prices on the last business day of the reporting period, obtained from active markets such as the NYSE and NASDAQ. For securities for which quoted prices in active markets are unavailable, the Company uses observable inputs such as quoted prices in inactive markets, quoted prices in active markets for similar instruments, benchmark interest rates, broker quotes and other relevant inputs. The Company does not have any investments in its portfolio which require the use of unobservable inputs. The Company's estimate of fair value reflects the interest rate environment that existed as of the close of business on December 31, 2025. Changes in interest rates after December 31, 2025 may affect the fair value of the Company's investments.

The Company's non-financial assets, such as intangible assets, are carried at cost until there are indicators of impairment and are recorded at fair value only when an impairment charge is recognized. Refer to **Note 3** "*Intangible Assets, net*" to these consolidated financial statements for further information on the Company's 2023 goodwill impairment charges. Long term debt is recorded at carrying value, Refer to **Note 14** "*Long-Term Debt"* to these consolidated financial statements for further information.

Premiums

The Company records direct and assumed premiums written as revenue, which are earned on a daily pro rata basis over the contract period of the related in force policies or reinsurance contract. For any portion of premiums not earned at the end of the reporting period, the Company records an unearned premium liability.

Premiums receivable represents amounts due from the Company's policyholders for billed premiums and related policy fees. The Company's current policy system cancels policies for non-payment in compliance with state insurance regulations, and thereby ensures that premium is not earned if the premium payment is not current. Balances in premiums receivable are removed upon cancellation of the policy due to non-payment. The Company's allowance for credit losses, which relates to premium balances from a previous billing system as well as uncollectible agent commission due back to the Company for cancelled policies, was $1.7 million and $1.4 million as of December 31, 2025 and 2024, respectively. Bad debt expense related to uncollectible agent commission due back to the Company for cancelled policies was $0.2 million, $0.1 million and $0.9 million for the years ended December 31, 2025, 2024 and 2023, respectively.

When the Company receives premium payments from policyholders prior to the effective date of the related policy, the Company records an advance premiums liability. On the policy effective date, the Company reduces the advance premium liability and records the premiums as described above.

Policy Acquisition Costs

The Company incurs policy acquisition costs that vary with, and are directly related to, the production of new business. Policy acquisition costs consist of the following four items: (i) commissions paid to outside agents at the time of policy issuance; (ii) policy administration fees paid to a third-party administrator at the time of policy issuance; (iii) premium taxes; and (iv) inspection fees. The Company capitalizes policy acquisition costs to the extent recoverable, then the Company amortizes those costs over the contract period of the related policy. The deferred reinsurance ceding commission income is amortized over the effective period of the related insurance policies and is offset to deferred policy acquisition costs in the Company's Consolidated Balance Sheet.

The Company earns ceding commission on its quota share reinsurance contracts. The Company's accounting policy is to allocate ceding commission between policy acquisition costs and general and administrative expenses for financial reporting purposes. Ceding commission is allocated between policy acquisition costs and general and administrative expenses based upon the proportion these costs bear to production of new business. Ceding commissions received on ceded reinsurance contracts are netted against acquisition costs and are recognized ratably over the life of the assumed underlying contract. For the years ended December 31, 2025, 2024, and 2023, the Company earned ceding commission income of $72.9 million, $50.3 million and $64.8 million of which $54.8 million, $37.8 million and $48.7 million was allocable to policy acquisition costs.

Ceding commission income is deferred and recognized over the quota share contract period. The amount and rate of ceding reinsurance commissions earned on the net quota share contract can slide within a prescribed minimum and maximum, depending on loss performance and how future losses develop.

Premium Deficiency Reserve

At each reporting date, the Company determines whether it has a premium deficiency. A premium deficiency would result if the sum of the Company’s expected losses, deferred policy acquisition costs, and policy maintenance costs (such as costs to store records and costs incurred to collect premiums and pay commissions) exceeded the Company’s related unearned premiums plus investment income. Should the Company determine that a premium deficiency exists, the Company would record a reserve for the unrecoverable portion of deferred policy acquisition cost. At December 31, 2025 and 2024, the Company has recorded no premium deficiency reserve.

Reinsurance

The Company follows industry practice of reinsuring a portion of its risks. Reinsurance involves transferring, or "ceding", all or a portion of the risk exposure on policies the Company writes to another insurer, known as a reinsurer. To the extent that the Company's reinsurers are unable to meet the obligations they assume under the Company's reinsurance agreements, the Company remains liable for the entire insured loss. As a result, a reasonable possibility exists that an estimated recovery may change significantly in the near term from the amounts included in the Company's consolidated financial statements.

The Company's reinsurance agreements are generally short-term, prospective contracts. The Company records an asset, prepaid reinsurance premiums, and a liability, reinsurance payable, for the entire contract amount upon commencement of new reinsurance agreements. The Company amortizes its prepaid reinsurance premiums over the 12-month contract period.

The Company's provisional ceding commissions that it receives in connection with its reinsurance contracts are recorded as an offset to deferred acquisition costs.

When the Company incurs losses recoverable under its reinsurance program, the Company records amounts recoverable from its reinsurers on paid losses plus an estimate of amounts recoverable on unpaid losses. The estimate of amounts recoverable on unpaid losses is a function of the Company's liability for unpaid losses associated with the reinsured policies; therefore, the amount changes in conjunction with any changes to the estimate of unpaid losses. Given that an estimate of amounts recoverable from reinsurers on unpaid losses may change at any point in the future because of its relation to the Company's reserves for unpaid losses, a reasonable possibility exists that an estimated recovery may change significantly from initial estimates.

The Company remains liable for claims payments if any reinsurer is unable to meet its obligations under the reinsurance agreements. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from similar geographic regions, activities or economics characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. The Company contracts with a diverse population of reinsurers to secure its annual reinsurance coverage, for which the excess of loss treaties generally become effective June 1st each year.

Allowance for Credit Losses for Reinsurance Recoverables

The allowance for credit losses for reinsurance recoverable is evaluated based on historical loss experience adjusted for current events and reasonable and supportable forecasts from both internal and external sources.

The Company monitors the credit quality of its reinsurance recoverables through the use of A.M. Best's Financial Strength rating ("FSR"), or in the absence of an FSR consideration of credit ratings issued by approved rating agencies such as S&P, Moody's, or Fitch. At December 31, 2025, the determination of the allowance for credit losses on reinsurance recoverables included analysis of (i) reinsurance recoverable balances by reinsurer FSR, (ii) estimated payment patterns associated with the claims underlying the reinsurance balances and (iii) historical default rates by reinsurer FSR as published by A.M. Best. In addition to the quantitative analysis, qualitative factors considered include but are not limited to (i) global reinsurer capital level, (ii) reinsurance market trends, (iii) the interest rate environment and (iv) the stressed global economy. Reinsurance recoverables are reported on the consolidated balance sheets net of the CECL allowance, if any.

Long-Lived Assets—Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows: building—40 years; computer hardware and software 3-years; office and furniture equipment—3 to 7 years. Leasehold improvements are amortized over the shorter of the lease term or the asset's useful life. Expenditures for improvements are capitalized to the property accounts. Replacements and maintenance and repairs that do not improve or extend the life of the respective assets are expensed as incurred.

Capitalized Software

Costs associated with the implementation of certain internal systems are capitalized and carried at the amount capitalized less accumulated amortization once placed in service and are included as a component of fixed assets on the Company's consolidated balance sheet. Costs capitalized include internal personnel costs, external developer costs, and interest. The implementation costs relate to systems built on software which the Company purchased or licensed and developed both internally and with third party vendors. As such, capitalized costs will be amortized over the term of the useful life of the software.

Leases

The Company leases office space under finance and operating leases with expiration dates through 2031. The Company determines whether an arrangement constitutes a lease and record lease liabilities and right-of-use assets on its consolidated balance sheets at lease commencement. The Company primarily uses its incremental borrowing rates for its operating leases (rates are not readily determinable) and implicit rates for its financing leases in determining the present value of lease payments. The Company measures right-of-use assets based on the corresponding lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs the Company incurs and (iii) tenant incentives under the lease. The Company begins recognizing rent expense when the lessor makes the underlying asset available to the Company, the Company does not assume renewals or early terminations unless the Company is reasonably certain to exercise these options at commencement, and it does not allocate consideration between lease and non-lease components.

For short-term leases, the Company records rent expense in its consolidated statements of operations on a straight-line basis over the lease term and record variable lease payments as incurred.

Goodwill and Intangible Assets

When the Company acquires a subsidiary or other business where it exerts significant influence, the fair value of the net tangible and intangible assets acquired is determined and compared to the amount paid for the subsidiary or business acquired. Any excess of the amount paid over the fair value of those net assets is considered to be goodwill. Any excess of carrying value over fair value is written down as an impairment. This evaluation is performed annually, during the fourth quarter or more frequently if facts and circumstances warrant. An impairment loss would be recognized if, and to the extent that, the carrying value of goodwill exceeded the implied value.

Acquired intangible assets are amortized over their useful lives on a straight-line basis over the period of expected benefit, generally up to 15 years. Intangible assets are assessed for impairment generally when events or circumstances indicate a potential impairment. If it is determined that the carrying amount of the asset is not recoverable, the asset is written down to fair value and an impairment loss is recognized. For the year ended December 31, 2025 and 2024, the Company did not identify any impairments. For the year ended December 31, 2023, the Company recorded an impairment of $767,000 associated with the Company construction affiliate resulting from changes to its operations.

Unpaid Losses and Loss Adjustment Expenses

The Company's reserves for unpaid losses and loss adjustment expenses represent the estimated ultimate cost of settling all reported claims plus all claims the Company incurred related to insured events that have occurred as of the reporting date, but that policyholders have not yet reported to the Company (incurred but not reported, or "IBNR").

The reserve for unpaid losses is the estimate of amounts necessary to settle all reported and unreported incurred claims for the ultimate cost of insured losses, based upon the facts of each case and the Company's experience with similar cases. Salvage and subrogation are deducted from the reserve for claims and claims expense on a cash basis. The establishment of appropriate reserves, including reserves for catastrophe losses, is an inherently uncertain and complex process. Reserve estimates are primarily derived using an actuarial estimation process in which historical loss patterns are applied to actual paid losses and reported losses (paid losses plus individual case reserves established by claim adjusters) for an accident or report year to create an estimate of how losses are likely to develop over time. Development factors are calculated quarterly and periodically throughout the year for data elements such as claims reported and settled, paid losses, and paid losses combined with case reserves. The historical development patterns for these data elements are used as the assumptions to calculate reserve estimates, including the reserves for reported and unreported claims. Reserve estimates are regularly reviewed and updated, using the most current information available. Any resulting re-estimates are reflected in current results of operations.

The Company reports its reserves for unpaid losses and loss adjustment expenses gross of the amounts related to unpaid losses recoverable from reinsurers and reports loss and loss adjustment expenses net of amounts ceded to reinsurers. The Company does not discount its loss reserves for financial statement purposes.

Other Revenue

Our insurance affiliates may charge policyholders a policy fee on each policy written. The Company recognizes the income immediately when collected, which coincide with related service obligations. The Company also charges pay-plan fees to policyholders that pay its premiums in more than one installment and records the fees as income when collected. Other income also includes rental income due under non-cancelable leases for space at the Company’s commercial property.

Assessments

Guaranty fund and other insurance-related assessments imposed upon the Company’s insurance company affiliates are recorded as policy acquisition costs in the period the regulatory agency imposes the assessment. To recover assessments which are paid in advance to the guaranty fund or other insurance-related entity, the Company recoups such assessments from the Company's policyholders in the form of a policy surcharge. Once the recoupment period begins, the entire recoupment amount is recorded as an asset on the Company's balance sheet. There were no such assessments during the periods presented.

The Company collects pass through assessments imposed upon policyholders as a policy surcharge and records the amounts collected as a liability until the Company remits the amounts to the regulatory agency that imposed the assessment.

Convertible Notes

In August 2017 and September 2017, the Company issued collectively $136.8 million of 5.875% Convertible Senior Notes (the “Convertible Notes”) due August 1, 2037. As of December 31, 2025 and 2023, the Company has approximately $885,000 of the Convertible Notes outstanding. This amount is net of $21.1 million of Convertible Notes reacquired and held by an insurance company subsidiary. Refer to **Note 14** “*Long-Term Debt”* to these consolidated financial statements for further information**.**

Stock-Based Compensation

The Company measures stock-based compensation at the grant date based on the fair value of the award and recognizes stock-based compensation expense over the requisite vesting period in accordance with ASC Topic 718, *Compensation—Stock Compensation*. For awards with performance-based vesting conditions expense is not recognized until it is determined that it is probable the performance-based conditions will be met. When achievement of a performance-based condition is probable, a catch-up of expense will be recorded as if the award had been vesting on a straight line basis from the award date. The award will continue to be expensed on a straight-line basis until probability of achieving the performance-based conditions changes, if applicable.

Earnings Per Share

Basic net earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted net earnings per share is computed by dividing net income by the weighted average number of common and common equivalent shares outstanding during the reported period. Common equivalent shares include incremental shares from diluted vested and unvested shares of restricted common stock and convertible notes outstanding during the period based on the "if converted" method under the guidance of ASU 2020-06.

Income tax

Income taxes are accounted for under the asset and liability method, that recognizes the amount of income taxes payable or refundable for the current year and recognizes deferred tax assets and liabilities based on the tax rates expected to be in effect during the periods in which the temporary differences reverse. Temporary differences arise when income or expenses are recognized in different periods in the consolidated financial statements than on the tax returns. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that all, or some portion, of the benefits related to deferred tax assets will not be realized. Income taxes includes both estimated federal and state income taxes.

Recently adopted accounting guidance

Accounting Standards Update No. ASU 2023-09. In December 2023, the Financial Accounting Standards Board (“FASB”) issued ***Accounting Standards Update No. 2023-09 (“ASU 2023-09”)*** Income Taxes ***(Topic 740)***: Improvements to Income Tax Disclosures. This update enhances income tax disclosures by requiring public entities to report income tax expense disaggregated by federal, state, and foreign taxes, with further detail on specific jurisdictions over a quantitative threshold. In addition, public entities must also separately disclose reconciling items equal to or greater than five percent of pretax income from operations by the applicable federal statutory rate. The Company has adopted this guidance on a prospective basis for the fiscal year beginning on January 1, 2025 and resulting in enhanced income tax disclosures beginning with the Company's consolidated financial statements for the year ending December 31, 2025.

Recent accounting guidance not adopted

Accounting Standards Update No. ASU 2025-06. On September 18, 2025, the FASB issued updated guidance under ASC 350-40 on the accounting for internal-use software costs. The updated guidance removes all references to software development project stages so that the guidance is neutral to different software development methods and allows for the application of iterative software development methods such as agile. The updated guidance requires that an entity capitalize software costs when both: 1) management has authorized and committed to the funding of the software project, and 2) it is probable that the project will be completed, and the software will be used to perform its intended function. Additionally, the updated guidance clarifies that internal and external training costs and maintenance costs must be expensed as incurred.

The updated guidance is effective for the quarter ended March 31, 2028, and can be applied on a prospective, modified, or retrospective transition approach. Early adoption is permitted. The adoption of this guidance is not expected to have a material effect on the Company’s results of operations, financial position, or liquidity.

ASU 2025-01 and 2024-03 Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40). This ASU requires disaggregated disclosure of certain income statement expenses, such as employee compensation and depreciation, for public business entities. The ASU does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. The ASU also requires disclosure of a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. **ASU 2025-01** amends the effective date of **ASU 2024-03**, clarifying that "public business entities are required to adopt the guidance in annual reporting beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027." In addition, early adoption of the ASU is permitted. The Company is evaluating the guidance impact on the current presentation of the Company's income statement and expects the adoption to result in additional disclosures for certain expenses.

There are other new accounting pronouncements issued by the FASB that the Company has adopted or will adopt, as applicable. The Company does not believe any of these new accounting pronouncements have had, or will have, a material impact on its consolidated financial statements or disclosures.

Note 2. Investments

The amortized cost, gross unrealized gains and losses, and fair value of the Company's debt securities available-for-sale are as follows:

December 31, 2025	*Cost or Adjusted / Amortized Cost*	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Fair Value*
		(in thousands)		
Debt Securities Available-for-sale				
U.S. government and agency securities	$ 89,380	$ 1,014	$ 210	$ 90,184
States, municipalities and political subdivisions	347,487	2,147	14,152	335,482
Corporate bonds	226,541	3,431	4,250	225,722
Mortgage-backed securities (1)	59,087	339	1,826	57,600
Asset-backed securities	1,199	—	30	1,169
Other	3,080	—	—	3,080
Total	$ 726,774	$ 6,931	$ 20,468	$ 713,237

(1) Includes securities at December 31, 2025 with a carrying amount $3.8 million that were pledged as collateral for the advance agreement entered into with a financial institution in 2024. The Company is permitted to withdraw or exchange any portion of the pledged collateral over the minimum requirement at any time.

December 31, 2024	*Cost or Adjusted / Amortized Cost*	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Fair Value*
		(in thousands)		
Debt Securities Available-for-sale				
U.S. government and agency securities (1)	$ 93,416	$ 245	$ 900	$ 92,761
States, municipalities and political subdivisions	326,620	162	25,881	300,901
Corporate bonds	246,795	903	9,009	238,689
Mortgage-backed securities (1)	17,366	—	2,672	14,694
Asset-backed securities	2,588	—	88	2,500
Other	6,005	5	—	6,010
Total	$ 692,790	$ 1,315	$ 38,550	$ 655,555

(1) Includes securities at December 31, 2024 with a carrying amount of $23.9 million and $6.7 million that were pledged as collateral for the advance agreement entered into with a financial institution in 2018 and 2024, respectively. The Company is permitted to withdraw or exchange any portion of the pledged collateral over the minimum requirement at any time.

The table below summarizes the Company's fixed maturity securities at December 31, 2025 and 2024 by contractual maturity periods. Actual results may differ as issuers may have the right to call or prepay obligations, with or without penalties, prior to the contractual maturity of those obligations.

	December 31, 2025			
	Cost or Amortized Cost	*Percent of Total*	*Fair Value*	*Percent of Total*
Debt Securities Available-for-sale	*(in thousands)*		*(in thousands)*	
Due in one year or less	$ 100,223	14%	$ 99,407	14%
Due after one year through five years	401,766	55%	394,603	55%
Due after five years through ten years	151,491	21%	147,346	21%
Due after ten years	73,293	10%	71,881	10%
Total	$ 726,774	100%	$ 713,237	100%

	December 31, 2024			
	Cost or Amortized Cost	*Percent of Total*	*Fair Value*	*Percent of Total*
Debt Securities Available-for-sale	*(in thousands)*		*(in thousands)*	
Due in one year or less	$ 92,493	13%	$ 91,333	14%
Due after one year through five years	395,362	54%	379,218	58%
Due after five years through ten years	170,853	24%	154,387	24%
Due after ten years	34,082	5%	30,617	5%
Total	$ 692,790	95%	$ 655,555	100%

Net Realized Gains on Debt Securities and Other Investments

The proceeds from the sale of debt securities were $6.0 million, $6.5 million and $76.9 million for the years ended December 31, 2025, 2024 and 2023, respectively.

The following table presents net realized gains (losses) on the Company's debt securities available-for-sale for the years ended December 31, 2025, 2024 and 2023, respectively:

	For the Years ended December 31,					
	2025		2024		2023	
	Realized Gains (Losses)	Fair Value at Sale	Realized Gains (Losses)	Fair Value at S ale	Realized Gains (Losses)	Fair Value at Sale
	(in thousands)					
Debt Securities Available-for-sale						
Realized gains	$ 3	$ 4,053	$ 52	$ 5,702	$ 2	$ 22,220
Realized losses	(110)	1,965	(5)	794	(638)	54,672
Net realized (losses) gains	$ (107)	$ 6,018	$ 47	$ 6,496	$ (636)	$ 76,892

The following table presents the reconciliation of net realized gains on debt securities and other investments on the Company's investments reported for the years ended December 31, 2025, 2024 and 2023, respectively:

	For the Year Ended December 31,		
	2025	2024	2023
	(in thousands)		
Gross realized gains on sales of available-for-sale securities	$ 3	$ 52	$ 2
Gross realized losses on sales of available-for-sale securities	(110)	(5)	(638)
Gross realized gains on sales of other investments	2,820	—	1,900
Impairment recovery from other investments	—	4	—
Impairment charge in other investments	—	(757)	(2,236)
Net realized gains on debt securities and other investments	$ 2,713	$ (705)	$ (972)

Equity Investments

For the years ended December 31, 2025, 2024 and 2023, the Company had no net realized and unrealized gains or (losses) reported.

The following table presents the Company's equity investments as of December 31, 2025 and 2024, respectively.

For the Year Ended December 31,	2025	2024
Common stock	$ —	$ —
Membership Shares	1,064	1,936
Total equity investments	$ 1,064	$ 1,936

Net Investment Income

The following table summarizes the Company's net investment income by major investment category for the years ended December 31, 2025, 2024 and 2023, respectively:

	For the Year Ended December 31,		
	2025	2024	2023
	(in thousands)		
Debt securities available-for-sale	$ 24,200	$ 18,151	$ 16,848
Equity securities	78	127	222
Cash and cash equivalents	13,594	20,881	8,398
Other investments	1,217	906	2,309
Net investment income	39,089	40,065	27,777
Investment expenses	1,933	3,434	2,021
Net investment income, less investment expenses	$ 37,156	$ 36,631	$ 25,756

Unrealized Losses on Debt Securities

The following tables present, for all debt securities available-for-sale in an unrealized loss position, for which no allowance for credit loss is established (including securities pledged), the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position:

December 31, 2025	Less Than Twelve Months			Twelve Months or More		
	Number of Securities	Gross Unrealized Losses	Fair Value	Number of Securities	Gross Unrealized Losses	Fair Value
	(in thousands)					
Debt Securities Available-for-sale						
U.S. government and agency securities	—	$ —	$ —	12	$ 210	$ 11,164
States, municipalities and political subdivisions	7	55	10,937	302	14,097	232,460
Corporate bonds	9	11	11,734	115	4,239	77,501
Mortgage-backed securities	—	—	—	112	1,826	13,336
Asset-backed securities	—	—	—	20	30	1,170
Other	—	—	—	—	—	—
Total	16	$ 66	$ 22,672	561	$ 20,402	$ 335,631

December 31, 2024	Less Than Twelve Months			Twelve Months or More		
	Number of Securities	Gross Unrealized Losses	Fair Value	Number of Securities	Gross Unrealized Losses	Fair Value
	(in thousands)					
Debt Securities Available-for-sale						
U.S. government and agency securities	18	$ 294	$ 29,710	19	$ 606	$ 18,541
States, municipalities and political subdivisions	26	803	29,440	342	25,078	249,317
Corporate bonds	44	496	33,391	170	8,513	114,361
Mortgage-backed securities	1	—	—	122	2,672	14,694
Asset-backed securities	—	—	—	31	88	2,501
Other	—	—	—	—	—	—
Total	89	$ 1,593	$ 92,541	684	$ 36,957	$ 399,415

The Company’s unrealized losses on debt securities have not been recognized because the securities are of a high credit quality with investment grade ratings. After reviewing the Company's portfolio, if (i) the Company does not have the intent to sell, or (ii) it is more likely than not it will not be required to sell the security before its anticipated recovery, then the Company's intent is to hold the investment securities to recovery, or maturity if necessary to recover the decline in valuation as prices accrete to par. However, the Company's intent may change prior to maturity due to certain types of events, which include, but are not limited to, changes in the financial markets, the Company's analysis of an issuer’s credit metrics and prospects, changes in tax laws or the regulatory environment, or as a result of significant unforeseen changes in liquidity needs. As such, the Company may, from time to time, sell invested assets subsequent to the balance sheet date that it did not intend to sell at the balance sheet date. Conversely, the Company may not sell invested assets that the Company asserted it intended to sell at the balance sheet date. Such changes in intent are due to unforeseen events occurring subsequent to the balance sheet date.

The Company evaluated the available for sale investments that were in an unrealized loss position for the years ended December 31, 2025 and 2024 and determined that the decline in fair value was caused by rising interest rates, resulting in no credit loss allowance recorded as of December 31, 2025 or December 31, 2024.

Other Investments

Non-Consolidated Variable Interest Entities ("VIEs")

The Company makes passive investments in limited partnerships ("LPs"), which is accounted for using the equity method, with income reported in net realized and unrealized gains and losses. The Company also makes passive investments in a Real Estate Investment Trust ("REIT"), which are accounted for using the measurement alternative method, which is reported at cost less impairment (if any), plus or minus changes from observable price changes, as described in the table below.

The following table summarizes the Company's non-consolidated VIEs by category at December 31, 2025 and 2024 (in thousands):

			Carrying Value	
For the Year Ended December 31,	***Balance Sheet***	***Method***	***2025***	***2024***
Other Real Estate LLC(1)	Other Investments	Equity Method	$ 472	$ 549
Real Estate Corporation(2)	Other Investments	Measure Alternative	446	542
Preferred Membership/Interest (3)	Other Investments	Measure Alternative	—	4,490
Non-real estate related (4)	Other Investments	Equity Method	367	371
Total non-consolidated VIEs			$ 1,285	$ 5,952

(1) For the year ended December 31, 2025 and 2024 the Company received principal pay downs in the amount of and $77,138 and $134,152 respectively.

(2) For the year December 31, 2025, and 2024 the Company received return on capital distributions in the amounts of $96,000 and $216,000, respectively.

(3) The preferred interest agreement dated June 2022 in aggregate of $8.5 million was subject to fixed principal and interest schedules with a maturity date of July 1, 2027. In December 31, 2023, the Company sold $4.0 million of its preferred interest to a nonaffiliated party. For the year December 31, 2025, the Company received $4.5 million as full principal payment.

(4) The Company does not have the ability to redeem or withdraw from the funds, or to sell, assign, or transfer its investment, without the consent of the General Partner or Managers of each fund, but will receive distributions based on the liquidation of the underlying assets and interest processed from the underlying assets. Semi-annually, the Company reviews the investments for impairments based on activity and/or communications received from the General Partner.

The following table summarizes the carrying value and maximum loss exposure of the Company's non-consolidated VIEs at December 31, 2025 and 2024:

	As of December 31, 2025		***As of December 31, 2024***	
	Carrying Value	***Maximum Loss Exposure***	***Carrying Value***	***Maximum Loss Exposure***
Investments in non-consolidated VIEs - Equity method	$ 839	$ 839	$ 920	$ 920
Investments in non-consolidated VIEs - Measurement alternative	$ 446	$ 446	$ 5,032	$ 5,032
Total non-consolidated VIEs	$ 1,285	$ 1,285	$ 5,952	$ 5,952

The Company's maximum exposure to loss with respect to these investments is limited to the investment carrying amounts reported as "other investments" in the Company's consolidated balance sheet. No agreements exist requiring the Company to provide additional funding to any of the non-consolidated VIEs in excess of the Company's initial investment.

Note 3. Intangible Assets, net

For the years ended December 31, 2025 and 2024, other intangible assets, net were $30.2 million and $36.4 million, respectively. These amounts include $1.3 million relating to insurance licenses classified as an indefinite lived intangible.

Management reviewed intangibles and concluded no circumstances or events occurred that would indicate the carrying value of the intangible assets may not be recoverable other than what was recorded during the second quarter of 2023. During the second quarter of 2023, management impaired certain named intangible assets with a carrying value of $767,000 associated with the Company's construction affiliate resulting from changes to its operations.

Intangible Assets, net

Our intangible assets resulted primarily from the acquisitions of Zephyr Acquisition Company and NBIC Holdings, Inc. and consist of brand, agent relationships, renewal rights, customer relations, trade names, non-competes and insurance licenses. Finite-lived intangibles assets are amortized over their useful lives from one to fifteen years.

The tables below detail the finite-lived intangible assets, net as of December 31, 2025 and 2024, respectively (amounts in thousands):

	For the Year Ended December 31,	
	2025	**2024**
Amortizing intangible assets	(in thousands)	
Agent relationships	$ 15,500	$ 15,500
Renewal rights	57,200	57,200
Trade names	9,000	9,000
Non-compete	4,790	4,790
Total	86,490	86,490
Accumulated amortization	(57,616)	(51,433)
Total infinite-lived intangible assets, net	28,874	35,057
Indefinite-lived intangible assets:		
License acquired	1,315	1,315
Total intangible assets, net	$ 30,189	$ 36,372

Estimated annual pretax amortization of intangible assets for each of the next five years and thereafter is as follows (in thousands):

Year	**Amount**
2026	$ 6,033
2027	5,836
2028	3,913
2029	3,813
2030	3,813
Thereafter	5,464
	$ 28,874

Amortization expense of intangible assets was $6.2 million, $6.2 million and $6.4 million for the years ending December 31, 2025, 2024 and 2023, respectively.

Note 4. Earnings Per Share

The following table sets forth the computation of basic and diluted net income per share for the periods indicated:

	For the Year Ended December 31,		
	2025	*2024*	*2023*
Basic earnings per share:			
Net income attributable to common stockholders (000's)	$ 195,594	$ 61,539	$ 45,307
Weighted average shares outstanding	30,890,609	30,595,348	26,193,065
Basic earnings per share:	**$ 6.33**	**$ 2.01**	**$ 1.73**
Diluted earnings per share:			
Net income attributable to common stockholders (000's)	$ 195,594	$ 61,539	$ 45,307
Weighted average shares outstanding	30,890,609	30,595,348	26,193,065
Add: Effect of dilutive securities			
5.875% Convertible Notes	59,289	59,263	59,263
Diluted weighted average common shares outstanding	30,949,899	30,654,611	26,252,328
Diluted earnings per share:	**$ 6.32**	**$ 2.01**	**$ 1.73**

Basic earnings per share is computed by dividing net income by the weighted-average number of common stock outstanding during the reporting period. Diluted earnings per share gives effect to all dilutive common stock outstanding during the reporting period. The dilutive shares the Company considers in its diluted earnings per share calculation relate to its outstanding 5.875% Convertible Notes.

Note 5. Fair Value Measurements

Certain of the Company's assets are carried at fair value. 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.

The Company employs a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Accordingly, when market observable data are not readily available, the Company's own assumptions are set to reflect those that market participants would be presumed to use in pricing the asset or liability at the measurement date. Assets and liabilities recorded at fair value on the consolidated balance sheets are categorized based on the level of judgment associated with inputs used to measure their fair value and the level of market price observability, as follows:

Level 1 – Unadjusted quoted prices are available in active markets for identical assets/liabilities as of the reporting date.

Level 2 – Valuations based on observable inputs, such as quoted prices similar assets or liabilities at the measurement date; quoted prices in the markets that are not active; or other inputs that are observable, either directly or indirectly.

Level 3 – Pricing inputs are unobservable and significant to the overall fair value measurement, and the determination of fair value requires significant management judgment or estimation.

For the Company's investments in U.S. government securities that do not have prices in active markets, agency securities, state and municipal governments, and corporate bonds, the Company obtains the fair values from its third-party valuation service and evaluates the relevant inputs, assumptions, methodologies and conclusions associated with such valuations. The valuation service calculates prices for the Company's investments in the aforementioned security types on a month-end basis by using several matrix-pricing methodologies that incorporate inputs from various sources. The model the valuation service uses to price U.S. government securities and securities of states and municipalities incorporates inputs from active market makers and inter-dealer brokers. To price corporate bonds and agency securities, the valuation service calculates non-call yield spreads on all issuers, uses option-adjusted yield spreads to account for any early redemption features, then adds final spreads to the U.S. Treasury curve as of quarter end. The inputs the valuation service uses in their calculations are not quoted prices in active markets, but are observable inputs, and therefore represent Level 2 inputs.

The following table presents information about the Company's assets measured at fair value on a recurring basis. The Company assesses the levels for the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Company's accounting policy regarding the recognitions of transfers between levels of the fair value hierarchy.

For the years ended December 31, 2025 and 2024, there were no transfers in or out of Level 1, 2, and 3.

December 31, 2025	*Total*	*Quoted Prices in Active Markets for Identical Assets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Financial assets:		*(in thousands)*		
Cash and cash equivalents	$ 559,274	$ 559,274	$ —	$ —
Restricted cash	$ 13,307	$ 13,307	$ —	$ —
Debt Securities Available-for-sale				
U.S. government and agency securities	$ 90,184	$ —	$ 90,184	$ —
States, municipalities and political subdivisions	335,482	—	335,482	—
Corporate bonds	225,722	—	225,722	—
Mortgage-backed securities	57,600	—	57,600	—
Asset-backed securities	1,169	—	1,169	—
Other	3,080	—	3,080	—
Total debt securities	$ 713,237	$ —	$ 713,237	$ —
Equity Securities				
Common stock	1,064	1,064	—	—
Total debt securities and equity securities	$ 714,301	$ 1,064	$ 713,237	$ —

December 31, 2024	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:		*(in thousands)*		
Cash and cash equivalents	$ 452,666	$ 452,666	$ —	$ —
Restricted cash	$ 10,979	$ 10,979	$ —	$ —
Debt Securities Available-for-sale				
U.S. government and agency securities	$ 92,761	$ —	$ 92,761	$ —
States, municipalities and political subdivisions	300,901	—	300,901	—
Corporate bonds	238,689	—	238,689	—
Mortgage-backed securities	14,694	—	14,694	—
Asset-backed securities	2,500	—	2,500	—
Other	6,010	—	6,010	—
Total debt securities	$ 655,555	$ —	$ 655,555	$ —
Equity Securities				
Common stock	1,936	1,936	—	—
Total debt securities and equity securities	$ 657,491	$ 1,936	$ 655,555	$ —

Non-recurring fair value measurements

Assets and liabilities that are measured at fair value on a non-recurring basis include intangible assets which are recognized at fair value during the period in which an acquisition is completed, from updated estimates and assumptions during the measurement period, or when they are considered to be impaired. To evaluate such assets for a potential impairment, the Company determines the fair value of the intangible assets using a combination of a discounted cash flow approach and market approaches, which contain significant unobservable inputs and therefore are considered a Level 3 fair value measurement. The unobservable inputs in the analysis generally include future cash flow projections and a discount rate.

During the second quarter of 2023, the Company recorded an impairment of $767,000 of named intangible assets associated with a construction division given management changes to its operations.

Note 6. Other Comprehensive Income

The following table is a summary of other comprehensive income and discloses the tax impact of each component of other comprehensive income for the years ended December 31, 2025, 2024 and 2023, respectively:

	For the Year Ended December 31,								
	2025			*2024*			*2023*		
	Pre-tax	*Tax*	*After-tax*	*Pre-tax*	*Tax*	*After-tax*	*Pre-tax*	*Tax*	*After-tax*
					(in thousands)				
Other comprehensive income									
Change in unrealized gains on investments, net	$ 23,588	(5,620)	$ 17,968	$ 8,771	(2,086)	$ 6,685	$ 23,388	(5,539)	$ 17,850
Reclassification adjustment of realized losses (gains) included in net income	107	(26)	81	(51)	12	(39)	636	(151)	484
Effect on other comprehensive income	$ 23,695	$ (5,646)	$ 18,049	$ 8,720	$ (2,074)	$ 6,646	$ 24,024	$ (5,690)	$ 18,335

Note 7. Other Assets

The following table summarizes the Company's other assets as of December 31, 2025 and 2024:

Description	*December 31, 2025*		*December 31, 2024*	
	(in thousands)			
Other amounts receivable	$	12,129	$	2,542
State underwriting pooling & assoc.		2,111		2,156
Other prepaid expenses		5,821		4,277
Prepaid Premium taxes		12,909		—
Unallocated Remittances		853		2,665
Total other assets	$	33,823	$	11,640

Prepaid premium taxes relates to amounts associated under the Florida Department of Revenue premium tax credit program, which the Company provided to its policyholders as required by Florida law. Included in other amounts receivable is a promissory note issued in connection with the sale of the Company's real estate to a non-affiliated party in July 2025. The note bears interest at 7% per annum and requires monthly interest payments beginning August 1, 2025. As of December 31, 2025, the outstanding principal balance of the note was approximately $11.07 million. On January 23, 2026, the Company received full payment on the $11.0 million promissory note and the accrued but unpaid interest of $48,521.

Note 8. Leases

The Company has entered into operating and financing leases primarily for real estate and vehicles. The Company will determine whether an arrangement is a lease at inception of the agreement. The operating leases have terms of one to ten years, and often include one or more options to renew. These renewal terms can extend the lease term from two to ten years and are included in the lease term when it is reasonably certain that the Company will exercise the option. The Company considers these options in determining the lease term used in establishing the Company's right-of-use assets and lease obligations. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Because the rate implicit in each operating lease is not readily determinable, the Company uses its incremental borrowing rate to determine present value of the lease payments. The Company used the implicit rates within the finance leases.

The components of lease costs were as follows (in thousands) for the respective years:

	December 31, 2025		*December 31, 2024*	
Operating lease cost, included in General & Administrative expenses on the Consolidated Statements of Operations	$	1,567	$	1,614
Finance lease cost:				
Amortization of assets, included in General & Administrative expenses on the Consolidated Statements of Operations		2,484		2,522
Interest on lease liabilities, included in Interest expense on the Consolidated Statements of Operations		690		793
Total finance lease cost	$	3,174	$	3,315
Variable lease cost, included in General & Administrative expenses on the Consolidated Statements of Operations	$	1,177	$	1,475
Short-term lease cost, included in General & Administrative expenses on the Consolidated Statements of Operations	$	124	$	77

Right-of-use lease asset and lease liability was as follows (in thousands):

Operating Leases	*December 31, 2025*		*December 31, 2024*	
Right of use assets	$	4,878	$	5,850
Lease liability	$	5,800	$	6,945
Finance Leases				
Right of use assets	$	12,598	$	15,082
Lease liability	$	15,587	$	18,071

Supplemental cash flow information related to the Company's operating and financial leases as follows (in thousands):

Operating Leases	December 31, 2025	December 31, 2024
Lease liability payment	$ (1,398)	$ (1,131)
Finance Leases		
Lease liability payment	$ (2,231)	$ (2,315)

Weighted-average remaining lease term and discount rate for the Company's operating and financing leases was as follows:

Weighted-average remaining lease term	December 31, 2025	December 31, 2024
Operating lease	2.10 yrs.	4.60 yrs.
Finance lease	5.22 yrs.	6.19 yrs.
Weighted-average discount rate		
Operating lease	5.33 %	5.36 %
Finance lease	4.12 %	4.14 %

Maturities of lease liabilities for financing and operating leases were as follows as of December 31, 2025 (in thousands):

	Financing Lease	Operating Lease
2026	$ 3,216	1,748
2027	3,190	1,659
2028	3,270	1,693
2029	3,351	1,257
2030	3,436	41
2031and thereafter	864	—
Total lease payments	17,327	6,398
Less: imputed interest	1,740	598
Present value of lease liabilities	$ 15,587	$ 5,800

Note 9. Property and Equipment

Property and equipment, net consists of the following at December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
	(in thousands)	
Land	$ —	$ 2,582
Building	—	9,599
Computer hardware and software	41,035	33,236
Office furniture and equipment	1,498	1,498
Tenant and leasehold improvements	5,462	11,023
Vehicle fleet	234	515
Total, at cost	48,229	58,453
Less: accumulated depreciation and amortization	(19,975)	(20,373)
Property and equipment, net	$ 28,254	$ 38,080

For the year ended December 31, 2025, the Company capitalized an additional $7.3 million of internal-use software development for the new policy, billing, and claims system. The Company is incurring additional costs as new capabilities and products are be added to the system, which will be capitalized as appropriate. During the second quarter of 2025, the Company began the development to incorporate the Company's commercial products into the system, and the Company estimates completion of the development and full integration by the end of 2026. Once placed in service, the Company will amortize the capitalized internally developed software costs over the estimated useful life of 7 years, on a straight-line basis.

Depreciation and amortization expense for property and equipment was approximately $6.5 million, $3.4 million and $2.4 million for the year ended December 31, 2025, 2024 and 2023, respectively. On July 23, 2025, the Company sold its real estate consisting of 13 acres of land, two buildings and a parking garage for $16.0 million less fees and commission of $674,640. The Company recognized a net gain of approximately $2.7 million from the sale and reported the transaction within the Company's Consolidated Statement of Operations in net realized gains on debt securities and other investments. As part of the sale consideration, the buyer issued a promissory note to the Company for $11.0 million with a maturity date on January 23, 2026, which accrues interest at a rate of 7% per annum and under which the buyer agreed to make regularly scheduled monthly payments of all accrued unpaid interest due as of each payment date, commencing on August 1, 2025. For the year ended December 31, 2025, the Company had recognized $343,863 as interest income from the promissory note. Also, as part of the building sale transaction the Company paid off the associated $10.8 million mortgage loan.

Note 10. Deferred Reinsurance Ceding Commission

The Company defers certain income in connection with its quota share reinsurance contracts. The deferred reinsurance ceding commission ("DRCC") is deferred and earned subject to the terms of the reinsurance agreements. Ceding commission on quota share agreements generally includes a provisional ceding rate, subject to sliding scale adjustments based on the loss experience of the reinsurers. Adjustments are reflected in current operations. The Company allocates 75% of ceding commission income to policy acquisition costs and 25% of ceding commission income to general and administrative expenses.

The deferred reinsurance ceding commission income is amortized over the effective period of the related insurance policies. For the year ended December 31, 2025, 2024 and 2023 the Company allocated ceding commission income of $54.8 million, $37.8 million and $48.7 million to policy acquisition costs and $18.1 million, $12.5 million and $16.1 million to general and administrative expense, respectively.

The table below depicts the activity with regard to deferred reinsurance ceding commission during the years ended December 31, 2025, 2024 and 2023.

	For the Year Ended December 31,		
	2025	2024	2023
		(in thousands)	
Beginning balance of deferred ceding commission income	$ 42,561	$ 33,627	$ 42,758
Ceding commission deferred	$ 72,603	59,205	55,639
Less: ceding commission earned	$ (72,951)	(50,271)	(64,770)
Ending balance of deferred ceding commission income	$ 42,213	$ 42,561	$ 33,627

Deferred ceding commission income is recorded as an offset to deferred policy acquisition costs in the Company's Consolidated Balance Sheet.

Note 11. Deferred Policy Acquisition Costs, net

The Company defers certain costs in connection with written policies, called deferred policy acquisition costs ("DPAC"), which are amortized over the effective period of the related insurance policies. As described in Note 10. Deferred Reinsurance Ceding Commission, the Company records provisional ceding commission that it receives in connection with the Company's reinsurance contracts as an offset to deferred policy acquisition costs. Therefore, deferred policy acquisition costs are presented net of deferred reinsurance ceding commission.

The Company anticipates that its DPAC, net will be fully recoverable in the near term. The table below depicts the activity with regard to DPAC, net for the years ended December 31, 2025 and 2024:

	For the Year Ended December 31,		
	2025	2024	2023
		(in thousands)	
Beginning Balance	$ 63,204	$ 69,256	$ 56,859
Policy acquisition costs deferred	$ 271,007	271,566	249,922
Amortization	$ (227,454)	$ (235,057)	$ (203,898)
Unearned ceding commission	$ (42,213)	(42,561)	(33,627)
Ending Balance	$ 64,544	$ 63,204	$ 69,256

Note 12. Reinsurance

Overview

Reinsurance

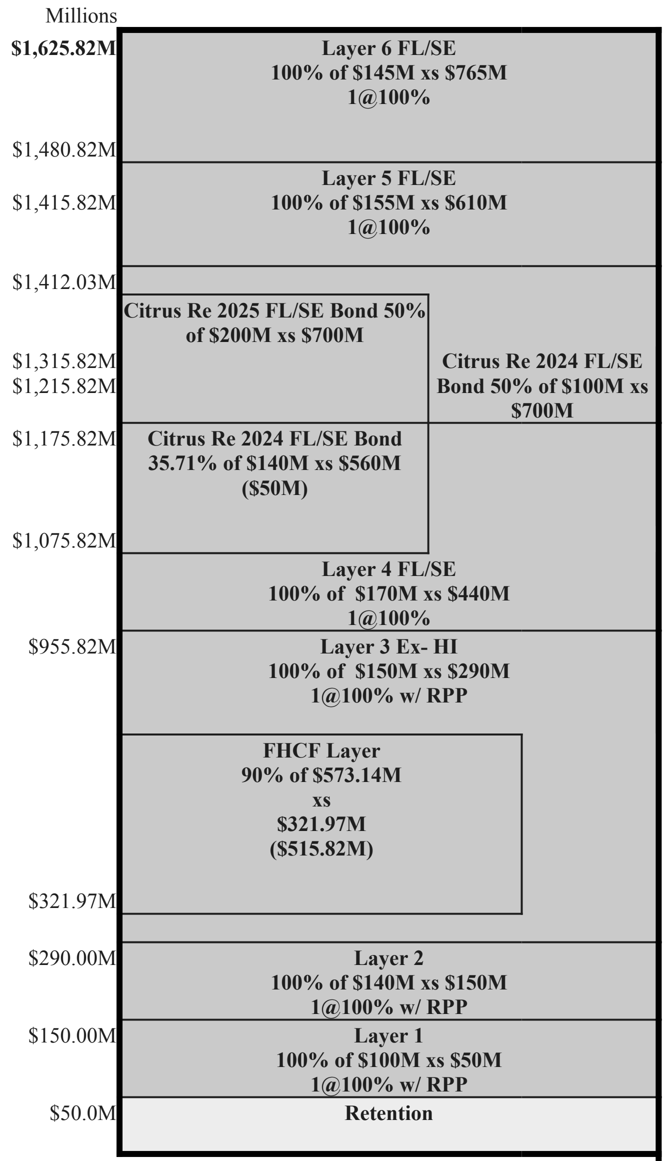
In order to limit the Company’s potential exposure to individual risks and catastrophic events, the Company purchases significant reinsurance from third party reinsurers. Purchasing reinsurance is an important part of the Company’s risk strategy, and premiums ceded to reinsurers is one of the Company’s largest costs. The Company has strong relationships with reinsurers, which it attributes to its management’s industry experience, disciplined underwriting, and claims management capabilities. For each of the twelve months beginning June 1, 2025 and 2024, the Company purchased catastrophe excess of loss reinsurance from the following sources: (i) the Florida Hurricane Catastrophe Fund, a state-mandated catastrophe fund (“FHCF”) which provides reinsurance for Florida personal residential and commercial residential admitted policies only, (ii) private reinsurers, all of which were rated “A-” or higher by A.M. Best Company, Inc. (“A.M. Best”) or Standard & Poor’s Financial Services LLC (“S&P”) or were fully collateralized, (iii) the Company’s wholly-owned reinsurance subsidiary, Osprey Re Ltd. (“Osprey”), and (iv) Citrus Re Ltd (“Citrus Re”) a special purpose vehicle through which the Company sponsors catastrophe bonds. In addition to purchasing excess of loss catastrophe reinsurance, the Company also purchases quota share, property per risk and facultative reinsurance from reinsurers who are either rated “A-” or higher by A.M. Best or were fully collateralized. The Company’s quota share program limits its exposure on catastrophe and non-catastrophe losses and provides ceding commission income. The Company’s per risk programs limit its net exposure in the event of a severe non-catastrophe loss impacting a single location or risk. The Company also utilizes facultative reinsurance to supplement its per risk reinsurance program where the Company’s capacity needs dictate.

Purchasing a sufficient amount of reinsurance to cover catastrophic losses from single or multiple events or significant non-catastrophe losses is an important part of the Company’s risk strategy. Reinsurance involves transferring, or “ceding”, a portion of the risk exposure on policies the Company writes to another insurer, known as a reinsurer. To the extent that the Company’s reinsurers are unable to meet the obligations they assume under the Company’s reinsurance agreements, the Company remains liable for the entire insured loss.

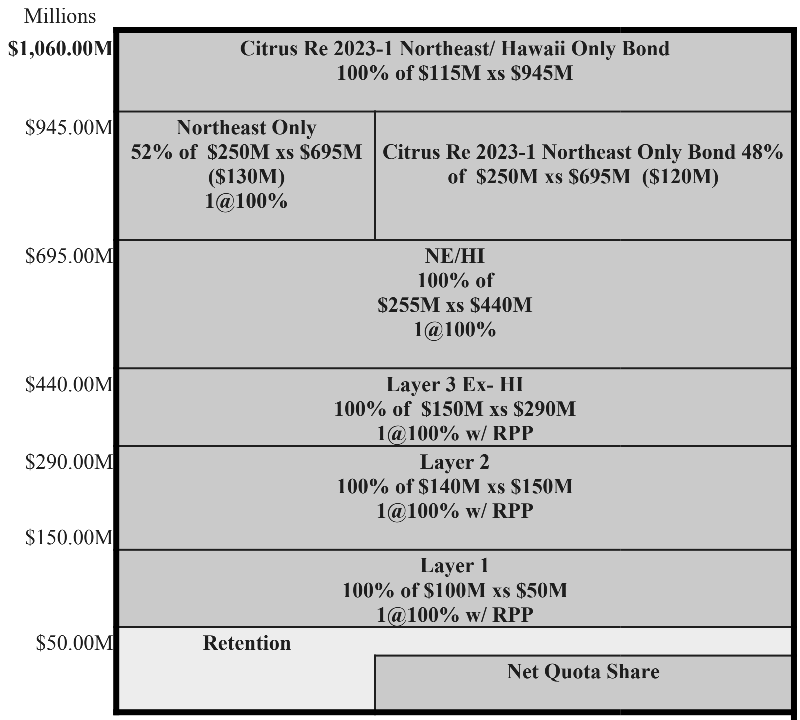
The Company’s state insurance regulators require the Company, like all insurance companies, to have a certain amount of capital and reinsurance coverage in order to cover losses and loss adjustment expenses upon the occurrence of a catastrophic event. The Company’s reinsurance program provides reinsurance which complies with state regulator requirements, which are generally based on the probable maximum loss that it would incur from an individual catastrophic event estimated to occur once in every 100 years based on its portfolio of insured risks. The nature, severity and location of the event giving rise to such a probable maximum loss differs for each insurer depending on the insurer’s portfolio of insured risks, including, among other things, the geographic concentration of insured value within such portfolio. As a result, a particular catastrophic event could be a one-in-100-year loss event for one insurance company while having a greater or lesser probability of occurrence for another insurance company. The Company also purchases reinsurance coverage to protect against the potential for multiple catastrophic events occurring in the same year. The Company shares portions of its reinsurance program coverage among its insurance company affiliates.

2025-2026 Reinsurance Towers by Region

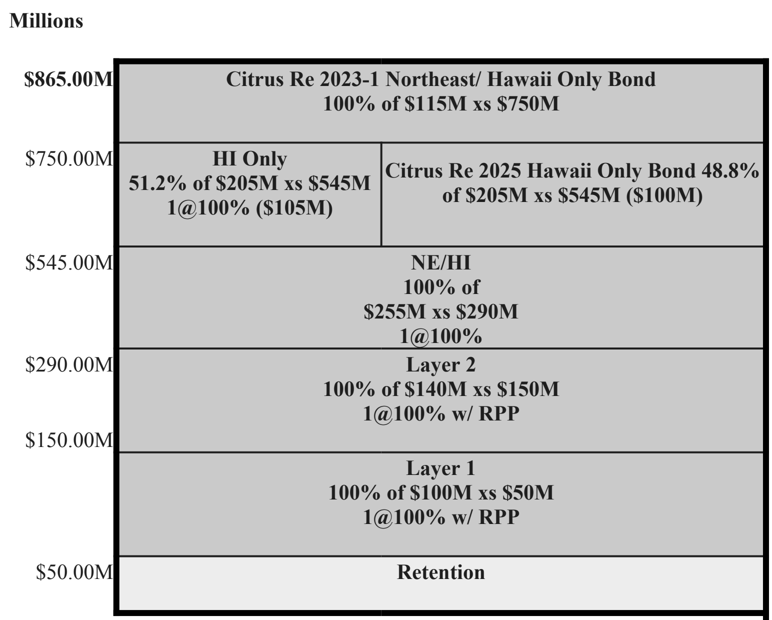
The following graphics depict the Company's reinsurance program structure for the 2025-2026 hurricane season for a first event by region. Reinsurance coverage provided by Osprey to the Company's insurance company affiliates is not included below as these reinsurance towers only reflect third party reinsurance coverage.


Millions
$1,625.82M
$1,480.82M
$1,415.82M
$1,412.03M
$1,315.82M
$1,215.82M
$1,175.82M
$1,075.82M
$955.82M
$321.97M
$290.00M
$150.00M
$50.0M
Layer 6 FL/SE
100% of $145M xs $765M
1@100%
Layer 5 FL/SE
100% of $155M xs $610M
1@100%
Citrus Re 2025 FL/SE Bond 50% of $200M xs $700M
Citrus Re 2024 FL/SE Bond 50% of $100M xs $700M
Citrus Re 2024 FL/SE Bond 35.71% of $140M xs $560M ($50M)
Layer 4 FL/SE
100% of $170M xs $440M
1@100%
Layer 3 Ex- HI
100% of $150M xs $290M
1@100% w/ RPP
FHCF Layer
90% of $573.14M
xs
$321.97M
($515.82M)
Layer 2
100% of $140M xs $150M
1@100% w/ RPP
Layer 1
100% of $100M xs $50M
1@100% w/ RPP
Retention

FL 1st Event



NE 1st Event



HI 1st Event

* xs = in excess

2025 - 2026 Reinsurance Program

Catastrophe Excess of Loss Reinsurance

Effective June 1, 2025, the Company entered into catastrophe excess of loss reinsurance agreements for 2025-2026 covering Heritage Property & Casualty Insurance Company ("Heritage P&C"), Zephyr Insurance Company ("Zephyr") and Narragansett Bay Insurance Company ("NBIC"). As described above, the catastrophe reinsurance programs are allocated among traditional reinsurers, Citrus Re and Osprey Re. The FHCF covers Florida admitted market risks only and the Company elected to participate at 90.0% for the 2025 hurricane season. The Company's affiliate, Osprey Re, provides reinsurance for a portion of the Heritage P&C, NBIC and Zephyr programs. The Company's third-party reinsurers are either rated "A-" or higher by A.M. Best or S&P or are fully collateralized, to reduce credit risk. Osprey Re and Citrus Re are fully collateralized programs.

The reinsurance program, which is segmented into layers of coverage, protects the Company for excess property catastrophe losses and loss adjustment expenses. The 2025-2026 reinsurance program provides first event coverage up to $1.6 billion for Heritage P&C, first event coverage up to $1.1 billion for NBIC, and first event coverage up to $865.0 million for Zephyr. The Company's first event retention in a 1 in 100-year event would include retention for the respective insurance company as well as any retention by Osprey. The first event maximum retention up to a 1 in 100-year event for each insurance company subsidiary is as follows: Heritage P&C – $50.0 million, of which $50.0 million would be ceded to Osprey in a shared contract with NBIC and Zephyr; NBIC – $38.0 million of which the entire amount would be ceded to Osprey in a shared contract with Heritage P&C and Zephyr; and Zephyr — $50.0 million, of which $50 million would be ceded to Osprey in a shared contract with Heritage P&C and NBIC.

The Company is responsible for all losses and loss adjustment expenses in excess of the Company's reinsurance program. For second or subsequent catastrophic events, the Company's total available coverage depends on the magnitude of the first event, as the Company may have coverage remaining from layers that were not previously fully exhausted. An aggregate of $3.75 billion of limit is available in 2025, which includes reinstatement through the purchase of reinstatement premium protection. The amount of coverage, however, will be subject to the severity and frequency of such events.

The Company placed occurrence contracts for business underwritten by NBIC which covers all catastrophe losses excluding named storms which contracts expire December 31, 2026. One contract which is 70% placed has a $30.0 million limit in excess of a retention of $20.0 million while another contract provides the remaining 30% with a $25.0 million limit in excess of a retention of $25.0 million. Each contract has one reinstatement available. The Company placed occurrence contracts for business underwritten by NBIC which covers all catastrophe losses excluding named storms which contracts expire December 31, 2025. One contract which is 55% placed has a $15.0 million limit in excess of a retention of $25.0 million while another contract provides the remaining 45% with a $20.0 million limit in excess of a retention of $20.0 million. Each contract has one reinstatement available.

Net Quota Share Reinsurance

The Company's Net Quota Share coverage is proportional reinsurance, which applies to most business underwritten by NBIC, for which certain of the Company's other reinsurance programs (property catastrophe excess of loss and general excess of loss) inures to the quota share program. The amount and rate of ceding commissions slide, within a prescribed minimum and maximum, depending on loss performance. The Net Quota program has a term of one year. The Net Quota Share program which renewed on December 31, 2025 ceded 40.0% of the net premiums, with an occurrence limit of $30.0 million for catastrophe losses is in effect on the current year quota share program, subject to certain aggregate loss limits that vary by reinsurer. The Net Quota Share program which renewed on December 31, 2024 ceded 46.0% of the net premiums, with an occurrence limit of $20.0-$25.0 million for catastrophe losses is in effect on the current year quota share program, subject to certain aggregate loss limits that vary by reinsurer.

Per Risk Coverage

For losses arising from business underwritten by Heritage P&C, losses arising from commercial residential business underwritten by NBIC and Zephyr, and southeastern U.S. surplus lines business underwritten by NBIC, excluding losses from named storms, the Company purchased property per risk coverage. The contracts period for this program is one year. For the contract period of July 1, 2025 through June 30, 2026, the program was 100% placed. Under this program, the limit recoverable for an individual loss in excess of $2.0 million per claim is $8.0 million and total limit for all losses is $24.0 million. There are two reinstatements available with additional premium due based on the amount of the layer exhausted. For the contract period from June 15, 2024 through June 30, 2025, which was 100% placed, the limit recoverable for an individual loss in excess of $1.5 million per claim was $8.5 million and total limit for all losses was $25.5 million. There were two reinstatements available with additional premium due based on the amount of the layer exhausted.

For losses arising from commercial residential business underwritten by NBIC, the Company also purchased property per risk coverage for losses and loss adjustments expenses in excess of $1.0 million per claim. The limit recovered for an individual loss is $1.0 million and total limit for all losses is $3.0 million.

In addition, the Company purchased facultative reinsurance for losses in excess of $10.0 million for any properties it insured where the total insured value exceeded $10.0 million. The maximum limit for this coverage is $80.0 million. This coverage applies to losses arising from business underwritten by Heritage P&C and losses arising from commercial residential business underwritten by Narragansett and Zephyr, excluding losses from named storms. The Company also purchased facultative reinsurance for losses underwritten by NBIC in excess of $3.5 million.

General Excess of Loss

The Company's general excess of loss reinsurance protects personal residential multi-peril business underwritten by Narragansett and Zephyr from single risk losses. For the contract period of July 1, 2025 through June 30, 2026, the coverage is $2.5 million excess $1.0 million for property losses and $1.0 million excess $1.0 million for casualty losses, and is 47.5% placed. For the contract period of July 1, 2024 through June 30, 2025, the coverage is $2.5 million excess $1.0 million for property losses and $1.0 million excess $1.0 million for casualty losses, and is 50.0% placed.

*For a detailed discussion of the Company's **2024-2025 Reinsurance Program** refer to Part II, Item 8, "Financial Statements and Supplementary Data" and "**Note 12. Reinsurance**" in the Company's 2024 Form 10-K.*

Effect of Reinsurance

The Company's reinsurance arrangements had the following effect on certain items in the Consolidated Statement of Income for the year ended December 31, 2025, 2024 and 2023:

	For the Year Ended December 31, 2025		
	Premiums Written	Premiums Earned	Losses and Loss Adjustment Expenses
		(in thousands)	
Direct	$ 1,436,346	$ 1,431,103	$ 266,953
Ceded	(634,182)	(636,946)	46,293
Net	$ 802,164	$ 794,157	$ 313,246

	For the Year Ended December 31, 2024		
	Premiums Written	Premiums Earned	Losses and Loss Adjustment Expenses
		(in thousands)	
Direct	$ 1,432,942	$ 1,406,106	$ 1,162,476
Ceded	(653,827)	(638,246)	(715,428)
Net	$ 779,115	$ 767,860	$ 447,048

	For the Year Ended December 31, 2023		
	Premiums Written	Premiums Earned	Losses and Loss Adjustment Expenses
		(in thousands)	
Direct	$ 1,343,101	$ 1,323,643	$ 875,475
Ceded	(613,739)	(626,458)	(449,346)
Net	$ 729,362	$ 697,185	$ 426,129

Note 13. Reserve For Unpaid Losses

The Company determines the reserve for unpaid losses on an individual-case basis for all incidents reported. The liability also includes amounts which are commonly referred to as incurred but not reported, or "IBNR", claims as of the balance sheet date. The Company estimates its IBNR reserves by projecting its ultimate losses using industry accepted actuarial methods and then deducting actual loss payments and case reserves from the projected ultimate losses.

The table below summarizes the activity related to the Company's reserve for unpaid losses:

	For the Year Ended December 31,		
	2025	2024	2023
		(in thousands)	
Balance, beginning of period	$ 1,042,687	$ 845,955	$ 1,131,807
Less: reinsurance recoverable on unpaid losses	675,652	421,797	759,681
Net balance, beginning of period	367,035	424,158	372,126
Incurred related to:			
Current year	326,700	421,633	427,702
Prior years	(13,454)	25,415	(1,573)
Total incurred	313,246	447,048	426,129
Paid related to:			
Current year	210,804	233,248	232,827
Prior years	159,367	270,923	141,270
Total paid	370,171	504,171	374,097
Net balance, end of period	310,110	367,035	424,158
Plus: reinsurance recoverable on unpaid losses	269,367	675,652	421,797
Balance, end of period	$ 579,477	$ 1,042,687	$ 845,955

The Company believes that the reserve for unpaid losses reasonably estimates the amount necessary to pay all claims and related expenses which may arise from incidents that have occurred as of the balance sheet date.

As of December 31, 2025, the Company reported $310.1 million in unpaid losses and loss adjustment expenses, net of reinsurance which included $247.7 million attributable to IBNR net of reinsurance recoverable, or 79.9% of net reserves for unpaid losses and loss adjustment expenses. Total incurred losses reflect favorable development of $13.5 million in 2025, $25.4 million of adverse development in 2024 and $1.6 million of favorable development in 2023, all associated with management's best estimate of actuarial loss and LAE reserves with consideration given to Company specific historical loss experience.

Reinsurance recoverable on unpaid losses includes expected reinsurance recoveries associated with reinsurance contracts the Company has in place. The amount may include recoveries from catastrophe excess of loss reinsurance, net quota share reinsurance, per risk reinsurance, and facultative reinsurance contracts.

In the fourth quarter of 2022 we re-estimated our ultimate losses for Hurricane Irma, which struck Florida in 2017. As a result of that re-estimation, Heritage exhausted the private layers of reinsurance specific to Hurricane Irma but had a 45% participation in the FHCF limit remaining. As further described in Note 17, Commitments and Contingencies, to these consolidated financial statements, the Company's 2017 reinsurance agreement with the FHCF required a commutation no later than 60 months after the end of the contract year. As part of this process, Heritage and the FHCF terminated the 2017 reinsurance agreement and agreed on the amount that the FHCF would pay to the Company to settle all outstanding losses owed under the agreement related to losses from Hurricane Irma. As such, this commutation process resulted in a final determination of and payment for known, unknown or unreported claims relating to Hurricane Irma. Social inflation and the litigated claims environment in the State of Florida, which affected Hurricane Irma claims, could result in future adverse development of these claims, which creates uncertainty as to the ultimate cost to settle all of the remaining Hurricane Irma claims. Accordingly, should future re-estimations to Hurricane Irma losses increase the Company's expected loss reserves, all of the increase will be retained by the Company. The net unfavorable loss development described above stemmed primarily from losses associated with Hurricane Irma, for which the losses were fully retained.

The following is information about incurred and paid claims development as of December 31, 2025, net of reinsurance, as well as cumulative claim payments and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

The information by accident year for years prior to 2025 is presented as required supplementary information and is unaudited.

Incurred Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance
(in thousands, except number of claims)

	Unaudited											
Accident year	**2016 & prior**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Net IBNR Reserves**	**Reported Claims**
2016 & prior	237,207	242,611	250,990	250,235	250,067	250,482	249,315	250,707	252,749	252,557	25	138,756
2017		189,163	195,240	192,749	194,618	195,602	211,386	220,944	272,157	287,610	19,077	73,366
2018			278,047	272,154	270,956	276,546	286,051	288,792	291,988	292,789	1,763	34,504
2019				198,568	171,237	170,383	176,942	179,628	182,203	183,701	1,875	26,386
2021					358,344	350,394	360,498	362,892	366,731	367,948	5,884	39,871
2022						390,597	359,325	357,370	363,572	364,146	8,243	33,182
2022							452,397	433,895	420,633	417,428	16,998	42,320
2023								382,449	354,146	352,494	30,238	20,772
2024									408,422	379,747	67,101	22,993
2025										282,119	80,751	
									Total	$ 3,180,539	$ 231,955	

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

	Unaudited									
Accident year	**2016 & prior**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
2016 & prior	132,679	211,512	233,540	238,868	241,875	244,820	246,826	249,901	252,212	254,032
2017		101,541	168,606	178,622	184,313	188,928	194,079	163,068	244,841	264,544
2018			164,641	232,211	248,783	265,868	277,489	285,447	288,794	290,230
2019				64,356	125,359	147,406	161,938	172,497	177,816	180,718
2021					198,834	299,825	324,860	334,937	351,397	360,416
2022						215,478	302,379	329,367	345,419	352,707
2022							224,721	339,825	380,005	394,456
2023								191,596	291,089	313,696
2024									228,670	305,670
2025										168,716
									Total	$ 2,885,186

Reconciliation of Reserve Balances to Liability for Unpaid Loss and Loss Adjustment Expenses

Unpaid Loss and Allocated Loss Adjustment Expense, Net of Reinsurance	$	294,367
Reinsurance recoverable on unpaid losses		269,367
Unpaid Unallocated Loss Adjustment Expense		15,743
Unpaid losses and loss adjustment expenses	$	579,477

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance as of December 31, 2025 (Unaudited)

	Year - 1	**Year - 2**	**Year - 3**	**Year - 4**	**Year - 5**	**Thereafter**
Percentage	53.0%	29.5%	8.3%	3.5%	2.2%	3.5%

Note 14. Long-Term Debt

Convertible Senior Notes

In August 2017 and September 2017, the Company issued in aggregate $136.8 million of 5.875% Convertible Senior Notes ("Convertible Notes") maturing on August 1, 2037, unless earlier repurchased, redeemed or converted. Interest is payable semi-annually in arrears, on February 1, and August 1 of each year. In January 2022, the Company repurchased and retired $11.7 million of outstanding Convertible Senior Notes. Payment was made in cash and the Convertible Notes were retired at the time of repurchase. In addition, the Company expensed $242,700 which was the proportionate amount of the unamortized issuance and debt discount costs associated with this repurchase.

As of December 31, 2025 and 2024, the Company had approximately $885,000 of the Convertible Notes outstanding, net of $21.1 million of Convertible Notes held by an insurance company subsidiary. For the years ended December 31, 2025 and 2024, the Company made interest payments, net of affiliated Convertible Notes, of approximately $50,230, on the outstanding Convertible Notes.

Senior Secured Credit Facility

On July 22, 2025, the Company and its subsidiary guarantors entered into the Amended and Restated Credit Agreement (the "Amended and Restated Credit Agreement") with lenders from time to time party thereto and Regions Bank, as administrative agent and collateral agent. The Amended and Restated Credit Agreement amended and restated in its entirety the Credit Agreement dated as of December 14, 2018 (as amended to date, the "Prior Credit Agreement").

The Amended and Restated Credit Agreement, among other things, (i) increased the overall size of the senior secured credit facilities to an aggregate principal amount of up to $200.0 million, consisting of (a) a revolving credit facility that continues to have an aggregate principal amount of up to $50.0 million (inclusive of a $25.0 million sublimit for swingline loans), but with an extended maturity of July 2030 (the "Revolving Credit Facility"), (b) a term loan facility for an aggregate of $75 million principal amount outstanding as of the date of the Amended and Restated Agreement, with an extended maturity of July 2030 (the "Term Loan Facility"), and (c) a $75 million committed delayed draw term loan that may be advanced to finance specified permitted acquisitions and investments, subject to satisfaction of conditions to borrowing and compliance with a specified consolidated leverage ratio, in up to five separate installments during the two year period following the effective date of the Amended and Restated Credit Agreement with a maturity of July 2030 (the "Delayed Draw Term Loan Facility"), (ii) reduced the applicable margin for loans from (a) the prior range of 2.75% to 3.25% (plus the 0.10% credit adjustment spread) to a range from 2.50% to 3.00% per annum for SOFR loans (and removes the 0.10% SOFR credit adjustment spread) and (b) the prior range of 1.75% to 2.25% per annum for base rate loans to a range from 1.50% to 2.00%, in each case based on a consolidated leverage ratio ranging from less than or equal to 1-to-1 to greater than 1.5-to-1 and (iii) amended the terms of specified financial and negative covenants, which will generally allow the Company more flexibility, including to sell certain real estate assets located in Clearwater, Florida. All other material terms of the Prior Credit Agreement remain unchanged in the Amended and Restated Credit Agreement.

The net proceeds from the advance, along with cash on hand, were used to repay approximately $78 million in principal amount outstanding under the Prior Credit Agreement, including to pay accrued interest, fees, costs and expenses in connection with the closing of the Amended and Restated Credit Agreement.

As of December 31, 2025, the Amended and Restated Credit Agreement provided senior secured credit facilities in the aggregate principal amount of up to $200.0 million, consisting of (1) the Term Loan Facility in an aggregate principal amount of $75.0 million , (2) the Delayed Draw Term Loan Facility in an aggregate principal amount of $75.0 million and (3) the Revolving Credit Facility in an aggregate principal amount of $50 million (inclusive of a sublimit for the issuance of letters of credit equal to the unused amount of the revolving credit facility and a sublimit for swingline loans equal to the lesser of $25 million and the unused amount of the revolving credit facility) (collectively, the "Credit Facilities").

Term Loan Facility. The principal amount of the term loan facility under the Prior Credit Agreement amortized in quarterly installments, beginning with the close of the fiscal quarter ending March 31, 2019 and was amortizing in an amount equal to $2.4 million per quarter until its scheduled maturity date of July 28, 2026. The term loan facility under the Prior Credit Agreement was to mature on July 28, 2026 but was refinanced in full in connection with the Amended and Restated Credit Agreement. As of December 31, 2024, there was $70.1 million in aggregate principal outstanding under the term loan facility under the Prior Credit Agreement and as of December 31, 2025, there was $74.0 million in aggregate principal amount under the Term Loan Facility under the Amended and Restated Credit Agreement. The principal amount of the Term Loan Facility under the Amended and Restated Credit Agreement amortizes in quarterly installments beginning with the close of the fiscal quarter ending December 31, 2025, in an amount equal to $937,500 per quarter, increasing to approximately $1.4 million commencing with the quarter ending September 30, 2028 with the remaining balance payable at maturity in July 2030.

For the years ended December 31, 2025 and 2024, the Company made principal payments of approximately $4.8 million and $6.1 million, respectively, and interest payments of $2.5 million and $3.9 million, respectively, on the term loan facility under the Prior Credit Agreement. Under the Amended and Restated Credit Agreement the Company made principal and interest payments of $3.9 million as of December 31, 2025.

Revolving Credit Facility. The Revolving Credit Facility allows for borrowings of up to $50 million inclusive of a sublimit for the issuance of letters of credit equal to the unused amount of the Revolving Credit Facility and a sublimit for swingline loans equal to the lesser of $25 million and the unused amount of the Revolving Credit Facility. Immediately prior to entering into the Amended and Restated Credit Agreement the Company had $10.0 million in borrowings under the revolving credit facility under the Prior Credit Agreement. Immediately prior to entering into the Amended and Restated Credit Agreement the outstanding balance under the revolving credit facility under the Prior Credit Agreement was $10.0 million, which was repaid in connection with the Amendment and Restated Credit Agreement. During 2024, the Company secured letters of credit in aggregate of $24.4 million with a maturity date of March 16, 2025. The letters of credit were not drawn upon during the first quarter of 2025 and were cancelled on their maturity date of March 16, 2025. At December 31, 2025, there were $32.0 million outstanding letters of credit issued under the Revolving Credit Facility. For year ended December 31, 2025, the Company made interest payments in aggregate of approximately $362,784 on the revolving credit facility under the Prior Credit Agreement and $143,263 relating to letters of credit and unused availability commitment fees. For the year ended December 31, 2025, the Company made interest payments in aggregate of approximately $43,858 on the Revolving Credit Facility amended and $240,059 relating to letters of credit and unused availability commitment fees.

At the Company's option, borrowings under the Credit Facilities bear interest at rates equal to either (1) a rate determined by reference to SOFR, plus an applicable margin or (2) a base rate determined by reference to the highest of (a) the "prime rate" of Regions Bank, (b) the federal funds rate plus 0.50%, and (c) the adjusted term SOFR in effect on such day for an interest period of one month plus 1.00%, plus an applicable margin.

At December 31,2025, the effective interest rate for the Term Loan Facility was 6.816%. The Company monitors the rates prior to the reset date which allows it to establish if the payment is monthly or quarterly payment based on the most beneficial rate used to calculate the interest payment.

Mortgage Loan

In October 2017, the Company and its subsidiary, Skye Lane Properties LLC, jointly obtained a commercial real estate mortgage loan in the amount of $12.7 million, bearing interest of 4.95% per annum and maturing on October 30, 2027. Pursuant to the terms of the mortgage loan, on October 30, 2022, the interest rate adjusted to an interest rate equal to the annualized interest rate of the United States 5-year Treasury Notes as reported by the Federal Reserve on a weekly average basis plus 3.10%, which resulted in an increase of the rate from 4.95% to 7.42% per annum, paid monthly. For the years ended December 31, 2025 and 2024, the Company made principal and interest payments of $564,042 and $1.1 million on the mortgage loan, respectively. On July 23, 2025, the Company paid the mortgage loan principal and accrued interest balance in full in the amount of $10.7 million as part of the sale of the Company's commercial real estate.

FHLB Loan Agreements

In December 2018, a subsidiary of the Company received a 3.094% fixed interest rate cash loan of $19.2 million from the Federal Home Loan Bank Atlanta (“FHLB-ATL”). On September 29, 2023, the Company restructured the December 2018 agreement to extend the maturity date to March 28, 2025, with a 5.109% fixed interest rate payable quarterly commencing on December 28, 2023. In connection with the initial loan agreement, the subsidiary became a member of the FHLB-ATL. Membership in the FHLB-ATL required an investment in FHLB-ATL’s common stock which was purchased in December 2018 and valued at $1.4 million. Additionally, the transaction required the acquired FHLB-ATL common stock and certain other investments to be pledged as collateral. In March 2025, the Company repaid the loan and released the investments from pledged collateral. As of December 31, 2025, the Company's membership in FHLB-ATL was reduced to $570,000. For the years ended December 31, 2025, and 2024, the Company made quarterly interest payments under the terms of the loan agreement in aggregate amounts of approximately $239,780 and $994,742, respectively.

As of December 31, 2025 and at December 31, 2024, the Company also held other common stock from FHLB Boston for a value of $177,197, classified as equity securities and reported at fair value on the condensed consolidated financial statements.

In December 2018, a subsidiary of the Company became a member of the FHLB Des Moines (“FHLB-DM”). Membership in the FHLB-DM required an investment in FHLB-DM’s common stock which was purchased in December 2018 and valued at $133,200. In January 2024, the insurance subsidiary of the Company received a 4.23% fixed interest rate cash loan of $5.5 million from the FHLB-DM. Additionally, the transaction required the acquired FHLB-DM common stock and certain other investments to be pledged as collateral. As of December 31, 2025, the fair value of the collateralized securities and term certificate deposits was $6.0 million and the equity investment in FHLB common stock was $316,300.

For the years ended December 31, 2025 and 2024, the Company made monthly interest payments as per the terms of the loan agreement in aggregate of $235,881, and $224,895, respectively.

The following table summarizes the Company’s long-term debt:

	December 31, 2025	December 31, 2024
	(in thousands)	
Convertible debt	$ 885	$ 885
Mortgage loan	—	10,749
Credit loan facility	74,063	70,125
Revolving credit facility	—	10,000
FHLB loan agreement	5,500	24,700
Total principal amount	$ 80,448	$ 116,459
Deferred finance costs	$ 2,020	$ 140
Total long-term debt	$ 78,428	$ 116,319

As of the date of this report, the Company was in compliance with the applicable terms of all its covenants and other requirements under the Credit Agreement, Convertible Notes, cash borrowings and other loans. The Company's ability to secure future debt financing depend, in part, on its ability to remain in such compliance. The covenants in the Credit Agreement may limit the Company’s flexibility in connection with future financing transactions and in the allocation of capital in the future, including the Company’s ability to pay dividends and make stock repurchases, and contribute capital to its insurance subsidiaries that are not parties to the Credit Agreement.

The covenants and other requirements under the revolving agreement represent the most restrictive provisions that we are subject to with respect to the Company's long-term debt.

The schedule of principal payments on long-term debt is as follows:

December 31,		*Amount*
2026	$	3,750
2027		3,750
2028		4,675
2029		11,100
2030		56,288
Thereafter		885
Total principal payments	$	80,448

Note 15. Income Taxes

The following table summarizes the provision for income taxes:

	For the Year Ended December 31,					
	2025		*2024*		*2023*	
			(in thousands)			
Federal:						
Current	$	50,400	$	21,710	$	5,572
Deferred		3,074		(4,530)		70
Provision for Federal income tax		53,475		17,180		5,642
State:						
Current		10,894		4,264		1,086
Deferred		(699)		(308)		(30)
Provision for State income tax expense		10,196		3,956		1,056
Provision for income taxes	$	63,670	$	21,136	$	6,698

The income tax expense differs from the amounts computed by applying the U.S. federal income tax rate of as indicated below to pretax income as a result of the following (in thousands):

	For the Year Ended December 31,					
	2025		*2024*		*2023*	
	$	%	$	%	$	%
United States	$ 221,348		$ 94,899		$ (10,555)	
Foreign	37,916		(12,223)		62,560	
Income from continuing operations before tax	259,264		82,676		52,005	
U.S. federal statutory tax rate	54,445	21.0%	17,362	21.0%	10,921	21.0%
State and local income taxes, net of federal income tax effect	7,908	3.1%	3,061	3.7%	828	1.6%
Foreign tax effects						
Bermuda						
Foreign Tax Statutory Exemption	(7,962)	-3.1%	2,567	3.1%	(13,138)	25.3%
Effect of cross-border tax laws						
US tax on foreign insurance income	7,962	3.1%	(2,567)	-3.1%	13,138	-25.3%
Changes in valuation allowances	—	—	—	—	(5,671)	10.9%
Nontaxable or nondeductible items						
Executive Compensation 162(m)	1,568	0.6%	925	1.1%	308	0.6%
Others	(193)	-0.1%	(214)	-0.3%	326	0.6%
Other Adjustments	(58)	—	2	—	(13)	—
Total tax expense	$ 63,670	24.6%	$ 21,136	25.6%	$ 6,698	12.9%

The provision for income taxes was $63.7 million for the year ended December 31, 2025 compared to $21.1 million for the year ended December 31, 2024. The effective tax rate for the year ended December 31, 2025 was 24.6% compared to 25.6% in the prior year. The effective tax rate for 2025 was slightly below than the statutory rate, driven by higher pre-tax income compared to the prior year which had a dilutive effect on permanent tax differences, whereas the effective tax rate for 2024 was slightly higher than the statutory rate.

The significant components of deferred tax assets and liabilities included in the consolidated balance sheets as of December 31, 2025 and 2024 were as follows:

	For the Year Ended December 31,	
	2025	2024
Deferred tax assets:	(in thousands)	
Unearned premiums	$ 19,342	$ 18,617
Net operating loss	—	1
Tax-related discount on loss reserve	4,399	5,079
Stock-based compensation	1,323	669
Property and equipment	—	1,366
Accrued expenses	1,533	1,536
Note discount	—	6
Leases	924	959
Unrealized losses	4,185	9,813
Other	488	459
Total deferred tax asset	32,194	38,506
Valuation allowance	—	—
Adjusted deferred tax asset	32,194	38,506
Deferred tax liabilities:		
Deferred acquisition costs	$ 15,379	$ 15,028
Prepaid expenses	152	191
Property and equipment	2,738	—
Note discount	37	—
Basis in purchased investments	2	6
Basis in purchased intangibles	6,652	8,027
Other	1,379	1,378
Total deferred tax liabilities	26,339	24,630
Net deferred tax assets	$ 5,855	$ 13,876

The Company had no capital loss carryforward as of December 31, 2025 and 2024.

In assessing the net carrying amount of deferred tax assets, the Company considers whether it is more likely than not that the Company will not realize some portion or all of the deferred tax assets. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

As of December 31, 2025 and 2024, the Company has a gross operating loss carryforward for state income tax purposes (FL State only) of $0 and 10.0 million, respectively. The statute of limitations related to the Company's federal and state income tax returns generally remains open from the Company's filings for 2022 through 2024. Additionally, federal tax return filings for 2019 and 2021 remain to the extent of carryback refunds of 2022 capital and net operating losses. There are currently no tax years under examination.

The Company's reinsurance affiliate, Osprey, which is based in Bermuda, made an irrevocable election under section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be treated as a domestic insurance company for U.S. Federal income tax purposes. As a result of this election, the Company's reinsurance subsidiary is subject to United States income tax as if it were a U.S. corporation.

On December 31, 2023, the Government of Bermuda enacted the Corporate Income Tax Act 2023 (Bermuda CIT), which will apply a 15% corporate income tax to certain Bermuda businesses in fiscal years beginning on or after January 1, 2025. The Company currently meets an exception which would delay Bermuda taxation until 2030. Prior to December 31, 2023, the Company had an undertaking from Bermuda that exempted it from any local profits, income or capital gains taxes until the year 2035.

The Organization for Economic Co-operation and Development has issued Pillar Two model rules introducing a new global minimum tax of 15%, which was effective on January 1, 2024. While it is uncertain whether the United States will enact legislation to adopt Pillar Two rules, various other governments around the world have enacted legislation. As currently designed, Pillar Two will ultimately apply to the Company's worldwide operations. Considering the Company does not have material operations in jurisdictions with tax rates lower than the Pillar Two minimum, these rules have not materially impacted the Company's global tax costs in 2024 or 2025 and the impact is not expected to be material in future periods. Management will continue to monitor both United States and global legislative action related to Pillar Two for potential impacts.

On July 4, 2025, the "One Big Beautiful Bill Act" ("OBBBA") was signed into law in the United States. The Act makes permanent many of the tax provisions enacted in 2017 as part of the Tax Cuts and Jobs Act that were set to expire at the end of 2025. In addition, the OBBBA makes changes to certain U.S. corporate tax provisions, but many are generally not effective until 2026. Certain changes include the immediate expensing of acquired business assets and a temporary suspension of the requirement to capitalize and amortize U.S. R&D expenditures. The tax effects of the enacted legislation are reflected in the 2025 financials and there was no material impact to the effective tax rate. The Company will continue to monitor the impact of the OBBBA on future financial statements.

Note 16. Statutory Accounting and Regulations

State laws and regulations, as well as national regulatory agency requirements, govern the operations of all insurers such as the Company's insurance subsidiaries. The various laws and regulations require that insurers maintain minimum amounts of statutory surplus and risk-based capital; restrict insurers' ability to pay dividends; restrict the allowable investment types and investment mixes and subject the Company's insurers to assessments.

The Company's insurance subsidiaries are required to file with state insurance regulatory authorities an "Annual Statement" which report under the statutory-basis of accounting which differs from GAAP, among other items, net income and surplus as regards policyholders, which is called stockholder's equity under GAAP. The combined results of the Company's insurance subsidiaries' reported statutory-basis results included net income of $108.3 million and $21.4 million for the years ended December 31, 2025 and 2024, respectively. The Company's insurance subsidiaries must maintain capital and surplus ratios or balances as determined by the regulatory authority of the states in which they are domiciled. Heritage P&C is required to maintain statutory-basis capital and surplus equal to the greater of $15 million or 10% of their respective liabilities. Zephyr is required to maintain a deposit of $750,000 in a federally insured financial institution. NBIC is required to maintain statutory-basis capital and surplus of $3.0 million. The combined statutory surplus for Heritage P&C, NBIC, and Zephyr was $392.5 million at December 31, 2025. The combined statutory-basis surplus for Heritage P&C, NBIC, and Zephyr was $285.5 million at December 31, 2024. State laws also require the Company's insurance subsidiaries to adhere to prescribed premium-to-capital surplus ratios, with which the Company's insurance affiliates are complying. At December 31, 2025, the Company's insurance subsidiaries met the financial and regulatory requirements of the states in which they do business.

The legislatures of the states of domicile of the Company's insurance affiliates have adopted the National Association of Insurance Commissioners ("NAIC") recommendations with regard to expansion of the regulation of insurers to include non-insurance entity affiliates. Specifically, the law permits the state insurance regulators to examine affiliated entities within an insurance holding company system in order to ascertain the financial condition of the insurer. The law also provides for certain disclosures regarding enterprise risk, which are satisfied by the provision of related information filed with the SEC.

The NAIC published risk-based capital guidelines for insurance companies that are designed to assess capital adequacy and to raise the level of protection that statutory-basis surplus provides for policy holders. Most states, including Florida, Hawaii, and Rhode Island, have enacted the NAIC guidelines as statutory requirements, and insurers having less statutory-basis surplus than required will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy. State insurance regulatory authorities could require an insurer to cease operations in the event the insurer fails to maintain the required statutory capital.

State laws for Florida, Hawaii, and Rhode Island permit an insurer to pay dividends or make distributions out of that part of statutory surplus derived from net operating profit and net realized capital gains. The applicable laws pertain to the state of domicile of each insurance company affiliate and provide calculations to determine the amount of dividends or distributions that can be made without the prior approval of the insurance regulatory authority and the amount of dividends or distributions that would require prior approval of the insurance regulatory authority. In the state of Florida, a dividend may be taken without regulatory approval if the dividend is equal to or less than the greater of 10% of the insurer's surplus or the insurer's net income. In the state of Rhode Island, a dividend may be taken without regulatory approval if the dividend is equal to or less than the lesser of 10% of the insurer's surplus or the insurer's net income excluding realized capital gains. The state of Hawaii restricts dividends without regulatory approval to the smaller of prior years' net income or 10% of prior year's surplus. Heritage P&C and NBIC have not paid dividends in any of the last three years. Zephyr paid no dividends for the years ended December 31, 2025 and 2024 and paid dividends of $3.9 million for the year ended December 31, 2023.

Statutory risk-based capital requirements may further restrict the Company's insurance subsidiaries ability to pay dividends or make distributions if the amount of the intended dividend or distribution would cause statutory-basis surplus to fall below minimum risk-based capital requirements.

State insurance laws limits an insurer's investment in equity instruments and also restricts investments in medium to low quality debt instruments. The Company's insurance affiliates were in compliance with all investment restrictions at December 31, 2025 and 2024.

Governmental agencies or certain quasi-governmental entities can levy assessments upon the Company in the states in which the Company writes policies. Refer to **Note 1** "*Basis of Presentation*, *Nature of Business and Significant Accounting Policies and Practices*" to these consolidated financial statements for further information for a description of how the Company recovers assessments imposed upon it. Governmental agencies or certain quasi-governmental entities can also levy assessments upon policyholders, and the Company collects the amount of the assessments from policyholders as surcharges for the benefit of the assessing agency. There are currently assessments being collected from policyholders and remitted to governmental or quasi-governmental entities. If an assessment becomes levied the Company would multiply the premium written on each policy by these assessment percentages to determine the additional amount that it will collect from the policyholder and remit to the assessing agencies.

The Company reported its insurance subsidiaries' assets, liabilities and results of operations in accordance with GAAP, which varies from statutory-basis accounting principles prescribed or permitted by state laws and regulations, as well as by general industry practices.

The Company's reinsurance subsidiary, Osprey, which was incorporated on April 23, 2013, is licensed as a Class 3A Insurer under The Bermuda Insurance Act 1978 and related regulations. Osprey is required to meet and maintain certain minimum levels of solvency and liquidity. Each year Osprey is required to file with the Bermuda Monetary Authority (the "Authority") a Capital and Solvency Return, Statutory Financial Return and Audited Financial Statements within four months of its relevant financial year end. Osprey maintains sufficient collateral to comply with regulatory requirements as of December 31, 2025. Bermuda's standard for financial statement reporting is U.S. GAAP.

Note 17. Commitments and Contingencies

The Company is involved in claims-related legal actions arising in the ordinary course of business. The Company accrues amounts resulting from claims-related legal actions in unpaid losses and loss adjustment expenses during the period that it determines an unfavorable outcome becomes probable and it can estimate the amounts. Management makes revisions to its estimates based on its analysis of subsequent information that the Company receives regarding various factors, including: (i) per claim information; (ii) company and industry historical loss experience; (iii) judicial decisions and legal developments in the awarding of damages; and (iv) trends in general economic conditions, including the effects of inflation.

The Company's Florida insurance company affiliate is required to enter into a reinsurance contract with the FHCF for a portion of its catastrophe risk transfer each year. Since the Company's inception in 2012, certain catastrophic events have resulted in losses which pierced the FHCF layer and resulted in reimbursements from the FHCF. To date, losses from Hurricane

Irma, which struck in 2017, Hurricane Ian, which struck in 2023, and Hurricane Milton, which struck in 2024, have triggered the Company's FHCF coverage.

The Company's 2017 reinsurance agreement with the FHCF is consistent among Florida insurance companies and required a commutation no later than 60 months after the end of the contract year, for which the commutation process began in June 2023. This commutation represents an agreement between Heritage and the FHCF to terminate the 2017 reinsurance agreement and agree on the conditions under which all obligations for both parties are discharged and therefore a final determination of and payment for any claims related to Hurricane Irma. The terms of the 2017 reinsurance agreement with the FHCF provide for the commutation process as well as the process to settle any disagreements as to the present value of outstanding losses that served as the basis for determining the amount payable by FHCF upon termination of the reinsurance agreement. During the third quarter of 2023, the commutation process was completed and a final payment by the FHCF was received by the Company. Social inflation and the litigated claims environment in the State of Florida, which affected Hurricane Irma claims could result in adverse development of these claims, which creates uncertainty as to the ultimate cost to settle the remaining Hurricane Irma claims. Accordingly, the final amount paid by the FHCF could vary from the Company's current or future estimation of losses to be recovered from the FHCF.

Further, as described in Note 13. Reserve for Unpaid Losses, in the fourth quarter of 2022 the Company re-estimated its ultimate losses for Hurricane Irma and as a result of that re-estimation, the private layers of reinsurance specific to Hurricane Irma were exhausted. Accordingly, any subsequent adverse development on Hurricane Irma are retained by the Company.

Note 18. Accounts Payable and Other Liabilities

Other liabilities consist of the following as of December 31, 2025 and 2024:

Description	***December 31, 2025***	***December 31, 2024***
	(in thousands)	
Accounts payable and other payables	18,845	21,154
Accrued interest	26	146
Other liabilities	36	213
Premium tax	—	438
Commission payables	19,358	17,427
Total other liabilities	$ 38,265	$ 39,378

Note 19. Accrued Bonus Compensation

For the year ended December 31, 2025, the Company recognized employee bonus compensation expense of $6.8 million. At December 31, 2025, the Company has accrued bonus of $6.6 million, which is expected to be paid in the first quarter of 2026. For the year ended December 31, 2024, the Company recognized employee bonus compensation expense in aggregate of $5.3 million, of which $5.7 million was unpaid until 2025.

Note 20. Related Party Transactions

In July 2020, the Board of Directors appointed Mark Berset to the Board of Directors of the Company. Mr. Berset is also the Chief Executive Officer of Comegys Insurance Agency, Inc. ("Comegys"), an independent insurance agency that writes policies for the Company. The Company pays commission to Comegys based upon standard industry rates consistent with those provided to the Company's other insurance agencies. There have been no arrangements or understandings between Mr. Berset and any other persons with respect to his appointment as a director. Effective September 23, 2025, Mr. Berset retired from the Board of Directors of the Company to pursue other opportunities. For the years ended December 31, 2025, 2024 and 2023, the Company paid agency commission to Comegys of approximately $139,839, $139,762 and $132,505, respectively.

On September 2, 2025, the Audit Committee of the Board of Directors of the Company approved the repurchase of 21,000 shares of the Company's common stock held by one of its executive officers in lieu of the officer selling the shares on the open market. The shares of common stock were repurchased on September 5, 2025 under the Company's 2025 Share Repurchase Plan at the market price of $24.47 per share.

Note 21. Employee Benefit Plan.

The Company provides a 401(k) plan for substantially all employees. The Company provides a matching contribution of 100% on the first 3% of employees' contribution and 50% on the next 2% of the employees' contribution to the plan. The maximum match is 4%. For the years ended December 31, 2025, 2024 and 2023, the contributions made to the plan on behalf of the participating employees were approximately $1.7 million, $1.6 million and $1.3 million, respectively.

Since September 1, 2021, the Company has been enrolled in a flex healthcare plan which allows employees the choice of three medical plans with a range of coverage levels and costs. For the years ended December 31, 2025, 2024 and 2023, the Company's medical costs were $6.6 million, $5.6 million and $5.0 million, respectively. The current healthcare plan is fully insured.

Note 22. Equity

The total amount of authorized capital stock consists of 50,000,000 shares of common stock and 5,000,000 shares of preferred stock. As of December 31, 2025, the Company had 30,833,776 shares of common stock outstanding, 12,337,809 treasury shares of common stock and 1,479,243 shares of unvested shares of restricted common stock issued reflecting total paid-in capital of $365.7 million as of such date.

Common Stock

Holders of common stock are entitled to one vote for each share held on all matters subject to a vote of stockholders, subject to the rights of holders of any outstanding preferred stock. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election, subject to the rights of holders of any outstanding preferred stock. Holders of common stock will be entitled to receive ratably any dividends that the board of directors may declare out of funds legally available therefor, subject to any preferential dividend rights of outstanding preferred stock. Upon the Company's liquidation, dissolution or winding up, the holders of common stock will be entitled to receive ratably its net assets available after the payment of all debts and other liabilities and subject to the prior rights of holders of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. There is no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of the Company's capital stock (excluding restricted stock) are fully paid and non-assessable.

Stock Repurchase Program

On December 15, 2022, the Board of Directors established a new share repurchase program plan to commence upon December 31, 2022, for the purpose of repurchasing up to an aggregate of $10.0 million of common stock, through the open market or in such other manner as will comply with the terms of applicable federal and state securities laws and regulations, including without limitation, Rule 10b-18 under the Securities Act at any time or from time to time on or prior to December 31, 2023 (the "2023 Share Repurchase Plan"). There were no shares repurchased for the year ended December 31, 2023.

On March 11, 2024, the Board of Directors established a new share repurchase program plan which commenced upon the expiration of the 2023 Share Repurchase Plan on December 31, 2023, for the purpose of repurchasing up to an aggregate of $10.0 million of common stock, through the open market or in such other manner as will comply with the terms of applicable federal and state securities laws and regulations, including without limitation, Rule 10b-18 under the Securities Act at any time or from time to time on or prior to December 31, 2024 (the "2024 Share Repurchase Plan"). There were no shares repurchased for the year ended December 31, 2024.

On December 9, 2024, the Board of Directors established a new share repurchase program plan which commenced upon the expiration of the 2024 Share Repurchase Plan on December 31, 2024, for the purpose of repurchasing up to an aggregate of $10.0 million of common stock, through the open market or in such other manner as will comply with the terms of applicable federal and state securities laws and regulations, including without limitation, Rule 10b-18 under the Securities Act at any time or from time to time on or prior to December 31, 2025 (the "2025 Share Repurchase Plan"). For the year ended December 31, 2025, the Company repurchased in aggregate 106,135 shares of its common stock under its repurchase program for $2.3 million.

On November 5, 2025, the Board of Directors established a new share repurchase plan to commence upon the expiration of the previously authorized share repurchase plan on December 31, 2025, for the purpose of repurchasing up to an aggregate of $25.0 million of common stock through the open market or in such other manner as will comply with the terms of applicable federal and state securities laws and regulations, including without limitation, Rule 10b-18 under the Securities Act at any time or from time to time on or prior to December 31, 2026 (the "2026 Share Repurchase Plan").

Public and Private Offering of shares of Common Stock

On December 14, 2023, the Company completed a primary offering of 3,703,703 shares of its common stock at a public offer price of $6.75 per share. In a concurrent private placement, the Company issued 148,148 shares of its common stock to an investor at the public offering price. Additionally, the Company completed the purchase by one of its independent Directors and the Company's Director and CEO, of 40,871 and 27,247, shares of common stock, respectively, at $7.34, the closing price of common stock on December 14, 2023.

The gross proceeds to Heritage from the public offering and private placement, before deducting underwriting discounts, commissions and other offering expenses, were approximately $26.5 million. The Company intends to use the net proceeds from the public offering and the private placement for general corporate and operations purposes and to provide capital for anticipated growth and expansion efforts.

Dividends

The declaration and payment of any future dividends will be subject to the discretion of the Board of Directors and will depend on a variety of factors including the Company's financial condition and results of operations.

The Board of Directors elected not to declare any dividends during the calendar years of 2023 through 2025.

Note 23. Stock-Based Compensation

Restricted Stock

The Company adopted the Heritage Insurance Holdings, Inc., 2023 Omnibus Incentive Plan (the "2023 Plan"), which became effective on June 7, 2023 upon approval by the Company's stockholders. The 2023 Plan authorized 2,125,000 shares of common stock for issuance under the Plan for future grants. Upon effectiveness of the original 2023 Plan, no new awards may be granted under the prior Omnibus Incentive Plan, which will continue to govern the terms of awards previously made under such plan. In June 2025, the 2023 Plan was amended, effective on June 10, 2025 upon approval by the Company's stockholders, to increase the authorized shares by 1,800,000 shares of common stock for issuance under the 2023 Plan for future grants.

At December 31, 2025, there were 2,026,449 shares available for grant under the 2023 Plan. The Company recognizes compensation expense under ASC 718 for its stock-based payments based on the fair value of the awards.

On June 10, 2025, the date of the annual meeting of the Company's stockholders, the Company awarded to non-employee directors an aggregate of 15,300 shares of common stock with a fair value at the time of grant of $23.53 per share. The stock was fully vested on the date of issuance.

On April 15, 2025, the Company awarded 9,000 shares of time-based restricted stock, with a fair value at the time of grant of $17.30 per share under the 2023 Plan to certain employees. The time-based restricted stock vested on December 15, 2025.

On March 11, 2025, the Company awarded an aggregate of 99,246 shares of time-based restricted stock and 285,985 shares of performance-based restricted stock, each at a fair value at the time of grant of $11.88 per share under the 2023 Plan to certain employees. The time-based restricted stock vests annually in three equal installments commencing on December 15, 2025. The performance based restricted stock has a three-year performance period beginning on January 1, 2025 and ending on December 31, 2027 and will vest following the end of the performance period but no later than March 31, 2028.

On January 10, 2025, the Company awarded 1,000 shares of time-based restricted stock, with a fair value at the time of grant of $10.86 per share under the 2023 Plan to an employee. The time-based restricted stock vested on December 15, 2025.

In January 2025, the Company evaluated the restricted stock performance criteria and determined that based on the Company’s results measured against the performance conditions under the awards, the maximum percentage would most likely be met by each of the recipients at the end of the vesting period for the 2024 awards, which were issued at target. Therefore, additional shares of restricted stock are expected to be earned upon vesting and beginning the first quarter of 2025, the Company began to recognize stock-based compensation on the additional 217,877 shares of performance-based restricted stock, as a result of the expected maximum achievement of the performance conditions under the awards.

In June 2024, the Company awarded to non-employee directors an aggregate of 39,312 shares of restricted stock with a fair value at the time of grant of $8.14 per share. The restricted stock will vest on the next annual meeting of the Company's stockholders that occurs after the award date, provided the member remains on the Board until such date. The restricted stock fully vested on June 5, 2025.

In March 2024, the Company awarded an aggregate of 8,390 shares of time-based restricted stock, with a fair value at the time of grant of $7.15 per share to certain employees. The time-based restricted stock fully vested on December 15, 2024.

On February 26, 2024, the Company awarded an aggregate of 163,640 shares of time-based restricted stock and an aggregate of 253,918 shares of performance-based restricted stock, with a fair value at the time of grant of $7.02 per share to certain employees. The time-based restricted stock will vest annually in three equal installments commencing on December 15, 2024. The performance based restricted stock has a three-year performance period beginning on January 1, 2024 and ending on December 31, 2026 and will vest following the end of the performance period but no later than March 31, 2027.

In November 2023, the Compensation Committee approved the cancellation of 420,225 performance-based unvested awards. The Company determined the performance criteria for certain performance-based unvested awards would not be met and accordingly, reversed previously recorded stock based compensation of approximately $1.7 million associated with those awards.

On July 11, 2023, the Company awarded 351,716 time-based restricted stock and 857,843 performance-based restricted stock, with a fair value at the time of grant of $4.08 per share under the Company’s 2023 Omnibus Incentive Plan to certain employees. The time-based restricted stock will vest annually in three equal installments commencing on December 15, 2023. The performance based restricted stock has a three-year performance period beginning on January 1, 2023 and ending on December 31, 2025 and will vest following the end of the performance period but no later than March 30, 2026.

In June 2023, the Company awarded to non-employee directors in aggregate 63,744 shares of restricted stock with a fair value at the time of grant of $5.02 per share. In August 2023, the awards were amended which resulted in an adjustment to the number of shares of restricted stock awarded from 63,744 to 77,296 shares of restricted stock. The restricted stock shall vest on the earlier of (i) the one-year anniversary of the date of issuance and (ii) the day immediately prior to the date of the following year's annual meeting of stockholders, provided the member remains on the Board until such date. The restricted stock fully vested on June 5, 2024.

For the shares of performance-based restricted stock that are issued at target, the number of shares that will be earned at the end of the performance period is subject to increase or decrease based on the results of the performance condition. However, for those issued at the maximum, the number of shares that will be earned at the end of the performance period is subject to decrease based on the results of the performance condition under the awards.

The 2023 Plan authorizes the Company to grant stock options at exercise prices equal to the fair market value of the Company’s stock on the dates the options are granted. The Company has not granted any stock options since 2015 and all unexercised stock options have since been forfeited.

Restricted stock activity for the three years ended December 31, 2025, 2024 and 2023 is as follows:

	Number of shares	Weighted-Average Grant-Date Fair Value per Share
Non-vested, at December 31, 2022	648,493	$ 7.38
Granted - Performance-based restricted stock	857,843	4.08
Granted - Time-based restricted stock	429,012	4.08
Vested	(221,218)	3.51
Canceled and surrendered	(552,319)	7.26
Non-vested, at December 31, 2023	1,161,811	$ 4.25
Granted - Performance-based restricted stock	253,918	7.02
Granted - Time-based restricted stock	211,342	7.23
Vested	(214,991)	9.55
Canceled and surrendered	(77,159)	12.58
Non-vested, at December 31, 2024	1,334,921	$ 8.36
Granted - Performance-based restricted stock	285,985	11.88
Granted - Time-based restricted stock	124,546	13.69
Vested	(188,550)	28.44
Canceled and surrendered	(77,659)	29.57
Non-vested, at December 31, 2025	1,479,243	$ 18.86

Awards are being amortized to expense over a one to three year vesting period. The Company recognized $5.4 million, $3.3 million, and $1.3 million of compensation expense for the years ended December 31, 2025, 2024 and 2023, respectively.

During the year ended December 31, 2025, the Company granted in aggregate 410,531 of time-based and performance-based restricted stock. During the year ended December 31, 2025, 266,209 shares of restricted stock were vested and released. Of the stock released to employees, 77,659 shares were withheld to cover withholding taxes of $2.3 million.

During the year ended December 31, 2024, the Company granted in aggregate 465,260 of time-based and performance-based restricted stock. During the year ended December 31, 2024, 292,150 shares of restricted stock were vested and released. Of the stock released to employees, 77,159 shares were withheld to cover withholding taxes of $971,000.

During the year ended December 31, 2023, the Company granted in aggregate 803,401 net of 483,454 cancelled shares of time-based and performance-based restricted stock. During the year ended December 31, 2023, 221,218 shares of restricted stock were vested and released. Of the stock released to employees, 68,865 shares were withheld to cover withholding taxes of $429,000.

At December 31, 2025, there was approximately $1.2 million unrecognized expense related to time-based unvested restricted stock and an additional $3.6 million for performance-based restricted stock, which is expected to be recognized over the remaining restriction periods as described in the table below. For the comparable period in 2024, there was $3.5 million of unrecognized expense.

Additional information regarding the Company's outstanding non-vested time-based restricted stock and performance-based restricted stock at December 31, 2025 is as follows:

Grant date	Restricted shares unvested	Share Value at Grant Date Per Share	Remaining Restriction Period (Years)
July 11, 2023	818,627	4.08	0.3
February 27, 2024	54,547	7.02	1.0
February 27, 2024	253,918	7.02	1.3
March 11, 2025	66,165	11.88	2.0
March 11, 2025	285,986	11.88	2.3
	1,479,243		

Note 24. Selected Quarterly Financial Data (unaudited)

The following table provides a summary of unaudited quarterly results for the periods presented (in thousands, except per share data):

For the year ended December 31, 2025	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net premiums earned	$ 200,034	$ 196,316	$ 195,132	$ 202,675
Investment income	$ 8,575	$ 9,034	$ 9,686	$ 9,861
Total revenues	$ 211,520	$ 208,035	$ 212,459	$ 215,316
Total operating expenses	$ 169,084	$ 143,165	$ 142,293	$ 125,637
Operating income	$ 42,436	$ 64,870	$ 70,166	$ 89,679
Net income	$ 30,474	$ 48,024	$ 50,421	$ 66,675
Basic net income per share	$ 0.99	$ 1.55	$ 1.63	$ 2.16
Diluted net income per share	$ 0.99	$ 1.55	$ 1.63	$ 2.15

For the year ended December 31, 2024	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net premiums earned	$ 179,426	$ 190,316	$ 198,841	$ 199,277
Investment income	$ 8,551	$ 9,769	$ 9,801	$ 8,510
Total revenues	$ 191,302	$ 203,571	$ 211,849	$ 210,263
Total operating expenses	$ 168,598	$ 175,932	$ 200,100	$ 178,745
Operating income	$ 22,704	$ 27,639	$ 11,749	$ 31,518
Net income	$ 14,225	$ 18,869	$ 8,152	$ 20,293
Basic net income per share	$ 0.47	$ 0.62	$ 0.27	$ 0.66
Diluted net income per share	$ 0.47	$ 0.61	$ 0.27	$ 0.66

The sum of quarterly amounts, including per share amounts, may not equal amounts reported for year-to-date periods. This is due to the effects of rounding and changes in the number of weighted-average shares outstanding for each period.

Note. 25. Segment Reporting

The Company conducts its business as a residential property insurer, which is based upon the Company's business organizational and management structure, as well as information used to allocate the Company’s resources and assess performance by the Company's Chief Executive Officer and Board of Directors, who are collectively the chief operating decision maker ("CODM").

The Company's business is reported as one operating and reportable segment, which is residential property insurance. The Company's residential property insurance business was determined to be one operating and reportable segment based on the Company's approach to making decisions on operating matters, including allocating resources, assessing performance, determining which products to market and sell, determining distribution networks with insurance agents, and monitoring the regulatory environment.

As the Company operates as one reportable segment, all significant expenses presented to the CODM are presented on the face of the Consolidated Statements of Income and Comprehensive Income. The CODM uses net income to evaluate income generated from segment assets, such as return on assets, in deciding whether to reinvest profits into the business or other parts of the entity, such as for acquisitions or to pay dividends.

The residential property insurance business products have similar economic characteristics and use a similar marketing and distribution strategy with the Company's independent agents. The Company's property insurance business is comprised of commercial lines insurance and personal lines insurance and is evaluated on a consolidated basis.

Certain members of the Board of Directors also serve on the Audit Committee and, in that capacity, review selected statutory financial information separate from the consolidated GAAP financial information provided to the CODM. This statutory information is reviewed for regulatory and oversight purposes and does not affect the Company’s conclusion that it has one operating and reportable segment.

The accounting policies applied in measuring segment results are the same as those described in Note 1, “**Summary of Significant Accounting Policies**,” to the consolidated financial statements..

The following table summarizes the components of the Company's segments revenue and expenses for the following years:

	For the Years Ended December 31,		
	2025	*2024*	*2023*
Revenues:		*(in thousands)*	
Earned premium, net of ceded premium	$ 794,157	$ 767,860	$ 697,185
Net investment income	37,156	36,631	25,756
Net realized gains (losses) on debt securities and other investments	2,713	(705)	(972)
Other revenue	13,304	13,199	13,529
Total revenues	847,330	816,985	735,498
Expenses:			
Losses and loss adjustment expense - current year	326,700	421,633	427,702
Losses and loss adjustment expense - prior year	(13,454)	25,415	(1,573)
Policy acquisition costs	173,961	191,189	167,610
General and administration costs (1)(2)	80,273	75,588	69,855
Depreciation & amortization	12,699	9,551	8,689
Interest expense	7,887	10,934	11,210
Income tax expense	63,670	21,136	6,698
Segment net income	195,594	61,539	45,307
Reconciliation of profit or loss:			
Adjustment and reconciling items:	—	—	—
Consolidated net income	$ 195,594	$ 61,539	$ 45,307

(1) Excludes depreciation and amortization expense

(2) For the year ended December 31, 2023 general and administration includes the $767,000 impairment on tangible assets

Note 26. Subsequent Events

The Company performed an evaluation of subsequent events through the date the condensed consolidated financial statements were issued and determined there were no recognized or unrecognized subsequent events that would require an adjustment or additional disclosure in the consolidated financial statements as of December 31, 2025.

In January 2026, the Company repurchased an aggregate of 112,858 shares of its common stock under the 2026 Share Repurchase program for a total purchase price of $3.0 million.

On January 23, 2026, the Company received full payment on the $11.0 million promissory note recorded previously in Other accounts receivable, along with the accrued but unpaid interest of $48,521.

The Company experienced losses from three winter storms that occurred in January and February of 2026 and expects to incur approximately $22.8 million of pre-tax catastrophe losses, net of reinsurance, related to these events.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) that are designed to assure that information required to be disclosed in our Exchange Act reports 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 management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

As required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this Annual Report, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2025.

Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures will prevent all errors and fraud. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management's override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2025, our management assessed the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework, or 2013 Framework. Based on this assessment, our management concluded that, as of December 31, 2025, our internal control over financial reporting was effective based on those criteria.

Plante Moran, PLLC, the independent registered public accounting firm who also audited the Company's consolidated financial statements included in this Form 10-K, has issued their attestation report on the Company's internal control over financial reporting presented in Part IV, Item 15 of this report under "Report of Independent Registered Public Accounting Firm."

Changes in Internal Control Over Financial Reporting

There has been no change in our internal controls over financial reporting during our most recent quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

Not applicable

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The items required by Part III, Item 10 are incorporated herein by reference from the Registrant's Proxy Statement for its 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2025.

Item 11. Executive Compensation

The items required by Part III, Item 11 are incorporated herein by reference from the Registrant's Proxy Statement for its 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2025.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The items required by Part III, Item 12 are incorporated herein by reference from the Registrant's Proxy Statement for its 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2025.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The items required by Part III, Item 13 are incorporated herein by reference from the Registrant's Proxy Statement for its 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2025.

Item 14. Principal Accountant Fees and Services

The items required by Part III, Item 14 are incorporated herein by reference from the Registrant's Proxy Statement for its 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2025.

PART IV

Item 15. Exhibits, Financial Statements Schedules

(a) The following documents are filed as part of this report.

(1) Financial Statements

The following consolidated financial statements of the Company and the reports of independent auditors thereon are filed with this report:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Operations and Comprehensive Income
Consolidated Statements of Changes in Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

(2) *Financial Statement Schedules*

The following additional financial schedules are furnished herewith pursuant to requirements of Form 10-K.

Schedules required to be filed under the provisions of Regulations S-X Article 7:

(3) List of Exhibits

The following is a list of exhibits filed or incorporated by reference as part of this Annual Report on Form 10-K

Exhibit Number	Description (File No. 001-36462)
3.1	Certificate of Incorporation of Heritage Insurance Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2014)
3.2	By-laws of Heritage Insurance Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2014)
4.1	Form of Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1/A (File No. 333-195409) filed on May 13, 2014)
4.2	Form of 5.875% Convertible Senior Notes due 2037 (included in Exhibit 4.1), incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed on August 16, 2017)
4.3	Indenture, date as of August 16, 2017, by and among the Company. Heritage MGA, LLC as guarantor, and Wilmington Trust, National Association, as trustee, (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 16, 2017)
4.4	Description of Capital Stock dated December 31, 2019 (incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-K filed on March 10, 2020)
10.1	Amended and Restated Credit Agreement, dated July 22, 2025 among Heritage Insurance Holdings, Inc., certain subsidiaries of Heritage Insurance Holdings, Inc. from time to time party as guarantors, the lenders from time to

	time party and Regions Bank, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.30 to the Company's Current Report on Form 8-K filed on July 24, 2025
10.2†	Heritage Insurance Holdings, Inc. Omnibus Incentive Plan (incorporated by reference to Exhibit 10.28 to the Company's Registration Statement filed on Form S-1 (File No. 333-195409) filed on April 21, 2014)
10.3†	Heritage Insurance Holdings, Inc. 2023 Omnibus Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement filed on Form S-8 (File No. 333-272474) on June 7, 2023).
10.4†	Form of Restricted Stock Award Agreement (Time-based and Performance-Based Vesting, as of March 2025) (incorporated by reference to Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2025)
10.5†	Form of Amendment to Restricted Stock Award Agreements (incorporated by reference to Exhibit 10.31 to the Company’s Quarterly Report on Form 10-Q filed on May 9, 2025)
10.6†	Form of Stock Award Agreement (Non-employee directors, as of June 2025) (incorporated by reference to Exhibit 10.32 to the Company’s Quarterly Report on Form 10-Q filed on August 8, 2025)
10.7†	Employment Agreement dated January 1, 2024 between Heritage Insurance Holdings, Inc., and Kirk Lusk (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on January 11, 2024)
10.8†	Employee Agreement dated January 1, 2024 between Heritage Insurance Holdings, Inc. and Sharon Binnun (incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed on January 11, 2024)
10.9†	Employment Agreement dated April 2, 2018 between Zephyr Insurance Company, Inc., and Tim Johns (incorporated by reference to Exhibit 10.21 to the Company's Form 10-Q filed on May 7, 2021)
10.10†	Employment Agreement dated January 1, 2024 between Heritage Insurance Holdings, Inc., and Ernie Garateix (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on January 11, 2024)
10.11†	Employment Agreement dated January 1, 2024 between Heritage Insurance Holdings, Inc., and Tim Moura (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed on January 11, 2024)
19.1	Heritage Insurance Holdings, Inc. Insider Trading Policy (incorporated by reference to Exhibit 19.1 to the Company’s Annual Report on Form 10-K filed on March 13, 2025)
21*	Subsidiaries of the Registrant
23.1*	Consent of Plante Moran, PLLC
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.SC. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97.1	Heritage Insurance Holdings, Inc. Executive Officers Clawback Policy (incorporated by reference to Exhibit 97.1 to the Company's Annual Report on Form 10-K filed on March 13, 2024)
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.

101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	The cover page from the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2025, formatted in Inline XBRL (included in Exhibit 101)

* Filed herewith
** Furnished herewith
† Management contract or compensatory plan or arrangement

Item 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HERITAGE INSURANCE HOLDINGS, INC. (Registrant)

Date: March 12, 2026

By: /s/ ERNESTO GARATEIX
Chief Executive Officer
(on behalf of the Registrant and as Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RICHARD WIDDICOMBE Richard Widdicombe	Chairman	March 12, 2026
/s/ ERNESTO GARATEIX Ernesto Garateix	Chief Executive Officer (Principal Executive Officer)	March 12, 2026
/s/ KIRK LUSK Kirk Lusk	Chief Financial Officer/Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 12, 2026
/s/ PANAGIOTIS APOSTOLOU Panagiotis Apostolou	Director	March 12, 2026
/s/ IRINI BARLAS Irini Barlas	Director	March 12, 2026
/s/ JOSEPH VATTAMATTAM Joseph Vattamattam	Director	March 12, 2026
/s/ PAUL WHITING Paul Whiting	Director	March 12, 2026

SCHEDULE II – CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Condensed Balance Sheet

The following summarizes the major categories of Heritage Insurance Holdings, Inc.'s financial statements (in thousands):

	As of December 31,	
	2025	2024
	(in thousands)	
ASSETS		
Cash and cash equivalents	$ 5,220	$ 2,505
Investment in and advances to subsidiaries	593,914	427,959
Other assets	2,155	1,356
Total Assets	$ 601,290	$ 431,821
LIABILITIES		
Other liabilities	$ 96,039	$ 141,021
Total Liabilities	$ 96,039	$ 141,021
STOCKHOLDERS' EQUITY		
Common stock	$ 3	$ 3
Paid-in-capital	365,736	362,644
Treasury	(133,183)	(130,900)
Accumulated other comprehensive income	(10,555)	(28,604)
Retained earnings	283,250	87,656
Total Stockholders' Equity	$ 505,251	$ 290,799
Total Liabilities and Stockholders' Equity	$ 601,290	$ 431,821

Condensed Statement of Operations

	For the Years Ended December 31,		
	2025	2024	2023
	(In thousands, except share and per share amounts)		
Revenue:			
Other revenue	$ 21,534	$ 21,011	$ 17,208
Total revenue	21,534	21,011	17,208
Expenses:			
General and administrative expense	11,987	10,714	1,841
Amortization of debt issuance cost	363	856	469
Interest expense, net	7,609	9,292	10,238
Total expenses	$ 19,959	$ 20,862	$ 12,548
Income before income taxes and equity in net income of subsidiaries	1,575	149	4,660
Income tax expense	1,091	270	1,905
Income (loss) before equity in net income of subsidiaries	484	(121)	2,755
Equity in net income of subsidiaries	195,110	61,661	42,552
Consolidated net income	$ 195,594	$ 61,540	$ 45,307

See notes to condensed financial statements.

SCHEDULE II – CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Condensed Statement of Cash Flows

Cash flows from operating activities:	For the Years Ended December 31, 2025	2024	2023
		(in thousands)	
Net income (loss)	$ 484	$ (121)	$ 2,754
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Stock-based compensation	5,388	3,254	1,362
Amortization of debt issuance cost	363	857	469
Impairment on other investments	—	483	—
Deferred income taxes	(1,695)	(107)	39
Changes in operating assets and liabilities			
Prepaid	(928)	(295)	137
Income taxes payable	(13,738)	8,389	9,415
Accrued interest on debt	(117)	(173)	(425)
Other assets	130	134	2,572
Debt issuance costs	(2,204)	—	—
Dividends payable	—	(54)	(19)
Other liabilities	(539)	19	(588)
Net cash (used in) provided by operating activities	$ (12,856)	$ 12,386	$ 15,716
Investing Activities:			
Dividends received from subsidiaries	45,400	55,609	33,900
Investments and advances to subsidiaries	1,803	(81,607)	(38,475)
Net cash provided by (used in) investing activities	47,203	(81,607)	(38,475)
Financing Activities:			
Mortgage loan payments	(10,787)	(270)	(180)
Payment on 7% loan	(10,204)	—	—
Issuance of common stock, net	—	(3)	24,666
Repayment of long-term debt	(6,063)	(9,500)	(9,500)
Shares tendered for income tax withholdings	(2,296)	(971)	(429)
Purchase of treasury stock	(2,282)	—	—
Dividends forfeited	—	54	—
Net cash (used in) provided by financing activities	(31,632)	44,919	48,457
Increase (decrease) in cash and cash equivalents	2,715	(24,302)	25,698
Cash and cash equivalents, beginning of period	2,505	26,807	1,109
Cash and cash equivalents, end of year	$ 5,220	$ 2,505	$ 26,807

See notes to condensed financial statements.

SCHEDULE II – CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Notes to Condensed Financial Statements

(1) Organization and Basis of Presentation

Heritage Insurance Holdings, Inc., (“we”, “our”, “us” and “Heritage”), established in 2012 and incorporated in the state of Delaware in 2014, is a property and casualty insurance holding company that provides personal and commercial residential property insurance. We are headquartered in Tampa, Florida and, through our insurance company subsidiaries, Heritage Property & Casualty Insurance Company (“Heritage P&C”), Narragansett Bay Insurance Company (“NBIC”) and Zephyr Insurance Company (“Zephyr”), we write personal residential property insurance in the states of Alabama, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Maryland, Massachusetts, Mississippi, New Jersey, New York, North Carolina, Rhode Island, South Carolina, and Virginia. We also provide commercial residential insurance for properties in Florida, New Jersey, and New York and are also licensed in the state of Pennsylvania, but have not written business in that state. In order to limit our potential exposure to catastrophic events, we purchase significant reinsurance from third party reinsurers and may sponsor catastrophe bonds issued by Citrus Re Ltd.

The accompanying condensed financial statements included the activity of Heritage and the equity basis of its consolidated subsidiaries. Accordingly, these condensed financial statements have been presented for the parent company only. These condensed financial statements should be read in conjunction with the consolidated financial statements and related notes of Heritage Insurance and subsidiaries set forth in Part II, Item 8 Financial Statements and Supplemental Data of this Annual Report.

In applying the equity method to our consolidated subsidiaries, we record the investment at cost and subsequently adjust for additional capital contributions, distributions and proportionate share of earnings or losses.

SCHEDULE V – VALUATION ALLOWANCES AND QUALIFYING ACCOUNTS

The following table summarizes activity in the Company’s allowance for doubtful accounts for the year ended December 31, 2025 and 2024.

Description	Beginning balance	Charges in earnings	Charges to other accounts	Deductions	Ending balance
			(in thousands)		
Year ended December 31, 2025					
Allowance for doubtful accounts	$ 1,359	180	210	—	$ 1,749
Year ended December 31, 2024					
Allowance for doubtful accounts	$ 1,307	190	(138)	—	$ 1,359

SCHEDULE VI – SUPPLEMENTAL INFORMATION CONCERNING CONSOLIDATED PROPERTY AND CASUALTY INSURANCE OPERATIONS

The following table provides certain information related to the Company's property and casualty operations as of, and for the periods presented (in thousands):

	As of December 31,	For the Year Ended December 31,			
Year	Reserves for Unpaid Losses and LAE	Incurred Losses and LAE Current Year	Incurred Losses and LAE Prior Years	Paid losses and LAE	Net Investment Income
			(in thousands)		
2025	$ 579,477	$ 326,700	$ (13,454)	$ 370,171	$ 37,156
2024	$ 1,042,687	$ 421,633	$ 25,415	$ 504,171	$ 36,631
2023	$ 845,955	$ 427,702	$ (1,573)	$ 374,097	$ 25,756

	As of December 31,	For the Year Ended December 31,			
Year	Deferred Policy Acquisition Costs ("DPAC")	Amortization of DPAC, Net	Net Premiums Written	Net Premiums Earned	Unearned Premiums
			(in thousands)		
2025	$ 64,544	$ 227,454	$ 802,164	$ 794,157	$ 707,923
2024	$ 63,204	$ 235,058	$ 779,115	$ 767,860	$ 702,707
2023	$ 102,884	$ 213,028	$ 729,362	$ 697,185	$ 675,921