UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2026

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.

(Exact name of Registrant as specified in its charter)

Delaware	**45-5338504**
(State of Incorporation)	**(IRS Employer Identification No.)**

1401 N. Westshore Blvd
Tampa, FL 33607
(Address, including zip code, of principal executive offices)

(727) 362-7200
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	HRTG	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

The aggregate number of shares of the Registrant's Common Stock outstanding on August 2, 2026 was 29,732,416

HERITAGE INSURANCE HOLDINGS, INC.
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FORWARD-LOOKING STATEMENTS

Statements in this Quarterly Report on Form 10-Q ("Form 10-Q") or in documents incorporated by reference that are not historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements, expectations or beliefs regarding: (i) our core strategy and ability to fully execute our business plan; (ii) 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; (iii) strategic initiatives and their impact on shareholder value; (iv) projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results and future economic performance; (v) management's goals and objectives, including intentions to pursue certain business and the handling of certain claims; (vi) projections of revenue, earnings, capital structure, reserves, liquidity and other financial items; (vii) potential for rising costs of materials and labor; (viii) the supply of catastrophe reinsurance and its costs; (ix) assumptions underlying our critical accounting policies and estimates; (x) assumptions underlying statements regarding us and our business; (xi) the impact of legislation; (xii) claims and related expenses, and our reinsurers' obligations; (xiii) pending legal proceedings and their effect on our financial position; (xiv) effects of updated claims, policy, and billing systems; and (xv) 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" set forth in our 2025 Annual Report on Form 10-K and Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in this quarterly report on Form 10-Q. 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;
- changes in interest rates and their impact on investment income or losses on our investment portfolio and on our variable rate indebtedness;
- 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; 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 – FINANCIAL INFORMATION

Item 1 – Financial Statements

HERITAGE INSURANCE HOLDINGS, INC.
Condensed Consolidated Balance Sheets
(Amounts in thousands, except per share and share amounts)

	June 30, 2026	*December 31, 2025*
	(unaudited)	
ASSETS		
Fixed maturities, available-for-sale, at fair value (amortized cost of $821,858 and $726,774)	$ 801,910	$ 713,237
Equity securities, at fair value, (cost $816 and $1,064)	816	1,064
Other investments, net	1,259	1,285
Total investments	803,985	715,586
Cash and cash equivalents	587,597	559,274
Restricted cash	13,782	13,307
Accrued investment income	7,507	6,556
Premiums receivable, net	94,034	95,331
Reinsurance recoverable on paid and unpaid claims, net of allowance for credit losses of $175	305,175	318,588
Prepaid reinsurance premiums	460,694	307,039
Deferred income tax asset, net	6,003	5,855
Deferred policy acquisition costs, net	68,921	64,544
Property and equipment, net	27,715	28,254
Right-of-use lease asset, finance	11,374	12,598
Right-of-use lease asset, operating	6,086	4,878
Intangibles, net	27,147	30,189
Other assets	32,416	33,823
Total Assets	$ 2,452,436	$ 2,195,822
LIABILITIES AND STOCKHOLDERS' EQUITY		
Unpaid losses and loss adjustment expenses	$ 481,997	$ 579,477
Unearned premiums	738,384	707,923
Reinsurance payable	501,033	232,801
Long-term debt, net	71,287	78,428
Advance premiums	26,635	19,164
Income taxes payable, net	5,660	4,282
Accrued compensation	6,618	8,844
Lease liability, finance	14,254	15,587
Lease liability, operating	6,293	5,800
Accounts payable and other liabilities	32,547	38,265
Total Liabilities	$ 1,884,708	$ 1,690,571
Commitments and contingencies (Note 17)		
Stockholders' Equity:		
Common stock, $0.0001 par value, 50,000,000 shares authorized, 43,071,733 shares issued and 29,732,416 outstanding at June 30, 2026 and 43,171,585 shares issued and 30,833,776 outstanding at December 31, 2025	3	3
Additional paid-in capital	359,501	365,736
Accumulated other comprehensive loss, net of taxes	(15,446)	(10,555)
Treasury stock, at cost, 13,339,317 and 12,337,809 shares at June 30, 2026 and December 31, 2025, respectively	(157,773)	(133,183)
Retained earnings	381,443	283,250
Total Stockholders' Equity	567,728	505,251
Total Liabilities and Stockholders' Equity	$ 2,452,436	$ 2,195,822

See accompanying notes to unaudited condensed consolidated financial statements.

HERITAGE INSURANCE HOLDINGS, INC.
Condensed Consolidated Statements of Operations and Other Comprehensive Income
(Amounts in thousands, except per share and share amounts)
(Unaudited)

	For The Three Months Ended June 30,		*For The Six Months Ended June 30,*	
	2026	***2025***	***2026***	***2025***
REVENUES:				
Gross premiums written	$ 388,441	$ 410,968	$ 735,187	$ 766,965
Change in gross unearned premiums	(37,288)	(57,374)	(30,471)	(59,543)
Gross premiums earned	351,153	353,594	704,716	707,422
Ceded premiums	(150,029)	(157,278)	(303,899)	(311,072)
Net premiums earned	201,124	196,316	400,817	396,350
Net investment income	10,595	9,034	20,462	17,609
Net realized (losses) gains on debt securities and other investments	(37)	4	(21)	—
Other revenue	2,513	2,681	5,596	5,595
Total revenues	214,195	208,035	426,854	419,554
EXPENSES:				
Losses and loss adjustment expenses	61,057	75,620	152,654	175,027
Policy acquisition costs, net of ceding commission income[(1)]	45,510	43,146	90,845	88,961
General and administrative expenses, net of ceding commission income[(2)]	23,778	24,399	48,687	48,260
Total expenses	130,345	143,165	292,186	312,248
Operating income	83,850	64,870	134,668	107,306
Interest expense, net	1,690	1,880	3,468	4,306
Income before income taxes	82,160	62,990	131,200	103,000
Income tax expense	20,450	14,966	33,006	24,502
Net income	$ 61,710	$ 48,024	$ 98,194	$ 78,498
OTHER COMPREHENSIVE INCOME				
Change in net unrealized (losses) gains on investments	(1,947)	6,072	(6,438)	14,549
Reclassification adjustment for net realized investment losses	37	(4)	21	—
Income tax benefits (expense) related to items of other comprehensive income	452	(1,443)	1,526	(3,459)
Total comprehensive income	$ 60,252	$ 52,649	$ 93,303	$ 89,588
Weighted average shares outstanding				
Basic	30,017,180	31,004,218	30,349,056	30,851,022
Diluted	30,076,443	31,063,481	30,408,347	30,910,285
Earnings per share				
Basic	$ 2.06	$ 1.55	$ 3.24	$ 2.54
Diluted	$ 2.05	$ 1.55	$ 3.23	$ 2.54

(1)Policy acquisition costs includes $11.4 million and $22.3 million of ceding commission income for the three and six months ended June 30, 2026 and $13.1 million and $24.8 million of ceding commission income for the three and six months ended June 30, 2025.
(2)General and administration includes $3.7 million and $7.3 million of ceding commission income for the three and six months ended June 30, 2026 and $4.3 million and $8.2 million of ceding commission income for the three and six months ended June 30, 2025.

See accompanying notes to unaudited condensed consolidated financial statements.

HERITAGE INSURANCE HOLDINGS, INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(Amounts in thousands, except share amounts)

	Common Shares	*Par Value*	*Additional Paid-In Capital*	*Retained Earnings*	*Treasury Shares*	*Accumulated Other Comprehensive Loss*	*Total Stockholders' Equity*
Balance at December 31, 2025	30,833,776	$ 3	$ 365,736	$ 283,250	$ (133,183)	$ (10,555)	$ 505,251
Net unrealized change in investments, net of tax	—	—	—	—	—	(3,433)	(3,433)
Issuance of restricted stock	188,225	—	—	—	—	—	—
Surrendered shares for tax withholdings	(316,592)	—	(8,909)	—	—	—	(8,909)
Stock-based compensation on restricted stock	—	—	986	—	—	—	986
Purchase of treasury stock	(370,484)	—	—	—	(10,006)	—	(10,006)
Net Income	—	—	—	36,483	—	—	36,483
Balance at March 31, 2026	30,334,925	$ 3	$ 357,813	$ 319,733	$ (143,189)	$ (13,988)	$ 520,372
Net unrealized change in investments, net of tax	—	—	—	—	—	(1,458)	(1,458)
Issuance of restricted stock	28,515	—	—	—	—	—	—
Stock-based compensation on restricted stock	—	—	1,688	—	—	—	1,688
Purchase of treasury stock	(631,024)	—	—	—	(14,584)	—	(14,584)
Net income	—	—	—	61,710	—	—	61,710
Balance at June 30, 2026	29,732,416	$ 3	$ 359,501	$ 381,443	$ (157,773)	$ (15,446)	$ 567,728

	Common Shares	*Par Value*	*Additional Paid-In Capital*	*Retained Earnings*	*Treasury Shares*	*Accumulated Other Comprehensive Loss*	*Total Stockholders' Equity*
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	—	—	—	—	—	6,465	6,465
Issuance of restricted stock	386,231	—	—	—	—	—	—
Stock-based compensation on restricted stock	—	—	1,265	—	—	—	1,265
Net Income	—	—	—	30,474	—	—	30,474
Balance at March 31, 2025	30,993,270	$ 3	$ 363,909	$ 118,130	$ (130,900)	$ (22,139)	$ 329,003
Net unrealized change in investments, net of tax	—	—	—	—	—	4,625	4,625
Issuance of restricted stock	24,300	—	—	—	—	—	—
Stock-based compensation on restricted stock	—	—	1,650	—	—	—	1,650
Net Income	—	—	—	48,024	—	—	48,024
Balance at June 30, 2025	31,017,570	$ 3	$ 365,559	$ 166,154	$ (130,900)	$ (17,514)	$ 383,302

See accompanying notes to unaudited condensed consolidated financial statements.

HERITAGE INSURANCE HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Amounts in thousands)

	For The Six Months Ended June 30,	
	2026	***2025***
OPERATING ACTIVITIES		
Net income	$ 98,194	$ 78,498
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Stock-based compensation	2,674	2,915
Bond amortization and accretion	(388)	(208)
Expected credit allowance on reinsurance	—	22
Amortization of original issuance discount on debt	235	140
Depreciation and amortization	6,054	5,856
Provision for credit losses	(196)	181
Net realized losses	(21)	—
Deferred income taxes	1,378	(939)
Gain on sale of fixed assets, net	—	(4)
Changes in operating assets and liabilities:		
Accrued investment income	(951)	43
Premiums receivable, net	1,493	2,229
Prepaid reinsurance premiums	(153,655)	(220,483)
Reinsurance recoverable on paid and unpaid claims	13,413	216,137
Income tax receivable	—	(19,118)
Deferred policy acquisition costs	(4,377)	(7,736)
Right of use leased asset, net	16	1,849
Other assets	1,407	(14,539)
Unpaid losses and loss adjustment expenses	(97,480)	(329,504)
Unearned premiums	30,461	59,528
Reinsurance payable	268,232	275,220
Accrued interest	(7)	(125)
Accrued compensation	(2,226)	(2,543)
Advance premiums	7,471	3,420
Leased liabilities, net	(840)	(1,891)
Income tax payable	1,378	(846)
Other liabilities	(5,712)	(3,973)
Net cash provided by operating activities	166,553	44,129
INVESTING ACTIVITIES		
Fixed maturity securities sales, maturities and paydowns	66,772	91,238
Fixed maturity securities purchases	(161,453)	(86,327)
Redemption of equity securities	—	893
Proceeds from sale of assets	—	16
Return on other investments	26	1,088
Equity securities reinvestments of dividends	248	(21)
Cost of property and equipment acquired, net of disposals	(2,473)	(3,631)
Net cash used in (provided by) investing activities	(96,880)	3,256
FINANCING ACTIVITIES		
Principal payments on term loan facility	(1,876)	(4,750)
Purchase of treasury stock	(24,590)	—
Repayment of loan agreement	(5,500)	(19,200)
Tax withholding on share-based compensation awards	(8,909)	—
Mortgage loan payments	—	(148)
Net cash used in financing activities	(40,875)	(24,098)
Increase in cash, cash equivalents, and restricted cash	28,798	23,287
Cash, cash equivalents and restricted cash, beginning of period	572,581	463,645
Cash, cash equivalents and restricted cash, end of period	$ 601,379	$ 486,932
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 2,926	$ 3,940

Reconciliation of cash, cash equivalents, and restricted cash to condensed consolidated balance sheets.

	June 30, 2026	*December 31, 2025*
	(In thousands)	
Cash and cash equivalents	$ 587,597	$ 559,274
Restricted cash	13,782	13,307
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 601,379	$ 572,581

Restricted cash represents funds held to meet regulatory requirements in certain states in which the Company operates as well as deposits related to reinsurance transactions using catastrophe bonds.

Cash paid for income taxes consisted of the following as of June 30, 2026 and 2025, respectively.

	June 30, 2026	*June 30, 2025*
	(In thousands)	
Federal	$ 24,300	$ 40,800
State	5,951	4,672
Total income taxes paid, net of refunds	$ 30,251	$ 45,472

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

State	*June 30, 2026*	*June 30, 2025*
Florida	$ 5,500	$ 4,000
New York	*	*

See accompanying notes to unaudited condensed consolidated financial statements.

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The condensed consolidated financial statements include the accounts of Heritage Insurance Holdings, Inc. (together with its subsidiaries, the "Company"). These statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain financial information that is normally included in annual consolidated financial statements prepared in accordance with GAAP, but that is not required for interim reporting purposes, has been omitted. In the opinion of the Company's management, all material intercompany transactions and balances have been eliminated and all adjustments consisting of normal recurring accruals which are necessary for a fair statement of the financial condition and results of operations for the interim periods have been reflected. The accompanying interim condensed consolidated financial statements and related footnotes should be read in conjunction with the Company's audited consolidated financial statements and related footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025 filed on March 12, 2026 (as amended, the "2025 Form 10-K").

Significant accounting policies

The accounting policies of the Company are set forth in Note 1 to the condensed consolidated financial statements contained in the Company's 2025 Form 10-K.

Segment Information

Nature of Operations

The Company's results are reported as a single operating and reportable segment - residential property insurance. 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. For more information regarding the Company's nature of operations, see the "Business Segment" section of Note 1 to the consolidated financial statements in the 2025 Form 10-K.

Accounting Pronouncements not yet adopted

The Company has documented the summary of its significant accounting policies in its Notes to the Audited Consolidated Financial Statements contained in the Company's 2025 Form 10-K. There have been no material changes to the Company's accounting policies since the filing of that report.

The Company continually monitors new accounting pronouncements issued by the FASB and other standard-setting bodies. Management has evaluated accounting standards issued but not yet adopted as of June 30, 2026, including Accounting Standards Updates issued during 2026. Based on the nature of the Company's operations and investment activities, management does not currently expect any recently issued accounting standards to have a material effect on the Company's consolidated financial statements or related disclosures.

NOTE 2. INVESTMENTS

Securities Available-for-Sale

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

June 30, 2026	*Cost or Adjusted / Amortized Cost*	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Fair Value*
Debt Securities Available-for-sale		*(In thousands)*		
U.S. government and agency securities	$ 130,483	$ 247	$ 420	$ 130,310
States, municipalities and political subdivisions	359,301	849	14,593	345,557
Corporate bonds	251,733	1,378	4,797	248,314
Mortgage-backed securities	77,020	50	2,638	74,432
Asset-backed securities	991	—	24	967
Other	2,330	—	—	2,330
Total	$ 821,858	$ 2,524	$ 22,472	$ 801,910

During June 2026, the Company repaid in full the borrowings collateralized by investment securities under advance agreements entered into in 2024. As a result, debt securities with a carrying amount of $3.6 million were no longer pledged as collateral as of June 30, 2026.

December 31, 2025	*Cost or Adjusted / Amortized Cost*	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Fair Value*
Debt Securities Available-for-sale		*(In thousands)*		
U.S. government and agency securities [(1)]	$ 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 debt securities at December 31, 2025 with a carrying amount of $3.8 million that were pledged as collateral for the advance agreements 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.

Net Realized Gains (Losses) on Debt Securities

The following table presents net realized gain (losses) on debt securities available-for-sale for the three and six months ended June 30, 2026 and 2025.

	Three Months Ended June 30, 2026		*Three Months Ended June 30, 2025*	
	Gains (Losses)	*Fair Value at Sale*	*Gains (Losses)*	*Fair Value at Sale*
		(In thousands)		
Debt Securities Available-for-Sale				
Total realized gains	$ 7	$ 1,605	$ 6	$ —
Total realized losses	(51)	973	(2)	35
Net realized (losses) gains on debt securities available-for-sale	$ (44)	$ 2,578	$ 4	$ 35

	Six Months Ended June 30, 2026		Six Months Ended June 30, 2025	
	Gains (Losses)	Fair Value at Sale	Gains (Losses)	Fair Value at Sale
		(In thousands)		
Debt Securities Available-for-Sale				
Total realized gains	$ 26	$ 3,943	$ 10	$ —
Total realized losses	(60)	27,658	(10)	—
Net realized (losses) gains on debt securities available-for-sale	$ (34)	$ 31,601	$ —	$ —

The following table presents the reconciliation of net realized gains (losses) from debt securities and other investments on the Company's investments reported for the three and six months ended June 30, 2026 and 2025, respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Gross realized gains on sales of available-for-sale securities	$ 7	$ 6	$ 26	$ 10
Gross realized losses on sales of available-for-sale securities	(51)	(2)	(60)	(10)
Gross realized losses on other investments	—	—	—	—
Gross realized gains on other investments	7	—	13	—
Net realized (losses) gains on investments	$ (37)	$ 4	$ (21)	$ —

The table below summarizes the Company's debt securities at June 30, 2026 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.

	June 30, 2026			
	Cost or Amortized Cost	Percent of Total	Fair Value	Percent of Total
Maturity dates:	(In thousands)		(In thousands)	
Due in one year or less	$ 128,596	15.6%	$ 127,900	15.9%
Due after one year through five years	410,554	50.0%	399,655	49.8%
Due after five years through ten years	180,145	21.9%	174,508	21.8%
Due after ten years	102,563	12.5%	99,847	12.5%
Total	$ 821,858	100.0%	$ 801,910	100.0%

Net Investment Income

The following table summarizes the Company's net investment income by major investment category for the three and six months ended June 30, 2026 and 2025, respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands)		(In thousands)	
Debt securities	$ 7,320	$ 5,695	$ 14,244	$ 11,043
Equity securities	6	12	32	45
Cash and cash equivalents	3,807	3,653	7,204	7,058
Other investments	—	146	46	455
Net investment income	11,133	9,506	21,526	18,601
Less: Investment expenses	538	472	1,064	992
Net investment income, less investment expenses	$ 10,595	$ 9,034	$ 20,462	$ 17,609

The following tables present, for all debt securities available-for-sale in an unrealized loss position (including securities pledged) and for which no credit loss allowance has been established to date, the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position at June 30, 2026 and December 31, 2025, respectively (in thousands):

June 30, 2026	Less Than Twelve Months Number of Securities	Less Than Twelve Months Gross Unrealized Losses	Less Than Twelve Months Fair Value	Twelve Months or More Number of Securities	Twelve Months or More Gross Unrealized Losses	Twelve Months or More Fair Value
Debt Securities Available-for-sale						
U.S. government and agency securities	24	$ 308	$ 59,103	12	$ 112	$ 11,273
States, municipalities and political subdivisions	45	786	58,681	270	13,807	206,623
Corporate bonds	80	731	79,848	86	4,066	57,767
Mortgage-backed securities	33	723	48,898	106	1,915	12,269
Asset-backed securities	—	—	—	19	24	967
Total	182	2,548	246,530	493	19,924	288,899

December 31, 2025	Less Than Twelve Months Number of Securities	Less Than Twelve Months Gross Unrealized Losses	Less Than Twelve Months Fair Value	Twelve Months or More Number of Securities	Twelve Months or More Gross Unrealized Losses	Twelve Months or More Fair Value
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
Total	16	66	22,672	561	20,402	335,631

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 available-for-sale debt securities in unrealized loss positions at June 30, 2026 and determined that the losses were driven by interest rate movements, changes in yield curve dynamics, market liquidity conditions, and broader fixed-income market volatility, none of which indicated credit deterioration; accordingly, no allowance for credit losses was recorded for the three or six months ended June 30, 2026.

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 carrying value and maximum loss exposure of the Company's non-consolidated VIEs at June 30, 2026 and December 31, 2025, respectively:

	June 30, 2026		*December 31, 2025*	
	Carrying Value	*Maximum Loss Exposure*	*Carrying Value*	*Maximum Loss Exposure*
Investments in non-consolidated VIEs - Equity method	$ 833	$ 833	$ 839	$ 839
Investments in non-consolidated VIEs - Measurement alternative	$ 426	$ 426	$ 446	$ 446
Total non-consolidated VIEs	$ 1,259	$ 1,259	$ 1,285	$ 1,285

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. FAIR VALUE OF FINANCIAL MEASUREMENTS

Fair value is determined based on the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The Company is required to use an established hierarchy for fair value measurements based upon the inputs to the valuation and degree to which they are observable or not observable in the market. The three levels in the hierarchy are 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 for 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.

The highest priority is assigned to Level 1 inputs and the lowest priority to Level 3 inputs. At June 30, 2026 and December 31, 2025, there were no transfers in or out of Level 1, 2, and 3.

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.

The tables below present the balances of the Company's invested assets measured at fair value on a recurring basis:

June 30, 2026	*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	$ 587,597	$ 587,597	$ —	$ —
Restricted cash	13,782	13,782	—	—
Total assets:	$ 601,379	$ 601,379	$ —	$ —
Debt Securities Available-for-sale				
U.S. government and agency securities	$ 130,310	$ —	$ 130,310	$ —
States, municipalities and political subdivisions	345,557	—	345,557	—
Corporate bonds	248,314	—	248,314	—
Mortgage-backed securities	74,432	—	74,432	—
Asset-backed securities	967	—	967	—
Other	2,330	—	2,330	—
Total debt securities	$ 801,910	$ —	$ 801,910	$ —
Equity Securities				
Common stock	816	816	—	—
Total debt securities and equity securities	$ 802,726	$ 816	$ 801,910	$ —

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	—	—
Total assets:	$ 572,581	$ 572,581	$ —	$ —
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	$ —

Financial Instruments excluded from the fair value hierarchy

The carrying value of premium receivables, accounts payable, accrued expense, revolving loans and borrowings under the Company's senior secured credit facility approximate their fair value. The rate at which revolving loans and borrowings under the Company's senior secured credit facility bear interest resets periodically at market interest rates.

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. For the three and six months ended June 30, 2026, there were no assets or liabilities that were measured at fair value on a non-recurring basis.

Certain of the Company's investments, in accordance with GAAP for the type of investment, are measured using methodologies other than fair value.

NOTE 4. OTHER COMPREHENSIVE (LOSS) INCOME

The following table summarizes other comprehensive (loss) income and discloses the tax impact of each component of other comprehensive income for the three and six months ended June 30, 2026 and 2025, respectively:

	For The Three Months Ended June 30,					
	2026			*2025*		
	Pre-tax	*Tax*	*After-tax*	*Pre-tax*	*Tax*	*After-tax*
			(in thousands)			
Other comprehensive (loss) income						
Change in unrealized (losses) gains on investments, net	$ (1,947)	$ 462	$ (1,485)	$ 6,072	$ (1,443)	$ 4,629
Reclassification adjustment of realized losses included in net income	37	(10)	27	(4)	—	(4)
Effect on other comprehensive (loss) income	$ (1,910)	$ 452	$ (1,458)	$ 6,068	$ (1,443)	$ 4,625

	For The Six Months Ended June 30,					
	2026			*2025*		
	Pre-tax	*Tax*	*After-tax*	*Pre-tax*	*Tax*	*After-tax*
			(in thousands)			
Other comprehensive (loss) income						
Change in unrealized (losses) gains on investments, net	$ (6,438)	$ 1,531	$ (4,907)	$ 14,549	$ (3,459)	$ 11,090
Reclassification adjustment of realized losses included in net income	21	(5)	16	—	—	—
Effect on other comprehensive (loss) income	$ (6,417)	$ 1,526	$ (4,891)	$ 14,549	$ (3,459)	$ 11,090

NOTE 5. 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.

Components of the Company's lease costs were as follows (in thousands):

	For The Six Months Ended June 30,	
	2026	***2025***
Operating lease cost, included in General & Administrative expenses on the Consolidated Statements of Operations	$ 697	$ 778
Finance lease cost:		
Amortization of assets, included in General & Administrative expenses on the Consolidated Statements of Operations	1,207	1,247
Interest on lease liabilities, included in Interest expense on the Consolidated Statements of Operations	300	355
Total finance lease cost	$ 1,507	$ 1,602
Variable lease cost, included in General & Administrative expenses on the Consolidated Statements of Operations	$ 326	$ 582
Short-term lease cost, included in General & Administrative expenses on the Consolidated Statements of Operations	$ 36	$ 55

Supplemental balance sheet information related to the Company's operating and financing leases were as follows (in thousands):

Operating Leases	***June 30, 2026***	***December 31, 2025***
Right of use assets	$ 6,086	$ 4,878
Lease liability	$ 6,293	$ 5,800
Finance Leases		
Right of use assets	$ 11,374	$ 12,598
Lease liability	$ 14,254	$ 15,587

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

Weighted-average remaining lease term	***June 30, 2026***	***December 31, 2025***
Operating lease	8.05 yrs.	2.10 yrs.
Finance lease	4.75 yrs.	5.22 yrs.
Weighted-average discount rate		
Operating lease	6.17 %	5.33 %
Finance lease	4.1 %	4.12 %

Maturities of lease liabilities by fiscal year for the Company's operating and financing leases were as follows (in thousands):

	Financing Lease	***Operating Lease***
2026 - remaining	$ 1,580	$ 631
2027	3,190	1,241
2028	3,270	1,272
2029	3,351	1,182
2030	3,436	466
2031 and thereafter	864	3,392
Total lease payments	15,691	8,184
Less: imputed interest	1,437	1,891
Present value of lease liabilities	$ 14,254	$ 6,293

NOTE 6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at June 30, 2026 and December 31, 2025:

	June 30, 2026	***December 31, 2025***
	(In thousands)	
Computer hardware and software	$ 43,241	$ 41,035
Office furniture and equipment	1,499	1,498
Tenant and leasehold improvements	2,119	5,462
Vehicle fleet	228	234
Total, at cost	47,087	48,229
Less: accumulated depreciation and amortization	(19,372)	(19,975)
Property and equipment, net	$ 27,715	$ 28,254

For the six months ended June 30, 2026, the Company capitalized an additional $2.1 million of costs related to internal-use software development to incorporate the Company's commercial products into the system. The Company expects the development and full integration of the system to be completed by the end of 2026. Upon being placed into service, capitalized internally developed software costs are amortized on a straight-line basis over an estimated useful life of seven years.

Depreciation and amortization expense for property and equipment was approximately $1.4 million and $1.1 million for the three months ended June 30, 2026 and 2025, respectively. Depreciation and amortization expense for property and equipment was $3.0 and $2.4 million for the six months ended June 30, 2026 and 2025, respectively.

During the first quarter of 2026, the Company recorded a charge for the write-off of the remaining net book value of leasehold improvements related to an operating lease that was early terminated effective January 31, 2026. In connection with the early termination, the Company reduced its occupied square footage and entered into a new lease with the existing landlord. Fully depreciated leasehold improvements totaling $3.6 million were written off during the period. In addition, the Company recognized a gain of $721,839 related to the derecognition of the associated operating lease right-of-use asset and lease liability, which is included in general and administrative expense in the Company's condensed statement of operations.

NOTE 7. INTANGIBLE ASSETS, NET

At June 30, 2026 and December 31, 2025, intangible assets were $27.1 million and $30.2 million, respectively. The Company has determined the useful life of its intangible assets to range between 2.5-15 years. Intangible assets include $1.3 million relating to insurance licenses which is classified as an indefinite lived intangible and is subject to annual impairment testing.

The Company's intangible assets consist of brand, agent relationships, renewal rights, customer relations, trade names and insurance licenses.

Amortization expense of the Company's intangible assets for the three month periods ended June 30, 2026 and 2025 was $1.5 and $1.6 million, respectively. Amortization expense for intangible assets for the six month periods ended June 30, 2026 and 2025 was $3.0 million and $3.1 million, respectively. No impairment in the value of amortizing or non-amortizing intangible assets was recognized during the three and six months ended June 30, 2026 or 2025.

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

Year	*Amount*
2026 – remaining	$ 2,993
2027	$ 5,836
2028	$ 3,913
2029	$ 3,813
2030	$ 3,813
Thereafter	$ 5,464
Total	$ 25,832

NOTE 8. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share ("EPS") for the periods indicated (amounts in thousands, except share and per share amounts).

	For The Three Months Ended June 30,		*For The Six Months Ended June 30,*	
	2026	*2025*	*2026*	*2025*
Basic earnings per share:				
Net income attributable to common stockholders (000's)	$ 61,710	$ 48,024	$ 98,194	$ 78,498
Weighted average shares outstanding	30,017,180	31,004,218	30,349,056	30,851,022
Basic earnings per share:	$ 2.06	$ 1.55	$ 3.24	$ 2.54
Diluted earnings per share:				
Net income attributable to common stockholders (000's)	$ 61,710	$ 48,024	$ 98,194	$ 78,498
Weighted average shares outstanding	30,017,180	31,004,218	30,349,056	30,851,022
Add: Effect of dilutive securities				
5.875% Convertible Notes	59,263	59,263	59,291	59,263
Diluted weighted average common shares outstanding	30,076,443	31,063,481	30,408,347	30,910,285
Diluted earnings per share:	$ 2.05	$ 1.55	$ 3.23	$ 2.54

NOTE 9. DEFERRED REINSURANCE CEDING COMMISSION

The Company defers ceding commission earned in connection with its quota share reinsurance contracts, which is 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 to estimated ceding commission income 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. For the three months ended June 30, 2026 and 2025, the Company allocated ceding commission income of $11.4 million and $13.1 million to policy acquisition costs, respectively, and $3.7 million and $4.3 million to general and administrative expense, respectively. For the six months ended June 30, 2026 and 2025, the Company allocated ceding commission income of $22.3 million and $24.8 million to policy acquisition costs, respectively and $7.3 million and $8.2 million to general and administrative expense, respectively.

The table below depicts the activity regarding deferred reinsurance ceding commission during the three and six months ended June 30, 2026 and 2025:

	For The Three Months Ended June 30,		***For The Six Months Ended June 30,***	
	2026	***2025***	***2026***	***2025***
	(In thousands)			
Beginning balance of deferred ceding commission income	$ 40,909	$ 40,051	$ 42,213	$ 42,561
Ceding commission deferred	16,374	18,606	29,625	31,637
Less: ceding commission earned	(15,081)	(17,401)	(29,636)	(32,942)
Ending balance of deferred ceding commission income	$ 42,202	$ 41,256	$ 42,202	$ 41,256

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

NOTE 10. DEFERRED POLICY ACQUISITION COSTS

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 9. 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 will be fully recoverable in the near term. The table below depicts the activity regarding DPAC for the three and six months ended June 30, 2026 and 2025.

	For The Three Months Ended June 30,		***For The Six Months Ended June 30,***	
	2026	***2025***	***2026***	***2025***
	(In thousands)			
Beginning Balance	$ 64,367	$ 63,906	$ 64,544	$ 63,204
Policy acquisition costs deferred, net of ceding commission	45,510	43,146	90,845	88,961
Amortization	(40,956)	(36,112)	(86,468)	(81,225)
Ending Balance	$ 68,921	$ 70,940	$ 68,921	$ 70,940

NOTE 11. INCOME TAXES

The following table summarizes the provision for income taxes for the six months ended June 30, 2026 and 2025:

	Six Months Ended June 30,	
	2026	*2025*
	(in thousands)	
Federal:		
Current	$ 26,379	$ 21,021
Deferred	1,271	(786)
Provision for Federal income tax	27,650	20,235
State:		
Current	$ 5,249	$ 4,419
Deferred	107	(152)
Provision for State income tax expense	5,356	4,267
Provision for income taxes	$ 33,006	$ 24,502

For the three months ended June 30, 2026 and 2025, the Company recorded income tax expense of $20.5 million and $15.0 million, respectively, resulting in effective tax rates of 24.9% and 23.8%, respectively. For the six months ended June 30, 2026 and 2025, the Company recorded income tax expense of $33.0 million and $24.5 million respectively, resulting in effective tax rates of 25.2% and 23.8%, respectively. The effective tax rate for the six months ended June 30, 2026 was modestly higher than the effective tax rate for the comparable period in 2025. The increase was primarily attributable to differences in the estimated annual pre-tax income for 2026 and 2025 and the related impact of permanent tax differences on the Company's annual effective tax rate.

The Company has recorded its deferred tax assets and liabilities using the statutory federal tax rate of 21%. The Company believes it is more likely than not that all deferred tax assets will be recovered, given the carry back availability as well as the result of future operations, which the Company believes will generate sufficient taxable income to realize the deferred tax asset.

The below table summarizes the significant components of the Company's net deferred tax assets:

	June 30, 2026	*December 31, 2025*
Deferred tax assets:	*(in thousands)*	
Unearned premiums	$ 19,822	$ 19,342
Tax-related discount on loss reserve	4,185	4,399
Stock-based compensation	999	1,323
Accrued expenses	812	1,533
Leases	737	924
Unrealized losses	5,711	4,185
Other	530	488
Total deferred tax asset	32,796	32,194
Deferred tax liabilities:		
Deferred acquisition costs	16,421	15,379
Prepaid expenses	262	152
Property and equipment	2,401	2,738
Basis in purchased investments	24	2
Basis in purchased intangibles	5,995	6,652
Other	1,690	1,416
Total deferred tax liabilities	26,793	26,339
Net deferred tax assets	$ 6,003	$ 5,855

On July 4, 2025, the "One Big Beautiful Bill Act" ("OBBBA") was signed into law in the United States. The OBBBA 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, including 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.

The statute of limitations related to the Company's federal and state income tax returns remains open from the Company's filings for 2022 through 2025. There are currently no tax years under examination.

At June 30, 2026 and December 31, 2025, the Company had no significant uncertain tax positions or unrecognized tax benefits that, if recognized, would impact the effective income tax rate.

NOTE 12. REINSURANCE

Overview

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 management 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, 2026 and 2025, 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 are 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 are 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 generally limit its net exposure in the event of a severe non-hurricane 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 management 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.

2026 - 2027 Reinsurance Program

Catastrophe Excess of Loss Reinsurance

Effective June 1, 2026, the Company entered into catastrophe excess of loss reinsurance agreements for 2026-2027 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, the Florida Hurricane Catastrophe Fund ("FHCF"), Citrus Re and Osprey Re. The FHCF covers Florida admitted market personal residential and commercial residential property risks only and the Company elected to participate at 90.0% for the 2026 hurricane season. The Company's affiliate Osprey Re will provide 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 2026-2027 reinsurance program provides first event coverage up to $1.865 billion for Heritage P&C, first event coverage up to $1.245 billion for NBIC, and first event coverage up to $1.0 billion 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 million, of which $50 million would be ceded to Osprey in a shared contract with NBIC and Zephyr; NBIC – $38 million of which the entire amount would be ceded to Osprey in a shared contract with Heritage P&C and Zephyr; and Zephyr — $50 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 $3.2 billion of limit is available in 2026, 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.

Additionally, on December 31, 2025, 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 million limit in excess of a retention of $20 million while another contract provides the remaining 30% with a $25 million limit in excess of a retention of $25 million. Each contract has one reinstatement available. The Company's prior occurrence contracts for business underwritten by NBIC which covers all catastrophe losses excluding named storms expired 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 business underwritten by NBIC, for which certain of the Company's other reinsurance (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% 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 expired on December 31, 2025 ceded 46.0% of the net premiums, with an occurrence limit of $20.0-$25.0 million for catastrophe losses and is 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 residential U.S. surplus lines business underwritten by NBIC, excluding losses from named storms, the Company purchases property per risk coverage which has a one year contract period. For the contract period July 1, 2026 through June 30, 2027, 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 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 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 $1.5 million per claim. The limit recovered for an individual loss is $0.5 million and total limit for all losses is $1.5 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 NBIC and Zephyr, excluding losses from named storms. The Hawaii section of this facultative program provides limits of $65.0 million for losses in excess of $10.0 million. The Company also purchased facultative reinsurance for personal residential property losses underwritten by NBIC and Zephyr in excess of $3.5 million. The California facultative coverage is $3.25 million 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 NBIC and Zephyr from single risk losses. For the contract period of July 1, 2026 through June 30, 2027, 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 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 a detailed discussion of the Company's **2025-2026 Reinsurance Program** refer to Part II, Item 8, "Financial Statements and Supplementary Data" and "**Note 12. Reinsurance**" in the Company's 2025 Form 10-K.*

Effect of Reinsurance

The Company's reinsurance arrangements had the following effect on certain items in the condensed consolidated statement of income for the three and six months ended June 30, 2025 and 2026:

	For The Three Months Ended June 30,		*For The Six Months Ended June 30,*	
	2026	*2025*	*2026*	*2025*
	(In thousands)		*(In thousands)*	
Premium written:				
Direct	$ 388,441	$ 410,968	$ 735,187	$ 766,965
Ceded	(415,937)	(491,335)	(457,375)	(531,555)
Net	$ (27,496)	$ (80,367)	$ 277,812	$ 235,410
Premiums earned:				
Direct	$ 351,153	$ 353,594	$ 704,716	$ 707,422
Ceded	(150,029)	(157,278)	(303,899)	(311,072)
Net	$ 201,124	$ 196,316	$ 400,817	$ 396,350
Loss and Loss Adjustment Expenses				
Direct	$ 65,078	$ 70,062	$ 160,122	$ 106,974
Ceded	(4,021)	5,558	(7,468)	68,053
Net	$ 61,057	$ 75,620	$ 152,654	$ 175,027

During the Company's June 30, 2026 and March 31, 2026 quarterly assessments of loss reserves, the ultimate catastrophe losses for Hurricane Milton were adjusted downward based on loss development. This had a dampening effect on the ceded losses for the calendar quarter and year ended June 30, 2026. During each of the Company's June 30, 2025 and March 31, 2025 quarterly assessment of losses reserves, the ultimate catastrophe loss estimates for certain hurricane events were adjusted downward based upon loss development. The reduction in ultimate catastrophe losses reduced both the reserve for unpaid losses and the amount of reinsurance recoverable on unpaid claims by the same amount. The resultant change on a net basis was neutral because the losses were fully ceded under the Company's catastrophe excess of loss reinsurance coverage. This caused the ceded losses during the first and second quarters of 2025 to be positive in the table above.

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands)			
Balance, beginning of period	$ 544,043	$ 848,928	$ 579,477	$ 1,042,687
Less: reinsurance recoverable on unpaid losses	226,485	509,391	269,367	675,652
Net balance, beginning of period	317,558	339,537	310,110	367,035
Incurred related to:				
Current year	84,437	77,872	184,215	185,077
Prior years	(23,380)	(2,252)	(31,561)	(10,050)
Total incurred	61,057	75,620	152,654	175,027
Paid related to:				
Current year	59,845	47,488	91,971	103,015
Prior years	23,406	39,386	75,428	110,764
Total paid	83,251	86,874	167,399	213,779
Net balance, end of period	295,364	328,283	295,364	328,283
Plus: reinsurance recoverable on unpaid losses	186,633	384,900	186,633	384,900
Balance, end of period	$ 481,997	$ 713,183	$ 481,997	$ 713,183

The Company believes that the reserve for unpaid losses reasonably represents 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 June 30, 2026, the Company reported $295.4 million in unpaid losses and loss adjustment expenses, net of reinsurance which included $225.9 million attributable to IBNR net of reinsurance recoverable, or 76.5% of net reserves for unpaid losses and loss adjustment expenses.

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.

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.

As of December 31, 2025 and June 30, 2026, 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 each of the six-month periods ended June 30, 2026 and 2025, the Company made interest payments, net of affiliated Convertible Notes, of approximately $25,115, 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 provides for senior secured credit facilities in the aggregate principal amount of up to $200.0 million, consisting of (a) a revolving credit facility in an aggregate principal amount of up to $50.0 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), with a maturity of July 2030 (the “Revolving Credit Facility”), (b) a term loan facility in an aggregate principal amount of $75 million with a 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") (collectively, the "Credit Facilities").

Term Loan Facility. The principal amount of the term loan facility under the Prior Credit Agreement amortized in quarterly installments, which began 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 June 30, 2026 and December 31, 2025, there was $72.2 million and $74.0 million in aggregate principal amount under the Term Loan Facility under the Amended and Restated Credit Agreement, respectively. 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 six months ended June 30, 2026, the Company made principal payments of $1.9 million, and interest payments of approximately $2.3 million, on the Term Loan Facility. For the six months ended June 30, 2025, the Company made principal payments of approximately $2.4 million and interest payments of $1.4 million 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 million and the unused amount of the Revolving Credit Facility. At July 22, 2025, 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 cancelled effective on their maturity date of March 16, 2025. At June 30, 2026, there were no outstanding letters of credit issued under the Revolving Credit Facility and there were no draws as such date. For the six months ended June 30, 2026, the Company made interest payments in aggregate of approximately $498,408 relating to unused availability commitment fees. For the six months ended June 30, 2025, the Company made interest payments in aggregate of approximately $181,428 on the Revolving Credit Facility and $158,562 relating to letters of credit and unused availability commitment fees under the Prior Credit Agreement.

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 June 30, 2026, the effective interest rate for the Term Loan Facility was 6.370%. 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 three months ended June 30, 2025, the Company made principal and interest payments of $198,953 on the mortgage loan. 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 June 30, 2026, the Company's membership in FHLB-ATL was $561,416. For the six months ended June 30, 2025, the Company made quarterly interest payments under the terms of the loan agreement in aggregate amounts of approximately $239,780.

In December 2018, a subsidiary of the Company became a member of the FHLB Boston. As of June 30, 2026 and at December 31, 2025, the Company also holds 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. In June 2026, the Company repaid the loan and released the investments from pledged collateral. As of June 30, 2026, the equity investment in FHLB-DM common stock was $77,200.

For the three months ended June 30, 2026 and 2025, the Company made monthly interest payments as per the terms of the loan agreement in aggregate of $42,652 and $58,809, respectively. For the six months ended June 30, 2026 and 2025, the Company made monthly interest payments in aggregate of $100,815 and $116,971, respectively.

The following table summarizes the Company's long-term debt and credit facilities as of June 30, 2026 and December 31, 2025:

	June 30, 2026	***December 31, 2025***
	(in thousands)	
Convertible debt	$ 885	$ 885
Term loan facility	72,188	74,063
FHLB loan agreements	—	5,500
Total principal amount	$ 73,073	$ 80,448
Deferred finance costs	$ 1,786	$ 2,020
Total long-term debt	$ 71,287	$ 78,428

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 depends, 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 the Company is subject to with respect to the Company's long-term debt.

The schedule of principal payments on long-term debt as of June 30, 2026 is as follows:

Year	***Amount (In thousands)***
2026 remaining	$ 1,875
2027	3,750
2028	4,675
2029	5,600
2030	56,288
Thereafter	885
Total	$ 73,073

NOTE 15. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

Description	*June 30, 2026*	*December 31, 2025*
	(In thousands)	
Accounts payable and other payables	15,972	$ 18,845
Accrued interest and issuance costs	33	26
Other liabilities	33	36
Commission payables	16,509	19,358
Total other liabilities	32,547	$ 38,265

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 Heritage Property & Casualty Insurance Company ("Heritage P&C)", Narragansett Bay Insurance Company ("NBIC"), Zephyr Insurance Company ("Zephyr"), and Pawtucket Insurance Company ("PIC") 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 capital and surplus equal to the greater of $15.0 million or 10% of its respective liabilities. Zephyr is required to maintain a deposit of $750,000 in a federally insured financial institution. NBIC is required to maintain capital and surplus of $3.0 million. The combined statutory surplus for Heritage P&C, Zephyr, and NBIC was $439.5 million at June 30, 2026 and $392.5 million at December 31, 2025. State law also requires the Company's insurance subsidiaries to adhere to prescribed premium-to-capital surplus ratios, and risk-based capital requirements with which the Company's insurance subsidiaries are in compliance. At June 30, 2026, the Company's insurance subsidiaries met the financial and regulatory requirements of each of the states in which they conduct business.

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.

NOTE 18. RELATED PARTY TRANSACTIONS

From time to time the Company has been party to various related party transactions involving certain of its officers, directors and significant stockholders, including as set forth below. The Company has entered into each of these arrangements without obligation to continue its effect in the future and the associated expense was immaterial to its results of operations or financial position as of June 30, 2026 and 2025.

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. For the three and six months ended June 30, 2025, the Company paid agency commission to

Comegys of $35,445 and $75,145, respectively. There are 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.

NOTE 19. EMPLOYEE BENEFIT PLANS

The Company provides a 401(k) plan for all qualifying 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 three months ended June 30, 2026 and 2025, the matching contributions made to the plan on behalf of the participating employees were approximately $332,700 and $556,800, respectively. In addition to the matching contributions, the Company funded a profit-sharing contribution of $533,493 during the three months ended June 30, 2026. The contribution related to fiscal year 2025 and was included in accrued compensation as of December 31, 2025. As a result, no profit-sharing expense was recognized during the three months ended June 30, 2026 related to this contribution. For the six months ended June 30, 2026 and 2025, the matching contributions made to the plan on behalf of the participating employees were $949,700 and $965,100, respectively.

The Company offers employees a flex healthcare plan which allows employees the choice of three medical plans with a range of coverage levels and costs. For the three months ended June 30, 2026 and 2025, the Company incurred medical premium costs including healthcare premiums of $1.5 million and $1.6 million, respectively. For the six months ended June 30, 2026 and 2025, the Company incurred medical premium costs including healthcare premiums of $3.1 million and $3.3 million, respectively.

NOTE 20. 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 June 30, 2026, the Company had 29,732,416 shares of common stock outstanding, 13,339,317 treasury shares of common stock and 1,081,720 shares of unvested restricted common stock outstanding reflecting additional paid-in capital of $359.5 million as of such date.

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 outstanding reflecting additional 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 the Company's 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 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. For the year ended December 31, 2025, the company repurchased in aggregate 106,135 shares of its common stock under the share repurchase plan 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. Prior to the termination of the share repurchase plan in May 2026, the Company repurchased an aggregate of 446,884 shares of its common stock at an average cost of $26.87 per share, for a total cost of approximately $12.0 million.

On May 7, 2026, the Board of Directors established a new share repurchase plan, replacing the prior share repurchase plan, for the purpose of repurchasing up to an aggregate of $50.0 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 "New Share Repurchase Plan"). From May 7, 2026 through June 30, 2026, the Company repurchased 554,624 shares of its common stock under the New Share Repurchase Plan, for a total costs of approximately $12.6 million, representing an average purchase price of $22.69 per share. As of June 30,2026, the Company had $37.4 million of capacity remaining under the New 2026 Share Repurchase Plan.

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 three and six months ended June 30, 2026 and 2025.

NOTE 21. 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 June 30, 2026, there were 1,809,709 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, 2026, the date of the 2026 annual meeting of the Company's stockholders, the Company awarded to non-employee directors an aggregate of 13,515 shares of common stock under the 2023 Plan with a fair value at the time of grant of $22.20 per share, resulting in a total grant date fair value of $300,000. The stock was fully vested on the date of issuance.

On April 1, 2026, the Company awarded an aggregate of 15,000 shares of time-based restricted stock under the 2023 Plan to certain employees. The restricted stock had a grant-date fair value of $25.19 per share, resulting in a total grant-date fair value of approximately $377,850. The awards vest in two equal installments in aggregate 7,500 shares each on December 15, 2026 and December 15, 2027, subject to the employees continued service through each vesting date.

On March 5, 2026, the Company awarded an aggregate of 49,369 shares of time-based restricted stock and 138,856 shares of performance-based restricted stock, each with a fair value at the time of grant of $26.98 per share under the 2023 Plan to certain employees. The time-based restricted stock vests annually in three equal installments commencing on December 15, 2026. The performance based restricted stock has a three-year performance period beginning on January 1, 2026 and ending on December 31, 2028 and will vest following the end of the performance period but no later than March 31, 2029.

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, resulting in a total grant date fair value of $360,000. 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, with 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.

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, 2025 and will vest following the end of the performance period but no later than March 31, 2027.

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.

For the 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 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 six months ended June 30, 2026 is as follows:

	Number of shares		*Weighted-Average Grant-Date Fair Value per Share*
Non-vested, at December 31, 2025	1,479,243	$	18.86
Granted - Performance-based restricted stock	138,856	$	26.98
Granted - Time-based restricted stock	77,884	$	25.81
Vested	(515,549)	$	28.04
Canceled and surrendered	(316,593)	$	28.14
Non-vested, at June 30, 2026	863,841	$	13.67

Awards are being amortized to expense over the one - to three-year vesting period. The Company recognized approximately $1.7 and $1.7 million of stock compensation expense for the three months ended June 30, 2026 and 2025, respectively. The Company recognized $2.7 million and $2.9 million of stock compensation expense for the six months ended June 30, 2026 and 2025, respectively. For the three months ended June 30, 2026, a total of 13,515 shares of restricted stock granted to non-employee directors and vested immediately upon grant. For the six months ended June 30,2026 818,627 shares of performance-based restricted stock and 13,515 shares of time-based stock vested and were released. Of the stock released to employees, 316,593 shares were withheld to cover withholding taxes of $8.9 million. For the three and six months ended June 30, 2025, a total of 54,612 shares of restricted stock previously granted to non-employee directors vested and were released.

At June 30, 2026, there was approximately $2.3 million unrecognized expense related to time-based unvested restricted stock and an additional $5.6 million for unvested performance-based restricted stock, net of expected forfeitures which is expected to be recognized over the remaining restriction periods as described in the table below. For the comparable period in 2025, there was in aggregate $7.2 million of unrecognized expense.

Additional information regarding the Company's outstanding non-vested time-based restricted stock and performance-based restricted stock at June 30, 2026 is as follows:

Grant date	Restricted shares unvested	Share Value at Grant Date Per Share	Remaining Restriction Period (Years)
February 27, 2024	54,546	7.02	0.5
February 27, 2024	253,918	7.02	1.0
March 11, 2025	66,166	11.88	1.8
March 11, 2025	285,986	11.88	1.5
March 5, 2026	49,369	26.98	2.3
March 5, 2026	138,856	26.98	2.3
April 1, 2026	15,000	25.19	1.5
Total non-vested shares	863,841		

NOTE 22. SEGMENT INFORMATION

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. 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").

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.

	For The Three Months Ended June 30,		*For The Six Months Ended June 30,*	
	2026	***2025***	***2026***	***2025***
Revenues:				
Net earned premiums	$ 201,124	$ 196,316	$ 400,817	$ 396,350
Net investment income	10,595	9,034	20,462	17,609
Net realized (losses) gains on debt securities and other investments	(37)	4	(21)	—
Other revenue	2,513	2,681	5,596	5,595
Total revenues	$ 214,195	$ 208,035	$ 426,854	$ 419,554
Expenses:				
Losses and loss adjustment expense - current year	84,437	77,872	184,215	185,077
Losses and loss adjustment expense - prior year	(23,380)	(2,252)	(31,561)	(10,050)
Policy acquisition costs	45,510	43,146	90,845	88,961
General and administration costs [(1)]	20,876	21,422	42,633	42,404
Depreciation & amortization	2,902	2,977	6,054	5,856
Interest expenses	1,690	1,880	3,468	4,306
Income tax expense	20,450	14,966	33,006	24,502
Segment net income	$ 61,710	$ 48,024	$ 98,194	$ 78,498
Reconciliation of profit or loss:				
Adjustment and reconciling items:	—	—	—	—
Consolidated net income	$ 61,710	$ 48,024	$ 98,194	$ 78,498

[(1)] Excludes depreciation and amortization expense

NOTE 23. 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 condensed consolidated financial statements as of June 30, 2026.

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

You should read the following discussion in conjunction with our condensed consolidated financial statements and related notes and other information included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2025 (as amended"2025 Form 10-K"). Unless the context requires otherwise, as used in this Form 10-Q, the terms "we", "us", "our", "the Company", "our Company", and similar references refer to Heritage Insurance Holdings, Inc., a Delaware corporation, and its subsidiaries.

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, Texas, 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 only. We also provide commercial insurance in the State of Texas on an excess and surplus lines 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 through 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"). Rising reinsurance costs may be mitigated through exposure management as well as recouping the cost of reinsurance in future rate filings.

Supplemental Information

The Supplemental Information table below provides insight on our personal lines, commercial lines, and other business by providing policy count, premiums-in-force and total insured value for those product lines.

Policies-in-force:	***Q2 2026***	***Q2 2025***	***% Change***
Personal Residential	338,817	357,294	(5.2) %
Commercial Residential	3,140	2,992	4.9 %
Other	8,930	9,823	(9.1) %
Total	350,887	370,109	(5.2) %
Premiums-in-force:			
Personal Residential	1,162,853,241	1,148,876,238	1.2 %
Commercial Residential	236,726,188	271,156,884	(12.7) %
Other	10,010,765	9,458,112	5.8 %
Total	1,409,590,194	1,429,491,234	(1.4) %
Total Insured Value:			
Personal Residential	318,809,611,090	319,578,562,554	(0.2) %
Commercial Residential	49,442,769,123	45,455,781,220	8.8 %
Total	368,252,380,213	365,034,343,774	0.9 %

Strategic Profitability Initiatives

The Company has focused on three main strategic initiatives aimed at achieving consistent long-term quarterly earnings and driving shareholder value, which initiatives will remain in place while the Company also expands its strategy to include its 2026 initiatives:

- 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

To continue its progress, the Company expects to also focus on the following profitability initiatives in 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 top line growth
- 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 further growth, which includes our entry to the State of Texas on an excess and surplus lines basis.
- Act as opportunities emerge which will continue our diversification and expansion over the next several years.
- Expand our relationship with reinsurance partners to expand capacity and manage volatility while pursuing growth.

Trends

Inflation, Underwriting and Pricing

We address reinsurance and loss cost trends in the property insurance sector through rates and inflation guard factors. Over the last several years, we have filed and been approved by state regulators for rate increases to achieve rate adequacy. Our rates are now adequate in over 90% of our territories, which are currently open for new business. We experienced intentional growth of our commercial residential business during 2025, with in-force premium in that line of business decreasing in 2026, driven primarily by competitive market conditions. To the extent that reinsurance and loss cost trends decline, our rates may be adjusted downward in the future. 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 and impact our financial statements.

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 consistent in the upper 80's to low 90's. While we believe our rates are generally competitive with private market insurers operating in our space, we are focused on prudent growth in 2026 while managing exposure and ensuring rate adequacy throughout our book of business as well as providing high levels of customer service to our agents and policyholders.

We may 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 stabilize the Florida property insurance market. This has had the intended impact and has resulted in better margins for the Company and better rates for Florida policyholders. Accordingly, we have a positive outlook for Florida and the other rate adequate states.

We have a solid, consistent panel of reinsurance partners that provide reinsurance capacity at competitive pricing and sufficient levels to support our growth objectives. Additionally, we may leverage our captive reinsurer to assume risks from our insurance company affiliates.

We successfully completed the placement of our catastrophe excess of loss reinsurance program with higher coverage levels than the prior-year while achieving a lower total and risk-adjusted cost. As operating and reinsurance costs improve, we expect policyholders to benefit through more competitive pricing while we continue to maintain appropriate underwriting margins. This should also favorably impact the ceded premium over the next four quarters.

Overview of Financial Results

In the following section, we discuss our financial condition and results of operations for the three months ended June 30, 2026 compared to the three months ended June 30, 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 quarter to quarter, 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 Item 1 of this Quarterly Report on Form 10-Q.

- Second quarter 2026 net income increased to $61.7 million, or $2.05 per diluted share, compared with $48.0 million, or $1.55 per diluted share, in the prior-year quarter. The increase was primarily driven by lower losses and higher revenue. Revenue growth reflected lower ceded premiums, which increased net premiums earned, as well as higher investment income from a larger invested asset base. Losses decreased primarily due to favorable prior-year loss development and lower weather-related losses.

- Gross premiums written decreased 5.5% to $388.4 million from $411.0 million in the prior-year quarter, primarily reflecting lower commercial residential premiums, partially offset by growth in personal lines. The Florida commercial residential market remains highly competitive and management continues to emphasize underwriting discipline and adequate profitability by writing business that meets our pricing and risk standards. Commercial premiums are expected to level off in the second half of the year as we continue to grow this business outside of Florida where business conditions are more favorable while leveraging our strong Florida agency network.

- Gross premiums earned were $351.2 million, compared to $353.6 million earned in the prior year quarter, reflecting the decline in commercial residential business driven by the competitive market conditions described above.

- Net premiums earned increased 2.4% to $201.1 million from $196.3 million in the prior-year quarter, driven by lower ceded premiums. The reduction in ceded premiums reflected the decrease in the northeast net quota share program at year-end 2025 and one month of savings driven by the improved pricing of our June 2026 catastrophe excess of loss ("CAT XOL") program. The CAT XOL placement generated treaty-year expense savings of $63.2 million, of which seven-twelfths will be recognized in 2026.

- Losses and loss adjustments expenses were $61.1 million, down $14.6 million from $75.6 million in the prior-year quarter. The net loss ratio improved 8.1 points to 30.4% from 38.5% in the same quarter last year. Net weather losses for the current accident quarter were $11.5 million, compared with $12.5 million in the prior-year quarter. Net favorable prior-year loss development was $23.4 million in the second quarter of 2026, compared with $2.3 million in the prior-year quarter. The favorable reserve development recorded in the second quarter of 2026 reflects several positive trends that have become increasingly evident over the past several quarters. Key drivers include the stabilization of claims closure timelines, a sustained reduction and subsequent stabilization in claim frequency, severity trending within normal ranges and fewer late reported claims combining to result in claims closing below expectations.

- The ceded premium ratio decreased to 42.7% from 44.5% in the prior-year quarter, an improvement of 1.8 percentage points, primarily driven by a reduction in the northeast net quota share reinsurance program from 46% to 40% at December 31, 2025. Additionally, the ceded premium ratio benefited from more favorable reinsurance terms of the June 2026 CAT XOL program.

- Net loss ratio decreased to 30.4%, an 8.1 point improvement from 38.5% in the same quarter last year, driven by lower net losses and LAE and relatively flat net premiums earned.

•The net expense ratio was 34.5%, essentially flat compared with 34.4% in the prior-year quarter. Policy acquisition costs increased 5.5% from the prior year quarter, primarily due to lower ceding commissions following the 2025 year-end, reduction in the net quota share reinsurance program. General and administrative expenses decreased 2.5%, reflecting lower regulatory costs and municipality tax expenses.

•The net combined ratio improved 8.0 points to 64.9% from 72.9% in the prior-year quarter, primarily driven by the lower net loss ratio discussed above.

•Net investment income increased to $10.6 million, a 17.3% increase from $9.0 million in the second quarter of 2025, driven mostly by a higher balance of invested assets. We continue to manage our investment portfolio by maintaining a conservative portfolio with high quality investments and duration liability matched.

•The effective tax rate was 24.9% compared to 23.8% in the prior year second quarter. We calculate the provision for income taxes during interim reporting periods by applying an estimate of the effective tax rate for the full year. The effective tax rate is 1.1 points higher than the prior quarter, with the variance driven by pre-tax income and permanent items. The effective tax rate can fluctuate throughout the year as income changes and estimates used in each quarterly tax provision are updated with additional information.

Results of Operations

Comparison of the Three Months Ended June 30, 2026 and 2025

Revenue

(Unaudited)	*For The Three Months Ended June 30,*			
	2026	***2025***	***$ Change***	***% Change***
		(in thousands)		
REVENUE:				
Gross premiums written	$ 388,441	$ 410,968	$ (22,527)	(5.5)%
Change in gross unearned premiums	(37,288)	(57,374)	20,086	(35.0)%
Gross premiums earned	351,153	353,594	(2,441)	(0.7)%
Ceded premiums	(150,029)	(157,278)	7,249	(4.6)%
Net premiums earned	201,124	196,316	4,808	2.4%
Net investment income	10,595	9,034	1,561	17.3%
Net realized (losses) gains on debt securities and other investments	(37)	4	(41)	NM
Other revenue	2,513	2,681	(168)	(6.3)%
Total revenue	$ 214,195	$ 208,035	$ 6,160	3.0%

**NM - Not Meaningful*

Total revenue

Total revenue increased 3.0% to $214.2 million, reflecting higher net premiums earned and increased investment income. Net premiums earned increased as a result of the reduction of the ceded premium due to the reduction of the northeast net quota-share program effective December 31, 2025 and due to savings in the recently placed catastrophe XOL program. Net investment income rose 17.3% to $10.6 million in the second quarter of 2026 from $9.0 million in the prior-year quarter, driven by growth in invested assets. The investment portfolio remains conservatively positioned, emphasizing high-quality fixed-income investments with asset durations closely matched to liabilities.

Gross premiums written

Gross premiums written were $388.4 million, down 5.5% from $411.0 million in the prior-year quarter, primarily reflecting lower commercial residential premiums, partially offset by growth in personal lines business. The Florida commercial residential market remains highly competitive, and management continues to prioritize underwriting discipline and adequate profitability, writing

only business that meets Heritage's pricing and risk standards. We expect commercial production to flatten during the second half of the year as we continue to make progress growing this business outside of Florida and with our strong agency network within Florida.

Premiums-in-force were $1.41 billion as of second quarter 2026, a decrease of 1.4% compared to $1.43 billion as of second quarter 2025, driven mostly by a reduction of commercial residential in-force premium driven by competitive pressures as described above.

Gross premiums earned

Gross premiums earned of $351.2 million were down 0.7% from $353.6 million in the prior year quarter, reflecting a reduction in commercial residential business driven by competitive pressures as described above, which was mostly offset by higher gross premiums earned for the personal residential business.

Ceded premiums

Ceded premiums were $150.0 million in the second quarter of 2026, a decrease of $7.3 million, or 4.6%, from $157.3 million in the prior-year quarter, primarily driven by the decrease in the northeast net quota share program at year-end 2025 as well as the benefit from one month of the improved pricing of the June 2026 CAT XOL program.

Net premiums earned

Net premiums earned were $201.1 million in the second quarter of 2026, an increase of $4.8 million, or 2.4%, from $196.3 million in the prior-year quarter. Net premiums earned benefited from the decrease in ceded premiums, which more than offset the impact of lower gross premiums earned.

Net investment income

Net investment income was $10.6 million in the second quarter of 2026, an increase of $1.6 million, or 17.3%, from $9.0 million in the prior-year quarter. The increase was primarily attributable to higher average cash and invested asset balances and the reinvestment of maturing assets at higher yields, partially offset by lower yields on money market funds and bank sweep accounts resulting from the current interest rate environment.

	For The Three Months Ended June 30,			
(Unaudited)	***2026***	***2025***	***$ Change***	***% Change***
OPERATING EXPENSES:		***(in thousands)***		
Losses and loss adjustment expenses	61,057	75,620	(14,563)	(19.3)%
Policy acquisition costs	45,510	43,146	2,364	5.5%
General and administrative expenses	23,778	24,399	(621)	(2.5)%
Total operating expenses	130,345	143,165	(12,820)	(9.0)%

Total expenses

Total expenses decreased to $130.3 million in the second quarter of 2026 from $143.2 million in the prior-year quarter, an improvement of 9.0%. As discussed below, the decrease was primarily attributable to lower losses and loss adjustment expenses (LAE) and, to a lesser extent, lower general and administrative expenses, partially offset by higher policy acquisition costs.

Losses and loss adjustment expenses ("LAE")

Losses and LAE incurred were $61.1 million in the second quarter of 2026, a decrease of $14.6 million, or 19.3%, from $75.6 million in the prior-year quarter. The net loss ratio decreased 8.1 points to 30.4% from 38.5% in the prior-year quarter, primarily driven by increased favorable prior-year loss reserve development. Net favorable prior-year loss reserve development was $23.4 million, compared to $2.3 million in the prior-year quarter. Net weather losses for the current accident quarter were $11.5 million, compared to $12.5 million in the prior-year quarter.

Policy acquisition costs

Policy acquisition costs were $45.5 million in the second quarter of 2026, an increase of 5.5% from $43.1 million in the prior-year quarter. The increase was primarily driven by a reduction in ceding commissions and higher policy related costs.

General and administrative expenses

General and administrative expenses were $23.8 million in second quarter 2026, an improvement of 2.5% compared to $24.4 million in the prior year quarter. The decrease was primarily attributable to lower municipal tax expense and regulatory compliance costs.

(Unaudited)	*For The Three Months Ended June 30,*			
	2026	***2025***	***$ Change***	***% Change***
	(in thousands, except per share amounts)			
Operating income	83,850	64,870	18,980	29.3%
Interest expense, net	1,690	1,880	(190)	(10.1)%
Income before income taxes	82,160	62,990	19,170	30.4%
Provision for income taxes	20,450	14,966	5,484	36.6%
Net income	$ 61,710	$ 48,024	$ 13,686	28.5%
Basic earnings per share	$ 2.06	$ 1.55	$ 0.51	32.9%
Diluted earnings per share	$ 2.05	$ 1.55	$ 0.50	32.3%

Net income

Net income increased to $61.7 million, or $2.05 per diluted share, compared with $48.0 million, or $1.55 per diluted share, in the prior-year quarter. The increase was primarily driven by higher revenue and lower losses. Revenue growth reflected lower ceded premiums, which increased net premiums earned, as well as higher investment income from a larger invested asset base. Losses decreased primarily due to favorable prior-year loss development and lower weather-related losses.

Interest expense, net

Interest expense, net was $1.7 million in the second quarter of 2026, slightly lower than $1.8 million for the prior year quarter, primarily due to lower debt balances outstanding.

Income tax expense

The income tax expense was $20.5 million in second quarter 2026 compared to $15.0 million in the prior year quarter, with the higher provision in the current quarter driven by higher pre-tax earnings compared to the prior year quarter. The effective tax rate for the current year quarter was 24.9% compared to 23.8% in the prior year quarter, an increase of 1.1 point. We calculate the provision for income taxes during interim reporting periods by applying an estimate of the effective tax rate for the full year. The variance is driven by pre-tax income and permanent items. The effective tax rate can fluctuate throughout the year as income changes and estimates used in each quarterly tax provision are updated with additional information.

The effective tax rate can fluctuate throughout the year as estimates used in the quarterly tax provision are updated with additional information.

Ratios

(Unaudited)	*For The Three Months Ended June 30,*	
	2026	***2025***
Ceded premium ratio	42.7%	44.5%
Net loss and LAE ratio	30.4%	38.5%
Net expense ratio	34.5%	34.4%
Net combined ratio	64.9%	72.9%

Net combined ratio

The net combined ratio was 64.9% in second quarter 2026, a 8.0 point improvement from 72.9% in the prior year quarter. The decrease primarily stems from a lower net loss and LAE ratio as described below.

Ceded premium ratio

The ceded premium ratio was 42.7% in the second quarter of 2026, representing a modest improvement of 1.8 points from 44.5% in the prior-year quarter.

Net loss and LAE ratio

The net loss and LAE ratio was 30.4% in second quarter 2026, a 8.1 point improvement from 38.5% in the prior year quarter. The reduction was driven by both a reduction in losses and LAE and higher net earned premium as described above.

Net expense ratio

The net expense ratio was 34.5%, essentially flat compared with 34.4% in the prior-year quarter. Policy acquisition costs increased 5.5% year over year, primarily due to lower ceding commissions following the December 31, 2025, reduction in the net quota share reinsurance program. General and administrative expenses decreased 2.5%, reflecting lower regulatory costs and municipality tax expenses.

Comparison of the Six Months Ended June 30, 2026 and 2025

	For The Six Months Ended June 30,			
	2026	***2025***	***$ Change***	***% Change***
(Unaudited)		***(in thousands)***		
REVENUE:				
Gross premiums written	$ 735,187	$ 766,965	$ (31,778)	(4.1)%
Change in gross unearned premiums	(30,471)	(59,543)	29,072	(48.8)%
Gross premiums earned	704,716	707,422	(2,706)	(0.4)%
Ceded premiums	(303,899)	(311,072)	7,173	(2.3)%
Net premiums earned	400,817	396,350	4,467	1.1%
Net investment income	20,462	17,609	2,853	16.2%
Net realized (losses) gains on debt securities and other investments	(21)	—	(21)	NM
Other revenue	5,596	5,595	1	0.0%
Total revenue	$ 426,854	$ 419,554	$ 7,300	1.7%

Total Revenue

Total revenue increased 1.7% to $426.9 million for the six month period ended June 30, 2026, compared to $419.6 million for the corresponding period in 2025, primarily reflecting higher net premiums earned and increased investment income. Net investment income increased 16.2% to $20.5 million for the first six months of 2026, compared to $17.6 million in the prior-year period, driven principally by growth in invested assets. Our investment portfolio remains conservatively positioned, with an emphasis on high-quality fixed-income securities and asset durations that are closely matched to our liability profile.

Gross premiums written

Gross premiums written were $735.2 million for the six month period ended June 30, 2026, down 4.1% from $767.0 million. The decrease primarily relates to a reduction of written premium for commercial residential business, driven by competitive market conditions.

Premiums-in-force were $1.41 billion as of second quarter 2026, a decrease of 1.4% compared to $1.43 billion as of second quarter 2025, driven by the reduction on commercial residential business.

Gross premiums earned

Gross premiums earned were $704.7 million for the six month period ended June 30, 2026, a decrease of 0.4% from $707.4 million in the prior year period, reflecting a reduction in commercial residential business driven by competitive pressures as described above, which was mostly offset by higher gross premiums earned for the personal residential business.

Ceded premiums

Ceded premiums were $303.9 million for the six month period ended June 30, 2026, down 2.3% from $311.1 million in the prior year period. The decrease relates primarily to the reduction in the northeast net quota share and the reduction in cost of the June 2026 CAT XOL program.

Net premiums earned

Net premiums earned increased 1.1% to $400.8 million for the six month period ended June 30, 2026, compared to $396.4 million for the prior-year period. The increase was primarily attributable to lower ceded premiums, which more than offset a modest decline in gross premiums earned, as discussed above.

Net investment income

Net investment income was $20.5 million for the six month period ended June 30, 2026, up 16.2% from $17.6 million in the prior year period, driven primarily to higher average cash and invested asset balances and the reinvestment of maturing assets at higher yields, partially offset by lower yields on money market funds and bank sweep accounts resulting from the current interest rate environment.

		For The Six Months Ended June 30,		
(Unaudited)	***2026***	***2025***	***$ Change***	***% Change***
OPERATING EXPENSES:		***(in thousands)***		
Losses and loss adjustment expenses	152,654	175,027	(22,373)	(12.8)%
Policy acquisition costs	90,845	88,961	1,884	2.1%
General and administrative expenses	48,687	48,260	427	0.9%
Total operating expenses	292,186	312,248	(20,062)	(6.4)%

Total expenses

Total expenses were $292.2 million for the six month period ended June 30, 2026, down 6.4% compared to $312.2 million in the prior year period. As described below, losses and LAE declined significantly, policy acquisition costs declined, and general and administrative expenses increased.

Losses and loss adjustment expenses

Losses and LAE incurred were $152.7 million for the six month period ended June 30, 2026, down 12.8% from $175.0 million in the prior year period. The decrease primarily stems from favorable net loss development and lower catastrophe losses, as winter storms in 2026 were lower than the California wildfire losses of during the first quarter of 2025. Net weather and catastrophe losses for the first six months of 2026 were $48.2 million, a decrease of $7.9 million from $56.1 million in the prior year period. Catastrophe losses were $24.4 million compared to $31.8 million in the prior-year period. Other weather losses totaled $23.8 million, a decrease from the prior year period amount of $24.3 million. Net favorable prior year loss development was $31.6 million for the six months of 2026 compared to net favorable loss development of $10.0 million for the prior year period, reflecting more favorable loss emergence and corresponding reserve releases on prior accident years than were recognized in the comparable 2025 period. The favorable reserve development recorded in the second quarter of 2026 reflects several positive trends that have become increasingly evident over the past several quarters. Key drivers include the stabilization of claims closure timelines, a sustained reduction and subsequent stabilization in claim frequency, severity trending within normal ranges and fewer late reported claims all combining to result in claims closing below expectations.

Policy acquisition costs

Policy acquisition costs increased 2.1% to $90.8 million for the six months ended June 30, 2026, compared to $89.0 million for the comparable 2025 period. The increase was primarily attributable to lower ceding commission resultant from the reduction of the northeast net quota share program.

General and administrative expenses

General and administrative expenses were $48.7 million for the six months ended June 30, 2026, compared with $48.3 million for the comparable period in 2025. The modest increase of 0.8% reflects stable operating expenses and was generally consistent with the prior-year period.

(Unaudited)	*For The Six Months Ended June 30,*			
	2026	*2025*	*$ Change*	*% Change*
	(in thousands, except per share amounts)			
Operating income	134,668	107,306	27,362	25.5%
Interest expense, net	3,468	4,306	(838)	(19.5)%
Income before income taxes	131,200	103,000	28,200	27.4%
Provision for income taxes	33,006	24,502	8,504	34.7%
Net income	$ 98,194	$ 78,498	$ 19,696	25.1%
Basic earnings per share	$ 3.24	$ 2.54	$ 0.69	27.6%
Diluted earnings per share	$ 3.23	$ 2.54	$ 0.69	27.2%

Net income

Net income for the six months ended June 30, 2026 was $98.2 million, or $3.23 per diluted share, compared to net income of $78.5 million, or $2.54 per diluted share, for the corresponding period in 2025. The increase was primarily driven by a significant decrease in losses and loss adjustment expenses (LAE), higher net premiums earned, and relatively stable operating expenses. The improvement in results reflects the favorable impact of rate increases, underwriting actions, and exposure management initiatives implemented over the past several years, which continued to benefit operating performance during the first half of 2026. These actions contributed to a 1.1% increase in net premiums earned and a 12.8% decrease in net losses and LAE, as discussed above. Policy acquisition costs increased 2.1%, primarily due to lower ceding commission income. General and administrative expenses increased 0.8% and remained relatively consistent with the prior-year period.

Interest expense, net

Interest expense, net was $3.5 million for the six month period ended June 30, 2026 , a decrease of 19.5% compared to $4.3 million for the prior year period, The decrease was attributed to the impact from the reduction of debt obligations.

Income tax expense

The income tax expense was $33.0 million for the six month period ended June 30, 2026 compared to $24.5 million in the prior year period, with the higher income tax provision in the current period driven by higher pre-tax earnings compared to the prior year period. The effective tax rate for the current year period was 25.2% compared to 23.8% in the prior year period. We calculate the provision for income taxes during interim reporting periods by applying an estimate of the effective tax rate for the full year. The variance is driven by pre-tax income and permanent items. The effective tax rate can fluctuate throughout the year as income changes and estimates used in each quarterly tax provision are updated with additional information.

Ratios

(Unaudited)	*For The Six Months Ended June 30,*	
	2026	*2025*
Ceded premium ratio	43.1%	44.0%
Net loss and LAE ratio	38.1%	44.2%
Net expense ratio	34.8%	34.6%
Net combined ratio	72.9%	78.8%

Net combined ratio

The net combined ratio was 72.9% for the six month period ended June 30, 2026, compared to 78.8% for the comparable period in 2025, representing an improvement of 5.9 points. The improvement primarily reflects a lower net loss and LAE ratio, driven by primarily by favorable loss development and lower weather losses, partially offset by a modest increase in the net expense ratio, as described below.

Ceded premium ratio

The ceded premium ratio was 43.1% for the six months ended June 30, 2026, compared to 44.0% for the comparable period in 2025. The 0.8 point improvement was primarily attributable to a decrease in ceded premiums related to a reduction of the northeast net quota share program.

Net loss and LAE ratio

The net loss and LAE ratio was 38.1% for the six month period ended June 30, 2026, a 6.1 point improvement from 44.2% in the prior year period, reflecting higher net premiums earned, coupled with a decrease in net losses and LAE as described above.

Net expense ratio

The net expense ratio was 34.8% for the six months ended June 30, 2026, compared with 34.6% for the corresponding period in 2025, and remained generally consistent with the prior-year period.

Financial Condition – June 30, 2026 compared to December 31, 2025

Cash and Cash Equivalents

Cash and cash equivalents were $587.6 million at June 30, 2026, compared with $559.3 million at December 31, 2025, an increase of $28.3 million. The increase was primarily attributable to cash received from premium collections and investment income , partially offset by cash used for claim payment, reinsurance costs, debt paydowns, and stock purchases.

Fixed Maturity Securities

Fixed maturity securities increased by $88.7 million to $801.9 million at June 30, 2026, from $713.2 million at December 31, 2025, primarily reflecting the reinvestment of operating cash flows and excess cash into the investment portfolio.

Reinsurance Recoverable on Paid and Unpaid Claims

At June 30, 2026, reinsurance recoverable on paid and unpaid claims totaled $305.2 million, a decrease of $13.4 million from $318.6 million at December 31, 2025. The decrease was primarily driven by claim payments, a reduction in ultimate losses for certain catastrophic events, and collections of reinsurance recoveries.

Prepaid Reinsurance Premiums

At June 30, 2026, prepaid reinsurance premium increased by $153.7 million to $460.7 million from $307.0 million at December 31, 2025. This balance represents unearned ceded premium and the increase is primarily attributable to the execution of new reinsurance treaties.

Unpaid Losses and Loss Adjustment Expenses

At June 30, 2026, unpaid losses and loss adjustment expenses decreased by $97.5 million to $482.0 million from $579.5 million at December 31, 2025. The decrease primarily reflects claims payments during the period, lower losses during the quarter and a reduction of ultimate losses for certain catastrophic events.

Reinsurance Payable

At June 30, 2026, reinsurance payable increased by $268.2 million to $501.0 million from $232.8 million at December 31, 2025. The increase was primarily driven by the June 1, 2026 renewal of the Company's annual reinsurance programs.

Total Shareholders' Equity

Total shareholders' equity increased $62.5 million to $567.7 million at June 30, 2026 from $505.3 million at December 31, 2025, primarily reflecting net income for the quarter. This increase was partially offset by treasury stock repurchases of approximately $24.6 million, representing the repurchase of 1,001,508 shares during the first six months of 2026, as well as an increase in accumulated other comprehensive loss due to higher unrealized losses and a reduction in additional paid-in capital related to surrendered restricted stock for tax withholdings.

Liquidity and Capital Resources

Our principal sources of liquidity include cash flows generated from operations, existing cash and cash equivalents, our marketable securities balances and borrowings available under our Credit Facilities. As of June 30, 2026, we had $587.6 million of cash and cash equivalents and $804.0 million in investments, compared to $559.3 million and $715.6 million, respectively, as of

December 31, 2025. As described above, the increase was primarily attributable to cash received from premium collections and investment income earned on sweep accounts, partially offset by cash used to pay off existing debt and make stock repurchases.

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 Re, 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 increase capital expenditures consistent with our investment plans and anticipated business strategies. 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.

Cash Flows

	For The Six Months Ended June 30,		
	2026	*2025*	*Change*
		(in thousands)	
Net cash (used in) provided by:			
Operating activities	$ 166,553	$ 44,129	$ 122,424
Investing activities	(96,880)	3,256	(100,136)
Financing activities	(40,875)	(24,098)	(16,777)
Net (decrease) increase in cash and cash equivalents	$ 28,798	$ 23,287	$ 5,511

Operating Activities

Net cash provided by operating activities was $166.6 million for the six months ended June 30, 2026 compared to net cash provided by operating activities of $44.1 million for the comparable period in 2025. The increase in cash provided by operating activities relates primarily to timing of cash flows associated with premium collection, claim and reinsurance payments as well as reinsurance reimbursements during the six months ended June 30, 2026 compared to the six months ended June 30, 2025.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2026 was $96.9 million as compared to net cash provided by investing activities of $3.2 million for the comparable period in 2025. The change in cash used in investing activities relates primarily to timing of investment maturities and re-investment of proceeds as well as availability of existing cash to invest in longer duration fixed income securities to lock in current interest rates.

Financing Activities

Net cash used in financing activities was $40.9 million for the six months ended June 30, 2026, compared to $24.1 million for the comparable period in 2025. The change was primarily driven by the repurchase of common stock of $24.6 million, the surrender of restricted stock to satisfy tax withholding obligations of $8.9 million, and the payoff of a $5.5 million FHLB loan. By comparison, cash used in financing activities during the 2025 period primarily reflected repayments of the $19.2 million FHLB-ATL loan and $4.8 million payment on the term note agreement.

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 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 June 30, 2026, there was $72.2 million in aggregate principal amount outstanding under the Term Loan Facility and as of December 31, 2025, there was $74.1 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 December 31, 2026, with no draws as of December 31, 2025. In June 2026, the Company cancelled all outstanding letters of credit issued under the Revolving Credit Facility and paid $331,767 of letter of credit issuance fees. As of June 30, 2026, the Company had no outstanding letters of credit issued under 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 June 30, 2026, the borrowings under the Term Loan Facility were accruing interest at a rate of 6.370% per annum.

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 June 30, 2026, the Company paid in commitment fees in aggregate of $166,641 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. Based on the closing sale price of the Company's common stock during the 20 trading days leading up to June 30, 2026, the Convertible Notes are convertible for the calendar quarter commencing July 1, 2026 and ending on September 30, 2026.

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 June 30, 2026 and December 31, 2025, 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 June 30, 2026, the subsidiary continues to be a member in FHLB-ATL with its common stock valued at $561,416.

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. In June 2026, the Company repaid the loan and released the investments from pledged collateral. As of June 30, 2026, the equity investment in FHLB-DM common stock was $77,200.

Critical Accounting Policies and Estimates

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. We have made no material changes or additions with regard to those policies and estimates as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2025.

Recent Accounting Pronouncements

The information set forth under Note 1 to the condensed consolidated financial statements under the caption "Basis of Presentation and Significant Accounting Policies" is incorporated herein by reference. We do not expect any recently issued accounting pronouncements to have a material effect on our condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The duration of the financial instruments held in our portfolio that are subject to interest rate risk was 3.4 years and 3.0 years at June 30, 2026 and 2025, respectively, and 3.1 years at December 31, 2025. To the extent interest rates decrease during 2026, we anticipate the fair value of our fixed rate debt securities to be subject to increase. 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 June 30, 2026, the estimated weighted-average credit quality rating of the fixed maturity securities portfolio was A+, at fair value, consistent with the average rating at June 30, 2025.

We have not experienced a material impact when compared to the tabular presentations of our interest rate and market risk sensitive instruments in our Annual Report on Form 10-K for the year ended December 31, 2025.

Item 4. 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 Quarterly 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 June 30, 2026.

Changes in Internal Control over Financial Reporting

There has been no change in our internal controls over financial reporting during the quarter ended June 20, 2026 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. 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 1A. Risk Factors

The Company documented its risk factors in Item 1A of Part I of its Annual Report on Form 10-K for the year ended December 31, 2025 filed on March 12, 2026. There have been no material changes to the Company's risk factors since the filing of that report.

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

During the three months ended June 30, 2026, the Company repurchased 554,624 shares of common stock under the New Share Repurchase Plan and 76,400 shares of common stock under the prior share repurchase plan. The average cost per share repurchased was $22.69 and $26.15, respectively. As of June 30, 2026, the Company had $37.4 million of capacity remaining under the New Share Repurchase Plan.

A summary of the Company's common stock repurchases during the quarter ended June 30, 2026, is set forth in the table below (in thousands, except shares and price per share):

	Total Number of Shares Purchased	Average Price Paid per Share [1]	Total Number of Shares Purchased As Part of Publicly Plans or Programs	Dollar Value of Shares that May yet be Purchased under the Plans or Programs [2]
April 1, 2026 - April 30, 2026	76,400	$ 26.15	76,400	$ 12,994
May 1, 2026 - May 31, 2026	435,924	22.97	435,924	39,992
June 1, 2026 - June 30, 2026	118,700	21.66	118,700	37,416
Total for the three months ended June 30, 2026	631,024	$ 23.59	631,024	$ 37,416

(1)Represents the average balance before commission and fees at the end of each period.

(2)On May 7, 2026, the Board of Directors established a new share repurchase plan, replacing the prior share repurchase plan, for the purpose of repurchasing up to an aggregate of $50.0 million of the Company's common stock at any time or from time to time on or prior to December 31, 2026 (the "New Share Repurchase Plan").

Item 5. Other Information

Rule 10b5-1 Trading Plans

On May 20, 2026, Timothy Johns, President and Chief Executive Officer of Zephyr Insurance Company, adopted a "Rule 10b5-1 trading arrangement" as defined in Regulation S-K Item 408, providing for the sale of the Company's common stock that is intended to satisfy the affirmative defense conditions of Exchange Act Rule 10b5-1(c). Mr. Johns' Rule 10b5-1 trading plan provides for the sale of up to 13,760 shares of the Company's common stock pursuant to one or more limit orders and expires on May 12, 2027.

No other officers or directors, as defined in Rule 16a-1(f), adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non- Rule 10b5-1 trading arrangement," as defined in Regulation S-K Item 408, during the quarter ended June 30, 2026.

Item 6. Exhibits

The information required by this Item 6 is set forth in the Index to Exhibits accompanying this Quarterly Report on Form 10-Q.

Index to Exhibits

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	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)
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 pursuant to 18 U.SC. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to 18 U.SC. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2026, formatted in Inline XBRL (included in Exhibit 101)

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

SIGNATURES

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

HERITAGE INSURANCE HOLDINGS, INC.

Date: August 7, 2026

By: /s/ ERNESTO GARATEIX
Ernesto Garateix
Chief Executive Officer
(Principal Executive Officer and Duly Authorized Officer)

Date: August 7, 2026

By: /s/ KIRK LUSK
Kirk Lusk
Chief Financial Officer
(Principal Financial Officer)