

FIRST ACCEPTANCE CORPORATION



3813 Green Hills Village Drive

Nashville, TN 37215

Telephone: (615) 844-2800

QUARTERLY REPORT

FOR THE QUARTER ENDED MARCH 31, 2026

ISSUER'S EQUITY SECURITIES

Common Stock

Par Value \$.01 per share

75,000,000 Shares Authorized

36,900,238 Shares Outstanding at March 31, 2026

First Acceptance Corporation is responsible for the content of this Quarterly Report. The securities described in this document are not registered with, and the information contained in this report has not been filed with, or approved by, the U.S. Securities and Exchange Commission.

FIRST ACCEPTANCE CORPORATION AND SUBSIDIARIES
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This report reviews the financial condition and results of operations of First Acceptance Corporation. The information in this report updates the Annual Information and Disclosure Statement and Annual Report for the year ended December 31, 2025, previously filed by the Company with the OTCQX. Accordingly, this report should therefore be reviewed in conjunction with these year-end reports and any other interim reports or updates since provided.

Forward-Looking Statements

This report contains forward-looking statements. All statements made in this report, other than statements of historical fact, are forward-looking statements. You can identify these statements from our use of the words “may,” “should,” “could,” “potential,” “continue,” “plan,” “forecast,” “estimate,” “project,” “believe,” “intent,” “anticipate,” “expect,” “target,” “is likely,” “will,” or the negative of these terms and similar expressions. These forward-looking statements may include, among other things, statements and assumptions relating to:

- the accuracy and adequacy of our loss reserving methodologies;
- income, income per share, and other financial performance measures;
- the anticipated effects on our results of operations or financial condition from recent and expected developments or events;
- the financial condition of, and other issues relating to the strength of and liquidity available to, issuers of securities held in our investment portfolio;
- and our business and growth strategies.

We believe that our expectations are based on reasonable assumptions. However, these forward-looking statements involve known and unknown risks, uncertainties, and other important factors that could cause our actual results, performance or achievements, or industry results to differ materially from our expectations of future results, performance or achievements expressed or implied by these forward-looking statements. In addition, our past results of operations do not necessarily indicate our future results. We discuss these and other uncertainties in “Risk Factors” of our Annual Report for the year ended December 31, 2025, filed by the Company with the OTCQX.

You should not place undue reliance on any forward-looking statements. These statements speak only as of the date of this report. Except as otherwise required by applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements or the risk factors described in this report, whether as a result of new information, future events, changed circumstances, or any other reason after the date of this report.

Item 1. Exact Name of the Issuer and Address and Telephone Number of Issuer's Principal Office

Name of the Company or Issuer:
First Acceptance Corporation

Address of Principal Office:
3813 Green Hills Village Drive
Nashville, TN 37215
Telephone: 615-844-2800
Web: www.firstacceptance.com

Item 2. Shares Outstanding

	<u>3/31/2026</u>	<u>12/31/2025</u>
<u>Common shares</u>		
Authorized:	75,000,000 shares	75,000,000 shares
Outstanding:	36,900,238 shares	36,694,638 shares
Freely Tradable (public float):	9,782,570 shares	9,770,574 shares
Number of beneficial holders owning at least 100 shares:	approx. 1,300 holders	approx. 1,300 holders
Number of registered holders:	208 holders	206 holders
<u>Preferred shares</u>		
Authorized:	10,000,000 shares	10,000,000 shares
Outstanding:	0 shares	0 shares
Freely Tradable (public float):	0 shares	0 shares
Number of record holders:	0 holders	0 holders

Item 3. Interim Consolidated Financial Statements

The interim consolidated financial statements of First Acceptance Corporation as of March 31, 2026, are attached hereto as Exhibit 3.1 and are hereby incorporated by reference into this Quarterly Report, including:

- (1) Consolidated Balance Sheets;
- (2) Consolidated Statements of Income;
- (3) Consolidated Statements of Stockholders' Equity;
- (4) Consolidated Statements of Cash Flows; and
- (5) Notes to Consolidated Financial Statements

Item 4. Management's Discussion and Analysis of Financial Condition and Consolidated Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a difference include those discussed in "Risk Factors" in our Annual Report for the year ended December 31, 2025, filed by the Company with OTCQX. The following discussion should be read in conjunction with our consolidated financial statements included with this report and our consolidated financial statements and related Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2025, included in our Annual Report for the year ended December 31, 2025, filed by the Company with the OTCQX.

General

First Acceptance is an insurance company headquartered in Nashville, Tennessee. We offer non-standard personal automobile insurance through our own underwritten insurance policies solely through independent agents in 15 states, and we are also licensed to write insurance in 11 other states that are not currently utilized. Non-standard personal automobile insurance is sought after by individuals because of their inability or unwillingness to obtain standard insurance coverage due to various factors including their payment preference, failure to maintain continuous insurance coverage, or their driving record. We also sell an insurance product for renters that we underwrite.

For the three months ended March 31, 2026, two single independent agent groups produced 51% and 37% of premiums earned, respectively. At March 31, 2026, we also had approximately 1,040 other active independent agency locations that represent the balance of the Company's business.

The Company's second largest independent agent operates primarily from retail locations, including the ones that it purchased from the Company in December 2023. The Company's largest agent utilizes a technology-driven method of distribution.

Current Underwriting Outlook

The trade environment continues to introduce significant uncertainty for vehicle and parts costs. The United States implemented a 25% tariff on all imported vehicles effective April 3, 2025, and extended that tariff to imported auto parts on May 3, 2025. Tariffs of at least 10% have also been applied to most imported production inputs for domestically manufactured parts, increasing cost pressure across both imported and U.S.-assembled vehicles. March 2026 replacement-cost indicators also moved higher: the Manheim Used Vehicle Value Index rose to 215.3, up 6.2% year over year and 1.4% month over month, reinforcing continued pressure on used-vehicle replacement costs.

In addition, recent retaliatory measures and tightening export controls on rare earth elements ("REE's") and permanent magnets, critical inputs for vehicle electronics and electric powertrains, have emerged as a major supply-chain concern. China's restrictions on REE exports have already disrupted component manufacturing in multiple markets and are contributing to elevated cost inflation and repair delays. These dynamics compound existing tariff effects and create a more volatile cost environment for both imported and domestically assembled vehicles. These disruptions continue to pose meaningful risk for late-model vehicles and advanced driver assistance systems (ADAS), where repair complexity, calibration requirements, and dependence on specialized inputs remain elevated. In parallel, Section 232 actions on steel, aluminum, and copper were strengthened again in April 2026, increasing the likelihood that parts, repair inputs, and vehicle replacement costs remain above historical norms even if broader trade actions are moderate.

The legal and policy backdrop has also simplified. The broader tariff actions ended on February 20, 2026, while the temporary Section 122 import surcharge took effect the same day and remains separate from the 25% Section 232 tariffs on imported automobiles and certain auto parts, which continue to apply. The Company remains focused less on older procedural litigation events and more on the still-active tariff measures that directly affect vehicle and repair economics.

While the ultimate impact of tariffs and supply-chain disruption cannot yet be fully quantified, the automobile insurance industry continues to experience higher physical damage loss severities stemming from increased vehicle replacement and repair costs. The Company believes that the elevated loss severity experienced through year-end 2025 was driven by both realized cost increases and forward-looking price adjustments by repair networks in response to sustained trade and supply-chain uncertainty. These pressures appear to have stabilized in recent months but remain materially above pre-pandemic and pre-inflationary norms. The continued escalation of REE and component supply risks suggests that normalization of repair and replacement costs is likely to extend into 2026 or later. Extended repair times driven by parts shortages, labor constraints, and reliance on higher-cost substitutes remain meaningful contributors to loss severity. A further emerging risk is the Iran war and the resulting disruption around the Strait of Hormuz. Reports say that shipping conditions remain unstable despite ceasefire discussions, with vessels being intercepted or seized, shipping insurers and operators reassessing risk, and oil markets reacting sharply to reduced confidence in uninterrupted transit through a corridor that carries roughly one-fifth of global oil and liquified natural gas ("LNG") flows. To the extent these disruptions persist, they create additional upside risk to energy, shipping, and parts-logistics costs, which could further pressure repair severity and cycle time. Even aggressive estimates say it will take in excess of six months to clear the shipping backlog.

Bodily injury severity also warrants continued attention. While the tariff, parts, and shipping issues discussed above bear most directly on physical damage costs, BI severity remains exposed to broader casualty and medical-cost pressure. Recent industry data indicate medical costs are moving adversely on both dimensions: CCC reports bodily injury claims are increasing in both frequency

and severity, and LexisNexis reported bodily injury severity rose 9.2% year over year. That pressure could be amplified if reductions in Medicaid and ACA-related coverage availability increase the number of uninsured or underinsured patients over time. It is noted that Medicaid policy changes beginning in 2026 are estimated to increase the uninsured population by 7.5 million by 2034, and hospital industry data continue to show reimbursement shortfalls from public payers, with the American Hospital Association stating that Medicare reimbursed hospitals at 83 cents on the dollar in 2024, creating added pressure on other payers. To the extent providers seek to offset uncompensated care or public-program shortfalls through higher commercial charges, injury severity could remain elevated even if physical damage inflation moderates.

At the same time, claim frequency has shown modest improvement within the non-standard auto segment specifically. Economic uncertainty and reduced discretionary driving among lower-income consumers have led to fewer miles driven, especially in urban and near-urban markets where costs have risen most sharply. This dynamic has provided a partial offset to inflationary pressure on loss severity. However, frequency trends have shown signs of stabilization late in the year, and the durability of recent improvements remains uncertain amid uneven employment conditions and wage growth. Importantly, any additional frequency relief from current fuel-price pressure would be incremental rather than foundational. Frequency was already trending lower due to poor consumer sentiment and broader affordability strain. Data from the University of Michigan showed consumer sentiment falling to near record lows, with respondents explicitly citing the Iran conflict and inflation concerns, while New York Fed data showed total household debt at \$18.8 trillion at year-end 2025 and 4.8% of outstanding balances delinquent. Against that already weak affordability backdrop, domestically higher gas prices could push miles driven modestly lower from current levels and provide some near-term support to frequency, even as severity remains pressured. AAA reported the national average for regular gasoline at \$4.46 on May 4, 2026, noting continued instability along the Strait of Hormuz as an ongoing risk to pump prices.

We are seeing signs of market softening in pockets of the non-standard segment as some competitors lean into growth by tightening their margin targets, expanding eligibility, and pushing more aggressive price/terms to recapture volume—creating heightened competitive risk even as our underlying cost environment remains elevated. This is being amplified by liquidity constraints among our core customers: higher essential goods inflation, limited savings buffers, and tighter credit are increasing sensitivity to down payment, installment schedule, and total monthly bill, driving more mid-term lapses, higher shopping at renewal, and greater willingness to trade coverage limits for affordability. In that context, even modest competitor moves (lower fees, more flexible pay plans, short-term promotional pricing, reinstatement offers) can disproportionately impact retention and new business conversion, requiring us to stay disciplined on pricing adequacy while selectively defending high-lifetime value segments through targeted retention efforts, friction reduction, and tighter monitoring of quote hit rate, renewal conversion, and lapse-by-payment-plan.

Broadly, the economy continues to reflect a “tale of two economies.” Higher rates still support investment income on high-quality fixed-income assets, but household financial pressure remains acute in the lower-income segment, most relevant to non-standard auto. Yet, for many consumers in the non-standard market, persistent inflation in essential goods, higher borrowing costs, and uneven labor participation have continued to erode disposable income. This divergence reinforces affordability pressure and heightened sensitivity to rate changes, underscoring the Company’s need for disciplined pricing, clear communication, and retention-focused execution.

In response, the Company has actively adjusted underwriting standards and implemented targeted premium rate changes to better align pricing with observed loss experience and emerging cost drivers. Approved rate actions taken during 2025 are expected to earn in progressively through 2026, partially offsetting elevated loss severities. Ongoing monitoring of cost trends, claim frequency, and macroeconomic indicators will inform additional adjustments as necessary. The Company is also advancing segmentation to refine risk selection and pricing accuracy, while maintaining a continued focus on customer retention, regulatory compliance, and fairness in the non-standard auto market.

Looking ahead to 2026, the Company expects physical damage loss severities to remain elevated relative to historical norms, reflecting the ongoing effects of tariffs, supply-chain constraints, and increased vehicle repair complexity, particularly for newer vehicles with advanced technology features. While repair cost inflation is anticipated to moderate from recent peaks, meaningful normalization is unlikely in the near term. Claim frequency is expected to remain broadly stable, with some potential for near-term suppression if elevated fuel prices and consumer caution reduce miles driven further. That said, this would likely represent incremental support to an already softer frequency backdrop rather than a new standalone trend driver. In this environment, the Company will continue to prioritize pricing adequacy, underwriting precision, and disciplined risk selection, while monitoring affordability and retention dynamics closely within the non-standard segment. Earn-in from rate actions taken during 2025, combined with continued refinement of vehicle-level segmentation and underwriting standards, is expected to support gradual improvement in underwriting margins over the course of 2026, subject to economic, regulatory, trade-policy, and geopolitical developments.

Reinsurance

Effective for business in force since July 1, 2024, the Company utilizes quota-share reinsurance with an unaffiliated reinsurer to reinsure a portion of the business produced by its largest independent agent which utilizes a technology-driven method of distribution. For the period from July 1, 2025 through June 30, 2026, the reinsurance is limited to a combined total of \$150 million of ceded premiums written. Our consolidated financial statements reflect the ceding (i.e. reduction) of premiums and losses ceded under this agreement, as well as ceding commission income to compensate the Company for servicing this business. The ceding commission income is adjustable based upon the loss ratio of the reinsured business. The Company believes that this agreement provides the benefit of allowing this independent agent to expand its business beyond the Company's current underwriting capacity, while the Company believes it benefits financially from servicing the increased business ceded under this agreement. The Company also believes that this agreement is prudent in managing the planned growth from a risk management perspective.

Consolidated Results of Operations

Overview

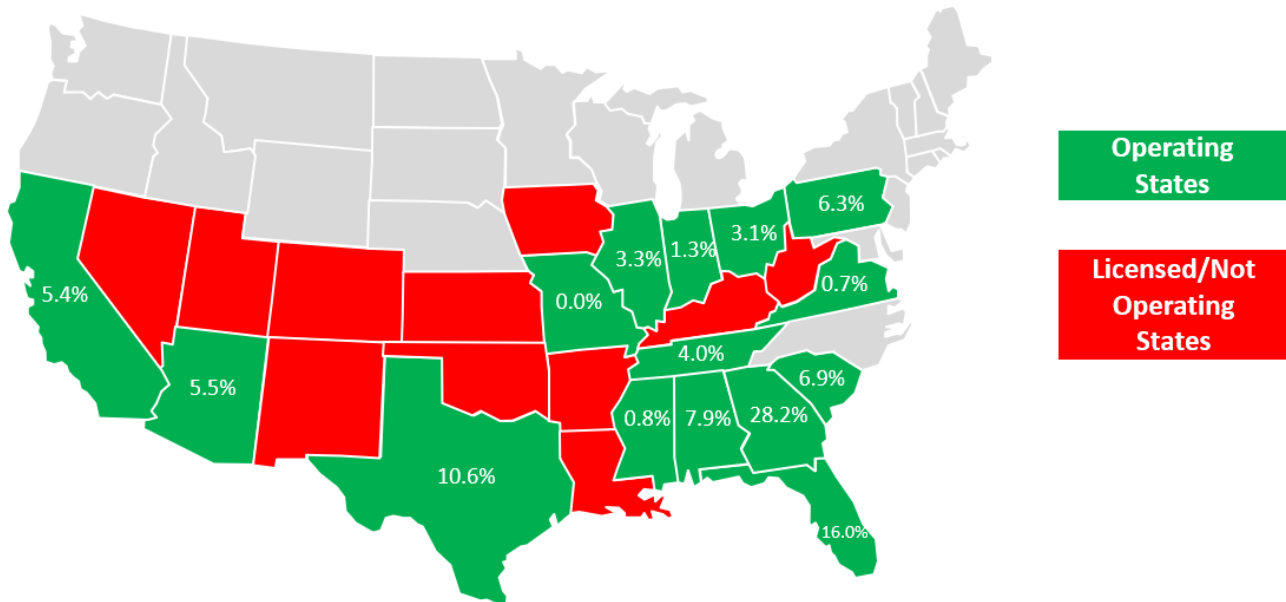
Our insurance operations generated revenues from selling non-standard personal automobile insurance policies. We currently conduct our underwriting operations in 15 states through three insurance company subsidiaries: First Acceptance Insurance Company, Inc., First Acceptance Insurance Company of Georgia, Inc., and First Acceptance Insurance Company of Tennessee, Inc. Our revenues were primarily generated from:

- premiums earned, including policy and renewal fees and managing general agency fees from sales of policies written and assumed by our insurance company subsidiaries;
- billing fees and service charges on policies written and assumed by our insurance company subsidiaries; and
- investment income earned on the invested assets of the insurance company subsidiaries.

The following tables present premiums earned by state (in thousands). Premiums earned are presented in the state in which the underlying insured risk of the related insurance policy is located.

	Three Months Ended March 31,	
	2026	2025
Georgia	\$ 48,735	\$ 34,952
Florida	19,288	32,226
Texas	13,564	8,559
South Carolina	11,589	12,297
Alabama	10,034	8,023
Pennsylvania	8,699	7,498
Arizona	6,535	8,413
California	5,694	6,143
Illinois	5,263	3,250
Tennessee	4,959	5,489
Ohio	3,620	3,932
Indiana	1,797	2,040
Virginia	1,059	734
Mississippi	859	1,258
Missouri	12	21
	\$ 141,707	\$ 134,835
Premiums ceded	(35,644)	(23,296)
	\$ 106,063	\$ 111,539

The following map presents the percentage of net premiums earned by state for the three months ended March 31, 2026:



Our insurance companies present a combined ratio as a measure of their overall underwriting profitability. The components of the combined ratio are as follows:

Loss Ratio - Loss ratio is the ratio (expressed as a percentage) of losses and loss adjustment expenses (“LAE”) incurred to premiums earned and is a basic element of underwriting profitability. We calculate this ratio based on all direct and assumed premiums earned, net of ceded reinsurance.

Expense Ratio - Expense ratio is the ratio (expressed as a percentage) of insurance operating expenses (including depreciation and amortization) to net premiums earned. Insurance operating expenses are reduced by billing fees and service charges from insureds. This is a measurement that illustrates relative management efficiency in administering our insurance companies.

Combined Ratio - Combined ratio is the sum of the loss ratio and the expense ratio. If the combined ratio is at or above 100%, an insurance company cannot be profitable without sufficient investment income.

The following table presents the loss, expense, and combined ratios for our insurance companies:

	Three Months Ended	
	March 31,	
	2026	2025
Loss	62.6%	78.9%
Expense	31.8%	20.9%
Combined	94.4%	99.8%

Three Months Ended March 31, 2026 Compared with the Three Months Ended March 31, 2025

Consolidated Results

Revenues before ceded reinsurance for the three months ended March 31, 2026 increased 4% to \$154.0 million from \$148.4 million in the same period in the prior year. Revenues for the three months ended March 31, 2026 and 2025, were reduced by ceded premiums earned of \$35.6 million and \$23.3 million, respectively. Revenues after ceded reinsurance for the three months ended March 31, 2026, decreased 5% to \$118.4 million from \$125.1 million in the same period in the prior year.

Income before taxes for the three months ended March 31, 2026 was \$10.2 million compared with \$3.8 million for the three months ended March 31, 2025. Net income for the three months ended March 31, 2026 was \$8.2 million, compared with \$2.9 million for the three months ended March 31, 2025. Diluted net income per share was \$0.22 for the three months ended March 31, 2026 compared with \$0.08 for the same period in the prior year.

For the three months ended March 31, 2026, we recognized favorable prior period loss and LAE development of \$13.5 million compared with unfavorable prior period loss and LAE development of \$0.2 million for the same period in the prior year. As a result of this development, for the three months ended March 31, 2026, we recognized a corresponding increase in commission expense of \$6.6 million from a contingent commission adjustment to an independent agent.

Premiums Earned

After reinsurance, net premiums earned decreased by \$5.4 million, or 5%, to \$106.1 million for the three months ended March 31, 2026, from \$111.5 million for the three months ended March 31, 2025. Before reinsurance, direct and assumed premiums earned increased by \$6.9 million or 5%, to \$141.7 million for the three months ended March 31, 2026 from \$134.8 million for the three months ended March 31, 2025.

This decrease in net premiums earned was driven primarily by the increase in ceded premiums earned since the growth in direct premiums earned came primarily from business subject to reinsurance.

This increase before reinsurance was driven through a combination of an increase in policies in-force compared to the prior year and premium rate increases.

Billing Fees, Service Charges and Managing General Agency Fees

Billing fees, service charges and managing general agency fees decreased by \$2.4 million, or 26%, to \$6.7 million for the three months ended March 31, 2026, from \$9.1 million for the three months ended March 31, 2025. This decrease was driven primarily by a decrease in Florida business, where the Company earns managing general agency (“MGA”) fees, as well as lower average billing fees and service charges per policy.

Investment Income

Investment income increased by \$0.8 million, or 17%, to \$5.4 million for the three months ended March 31, 2026 from \$4.6 million for the three months ended March 31, 2025. This increase was primarily the result of higher returns from fixed maturities, partially offset by lower returns on short-term cash.

At March 31, 2026 and 2025, the tax-equivalent book yields for our managed fixed maturities and cash equivalents portfolio were 4.3% and 4.2%, respectively, with effective durations of 3.49 and 2.75 years, respectively. While yield has stabilized, duration has increased as a result of the sales of fixed maturities over the past year and their longer-duration reinvestment to lock in current yields in a potentially declining rate environment.

Loss and Loss Adjustment Expenses

The loss ratio was 62.6% for the three months ended March 31, 2026 compared with 78.9% for the three months ended March 31, 2025.

We experienced favorable development related to prior periods of \$13.5 million for the three months ended March 31, 2026 compared to unfavorable development of \$0.2 million for the three months ended March 31, 2025. The favorable development for the three months ended March 31, 2026 was primarily attributable to lower-than-expected loss severity on bodily injury and physical damage losses in the 2025 accident year.

Excluding the development related to prior periods, the loss ratio for the three months ended March 31, 2026 was 75.5% as compared with 78.7% for the three months ended March 31, 2025. The lower loss ratio for the current period was primarily attributable to decreased severity on bodily injury losses and a reduction in frequency of physical damage losses.

Insurance Operating Expenses

Insurance operating expenses increased 27% to \$40.0 million for the three months ended March 31, 2026 from \$31.6 for the three months ended March 31, 2025.

The increase in operating expenses for the three months ended March 31, 2026 included the increase in commission expense of \$6.6 million from a contingent commission adjustment to an independent agent.

The insurance companies' expense ratio was 31.8% for the three months ended March 31, 2026, compared with 20.9% for the three months ended March 31, 2025.

Provision for Income Taxes

Income tax expense was \$2.0 million for the three months ended March 31, 2026 compared with \$0.9 million for the three months ended March 31, 2025. The effective tax rate was 19.5% and 23.1% for the three months ended March 31, 2026 and 2025, respectively. The effective tax rate was reduced during the current quarter as a result of the sale of securities and the corresponding release of a valuation allowance for previously recognized other-than-temporary impairment ("OTTI") on these securities.

Interest Expense

For the three months ended March 31, 2026, interest expense decreased slightly compared to the same period in the prior year, primarily as a result of a modest decrease in the applicable variable interest rate. Interest expense may increase or decrease in the future should interest rates rise or fall. For additional information, see "Liquidity and Capital Resources" in this report.

Liquidity and Capital Resources

Our primary sources of funds are premiums, billing fees, service charges, managing general agency fees, and investment income from our insurance company subsidiaries. Our primary uses of funds are the payment of claims and operating expenses. Net cash provided by operating activities for the three months ended March 31, 2026 was \$1.9 million, compared with \$15.4 million for the same period in the prior year. This decrease was primarily the result of the increase in ceded premiums earned from reinsurance.

Net cash used in investing activities for the three months ended March 31, 2026 was \$22.7 million compared to \$19.5 million for the same period in the prior year. This change was primarily the result of an increase in the amount of securities purchased in the current period.

Our holding company requires cash for general corporate overhead expenses and debt service related to our debentures payable. Following the sale of our insurance agency, the holding company's primary source of unrestricted cash to meet its obligations are managing general agency fees, dividends from the insurance companies, and the remaining proceeds to be received through 2026 from the sale of the insurance agency as noted in the following paragraph. As of March 31, 2026, our holding company had adequate unrestricted cash of \$34.1 million to meet current obligations. We also believe that these funds and the additional anticipated unrestricted cash from the sources noted above will be sufficient to pay our future cash requirements outside of the insurance company subsidiaries.

As a result of the sale of our insurance agency in December 2023, the Company is eligible to receive additional maximum contingent consideration of \$20 million on December 1, 2026, based upon achievement of certain annual production targets. The cash from the contingent consideration payments to the Company would be unrestricted unless required by the insurance companies to maintain \$100 million of capital and surplus as per the purchase agreement. At March 31, 2026, statutory capital and surplus was approximately \$190.2 million.

The holding company has debt service requirements related to the debentures payable. The debentures are interest-only and mature in full in July 2037. The debentures accrue interest at a variable rate equal to an adjusted Three-Month CME term SOFR rate plus 375 basis points, which resets quarterly. The interest rate related to the debentures for the three months ended March 31, 2026 ranged from 7.678% to 7.850%. In April 2026, the interest rate reset to 7.675% through July 2026.

State insurance laws limit the amount of distributions that may be paid from our insurance company subsidiaries. As of March 31, 2026, the amount of available ordinary dividends that could be paid to the holding company without regulatory approval was \$4.9

million. Such amount reflects the January 23, 2026, \$15.0 million dividend paid by the insurance companies, which reduces the regulatory limitation for a twelve-month period.

We have three insurance company subsidiaries that are organized and domiciled under the insurance statutes of Texas, Georgia, and Tennessee. Our insurance company subsidiaries also operate under licenses issued by various state insurance authorities. Such licenses may be of perpetual duration or periodically renewable, provided we continue to meet applicable regulatory requirements.

The National Association of Insurance Commissioners (“NAIC”) Model Act for risk-based capital provides formulas to determine each December 31 on an annual basis, the amount of statutory capital and surplus that an insurance company needs to ensure that it has an acceptable expectation of not becoming financially impaired. Failure to meet applicable risk-based capital requirements could subject our insurance company subsidiaries to further examination or corrective action imposed by state regulators, including limitations on their writing of additional business, state supervision, or even liquidation. As of March 31, 2026, the insurance company subsidiaries remain above the company action levels. There are also statutory guidelines that suggest that on an annual calendar year basis an insurance company should not exceed a ratio of net premiums written to statutory capital and surplus of 3-to-1. For the trailing twelve months ended March 31, 2026, each insurance company subsidiary was within this guideline.

We believe that existing cash and investment balances, when combined with anticipated cash flows as noted above, will be adequate to meet our expected liquidity needs, for both the holding company and our insurance company subsidiaries, in both the short-term and the foreseeable future.

Item 5. Legal Proceedings

The Company is named as a defendant in various lawsuits, arising in the ordinary course of business, generally relating to its insurance operations. All legal actions relating to claims made under insurance policies are considered by the Company in establishing its loss and loss adjustment expense reserves. The Company also faces lawsuits from time to time that seek damages beyond policy limits, commonly known as bad faith claims, as well as class action and individual lawsuits that involve issues arising in the course of the Company’s business. The Company continually evaluates potential liabilities and reserves for litigation of these types using the criteria established by FASB ASC 450, *Contingencies* (“FASB ASC 450”). Pursuant to FASB ASC 450, reserves for a loss may only be recognized if the likelihood of occurrence is probable and the amount can be reasonably estimated. If a loss, while not probable, is judged to be reasonably possible, management will disclose, if it can be estimated, a possible range of loss or state that an estimate cannot be made. Management evaluates each legal action and records reserves for losses, as warranted, by establishing a reserve in its consolidated balance sheets in loss and loss adjustment expense reserves for bad faith claims and in other liabilities for other lawsuits. Amounts incurred are recorded in the Company’s consolidated statements of comprehensive income in losses and loss adjustment expenses for bad faith claims and in insurance operating expenses for other lawsuits unless otherwise disclosed.

Item 6. Defaults Upon Senior Securities

None.

Item 7. Other Information

None.

Item 8. Exhibits

3.1 Interim Consolidated Financial Statements

Item 9. Certifications

I, Kenneth D. Russell, Chief Executive Officer, certify that:

1. I have reviewed this quarterly disclosure statement of First Acceptance Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information includes or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 5, 2026

/s/ Kenneth D. Russell

Kenneth D. Russell

Chief Executive Officer

I, Brian Dickman, Chief Financial Officer, certify that:

1. I have reviewed this quarterly disclosure statement of First Acceptance Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information includes or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 5, 2026

/s/ Brian Dickman

Brian Dickman

Chief Financial Officer

Exhibit 3.1 Interim Consolidated Financial Statements

**FIRST ACCEPTANCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share data)

	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>
	<u>(Unaudited)</u>	
ASSETS		
Investments in fixed maturities, available-for-sale at fair value (amortized cost of \$376,472 and \$354,812 respectively)	\$ 373,587	\$ 355,064
Investments in equity securities at fair value (cost of \$23,328 and \$21,827, respectively)	27,357	26,267
Cash, cash equivalents, and restricted cash equivalents	57,138	78,296
Premiums and fees receivable, net of credit loss of \$482 and \$444, respectively	258,143	218,567
Consideration receivable from the sale of insurance agency, at fair value	19,028	18,704
Deferred tax asset, net	3,908	2,879
Other investments	8,912	8,390
Other assets	7,573	10,031
Operating lease right-of-use assets	4,288	4,489
Reinsurance recoverables	55,631	51,205
Prepaid reinsurance premiums	69,532	58,612
Property, equipment and identifiable intangible assets, net	2,872	2,928
TOTAL ASSETS	<u>\$ 887,969</u>	<u>\$ 835,432</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Loss and loss adjustment expense reserves	\$ 267,562	\$ 267,230
Unearned premiums and fees	246,719	213,210
Debentures payable	40,724	40,712
Operating lease liabilities	4,606	4,817
Income taxes payable	3,883	1,526
Deferred ceding commissions, net	16,728	11,117
Amounts due to reinsurers	57,486	56,268
Other liabilities	44,778	40,677
Total liabilities	<u>682,486</u>	<u>635,557</u>
Stockholders' equity:		
Preferred stock, \$.01 par value, 10,000 shares authorized	—	—
Common stock, \$.01 par value, 75,000 shares authorized; 36,900 and 36,695 issued and outstanding, respectively	367	366
Additional paid-in capital	451,481	451,586
Accumulated other comprehensive (loss) income, net of tax of \$(1,787) and \$(1,128), respectively	(1,098)	1,380
Accumulated deficit	(245,267)	(253,457)
Total stockholders' equity	<u>205,483</u>	<u>199,875</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 887,969</u>	<u>\$ 835,432</u>

See notes to consolidated financial statements.

FIRST ACCEPTANCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)
(in thousands, except per share data)

	Three Months Ended March 31,	
	2026	2025
Revenues:		
Premiums earned	\$ 106,063	\$ 111,539
Billing fees, service charges and managing general agency fees	6,736	9,105
Investment income	5,432	4,632
Net gains (losses) on investments	145	(189)
	<u>118,376</u>	<u>125,087</u>
Costs and expenses:		
Losses and loss adjustment expenses	66,537	88,029
Insurance operating expenses	40,049	31,595
Other operating expenses	291	262
Stock-based compensation	261	241
Depreciation and amortization	253	303
Interest expense	808	877
Total costs and expenses	<u>108,199</u>	<u>121,307</u>
Income before income taxes	10,177	3,780
Provision for income taxes	1,987	874
Net income	<u>\$ 8,190</u>	<u>\$ 2,906</u>
Net income per share:		
Basic	<u>\$ 0.22</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.22</u>	<u>\$ 0.08</u>
Number of shares used to calculate net income per share:		
Basic	<u>36,756</u>	<u>37,862</u>
Diluted	<u>37,824</u>	<u>38,628</u>
Reconciliation of net income to other comprehensive income:		
Net income	\$ 8,190	\$ 2,906
Net unrealized change in investments, net of tax (benefit) expense of \$(658) and \$584, respectively	(2,478)	2,197
Comprehensive income	<u>\$ 5,712</u>	<u>\$ 5,103</u>
Detail of net gains (losses) on investments:		
Net realized gains on sales and redemptions	\$ 556	\$ 238
Net unrealized losses on equity securities, includes \$(239) of reclassification for realized gains in 2025	(411)	(427)
Net gains (losses) on investments	<u>\$ 145</u>	<u>\$ (189)</u>

See notes to consolidated financial statements.

FIRST ACCEPTANCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

	Common Stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balances at December 31, 2024	38,191	\$ 381	\$ 456,804	\$ (3,941)	\$ (283,683)	\$ 169,561
Net income	—	—	—	—	2,906	2,906
Net unrealized change on investments (net of tax expense of \$584)	—	—	—	2,197	—	2,197
Stock-based compensation	—	—	241	—	—	241
Vested restricted stock units, net of repurchases	96	1	(93)	—	—	(92)
Retirement of treasury stock	(1,516)	(15)	(5,789)	—	—	(5,804)
Balances at March 31, 2025	<u>36,771</u>	<u>\$ 367</u>	<u>\$ 451,163</u>	<u>\$ (1,744)</u>	<u>\$ (280,777)</u>	<u>\$ 169,009</u>

	Common Stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balances at December 31, 2025	36,695	\$ 366	\$ 451,586	\$ 1,380	\$ (253,457)	\$ 199,875
Net income	—	—	—	—	8,190	8,190
Net unrealized change on investments (net of tax benefit of \$659)	—	—	—	(2,478)	—	(2,478)
Stock-based compensation	—	—	261	—	—	261
Vested restricted stock units, net of repurchases	220	2	(290)	—	—	(288)
Retirement of treasury stock	(15)	(1)	(76)	—	—	(77)
Balances at March 31, 2026	<u>36,900</u>	<u>\$ 367</u>	<u>\$ 451,481</u>	<u>\$ (1,098)</u>	<u>\$ (245,267)</u>	<u>\$ 205,483</u>

See notes to consolidated financial statements.

FIRST ACCEPTANCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

	Three Months Ended	
	March 31,	
	2026	2025
Cash flows from operating activities:		
Net income	\$ 8,190	\$ 2,906
Adjustments to reconcile net income to net cash provided by operating activities:		
Unrealized losses on equity securities	411	427
Depreciation and amortization	253	303
Accretion of present value discount of sales consideration receivable	(324)	(493)
Stock-based compensation	261	241
Deferred income taxes	(371)	(695)
Investment income from other investments	(409)	(108)
Realized gains on sales and redemptions of investments	(556)	(238)
Other	(228)	(235)
Change in:		
Premiums, fees, and commission receivable	(39,538)	(31,512)
Loss and loss adjustment expense reserves	332	16,552
Unearned premiums and fees	33,509	25,783
Reinsurance recoverables	(4,426)	(8,439)
Prepaid insurance premiums	(10,920)	(4,890)
Other assets	2,458	5,300
Income taxes payable	2,357	1,569
Deferred ceding commissions, net of deferred acquisition costs	5,611	(508)
Amounts due to reinsurers	1,218	6,009
Other liabilities	4,101	3,390
Other	3	4
Net cash provided by operating activities	<u>1,932</u>	<u>15,366</u>
Cash flows from investing activities:		
Purchases of investments	(37,307)	(27,920)
Maturities and redemptions of investments	13,731	7,540
Sales of investments	1,161	1,060
Purchases of other investments	(320)	(91)
Distributions from other investments	207	50
Capital expenditures	(197)	(137)
Net cash used in investing activities	<u>(22,725)</u>	<u>(19,498)</u>
Cash flows from financing activities:		
Purchase of treasury stock, at cost	(77)	(5,804)
Taxes remitted in relation to employee restricted stock units exercised	(288)	(92)
Net cash used in financing activities	<u>(365)</u>	<u>(5,896)</u>
Net change in cash, cash equivalents, and restricted cash	(21,158)	(10,028)
Cash, cash equivalents, and restricted cash, beginning of period	78,296	85,917
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 57,138</u>	<u>\$ 75,889</u>

See notes to consolidated financial statements.

FIRST ACCEPTANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. General

The consolidated financial statements of First Acceptance Corporation (the “Company”) included herein have been prepared without audit. Accordingly, certain information and disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been omitted. In the opinion of management, the consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the interim periods.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year. These consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements included in its Annual Report for the year ended December 31, 2025 filed by the Company with OTCQX.

For the three months ended March 31, 2026, two single independent agent groups produced 51% and 37% of premiums earned, respectively.

2. Investments

Investments, Available-for-Sale

The following tables summarize the Company’s investment in fixed securities (in thousands).

<u>March 31, 2026</u>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities, available-for-sale:				
U.S. government and agencies	\$ 44,896	\$ 122	\$ (232)	\$ 44,786
Political subdivisions	1,768	8	(8)	1,768
Revenue and assessment	17,673	73	(27)	17,719
Corporate bonds	148,103	1,266	(615)	148,754
Asset-backed securities	71,319	366	(170)	71,515
Collateralized mortgage obligations:				
Agency backed	92,325	828	(4,496)	88,657
Non-agency backed – commercial	388	—	—	388
Total fixed maturities, available-for-sale	\$ 376,472	\$ 2,663	\$ (5,548)	\$ 373,587

The following tables set forth the amount of gross unrealized losses by current severity (as compared to amortized cost) and the length of time that individual securities have been in a continuous unrealized loss position (in thousands).

Length of Gross Unrealized Losses	Fair Value of Securities with		Severity of Gross Unrealized Losses		
	Gross Unrealized Losses	Gross Unrealized Losses	Less than 5%	5% to 10%	Greater than 10%
At March 31, 2026:					
Less than or equal to:					
Three months	\$ 105,815	\$ (1,037)	\$ (1,037)	\$ —	\$ —
Six months	1,156	(15)	(15)	—	—
Nine months	1,007	(29)	(29)	—	—
Twelve months	984	(22)	(22)	—	—
Greater than twelve months	34,294	(4,445)	(240)	(117)	(4,088)
Total	\$ 143,256	\$ (5,548)	\$ (1,343)	\$ (117)	\$ (4,088)

FIRST ACCEPTANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The fair value and gross unrealized losses of investments in fixed maturities at March 31, 2026, by the length of time that individual securities have been in a continuous unrealized loss position follows (in thousands).

March 31, 2026	Less than 12 months		12 months or longer		Total Gross Losses
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	
Fixed maturities, available-for-sale:					
U.S. government and agencies	\$ 22,761	\$ (232)	\$ —	\$ —	\$ (232)
Political subdivisions	—	—	783	(8)	(8)
Revenue and assessment	5,523	(17)	990	(10)	(27)
Corporate bonds	45,067	(578)	4,964	(37)	(615)
Asset backed securities	19,494	(170)	—	—	(170)
Collateralized mortgage obligations:					
Agency backed	15,743	(106)	27,557	(4,390)	(4,496)
Non-agency backed – commercial	374	—	—	—	—
Total fixed maturities, available-for-sale	<u>\$ 108,962</u>	<u>\$ (1,103)</u>	<u>\$ 34,294</u>	<u>\$ (4,445)</u>	<u>\$ (5,548)</u>

For the three months ended March 31, 2026 the Company had 99 fixed maturities with gross unrealized losses that have been in a gross unrealized loss position for less than or equal to 12 months and 31 fixed maturities with gross unrealized losses that have been in a gross unrealized loss position for greater than 12 months.

For the three months ended March 31, 2026 and 2025, the Company did not recognize any other-than-temporary impairment ("OTTI") charges on its fixed maturities, available for sale in net income. Unrealized gains and losses on equity securities (preferred stocks and mutual funds) are recognized as a component of net income. The Company believes that the securities having unrealized losses at March 31, 2026 were not other-than-temporarily impaired and are attributable to the increase in interest rates since the time when they were originally purchased. The Company also does not intend to sell any of these securities, and it is more likely than not that the Company will not be required to sell any of these securities before the recovery of their amortized cost basis.

3. Losses and Loss Adjustment Expenses Incurred and Paid

Information regarding the reserve for unpaid losses and loss adjustment expenses ("LAE") is as follows (in thousands).

	March 31,	
	2026	2025
Liability for unpaid losses and LAE at beginning of period, gross	\$ 267,230	\$ 240,447
Reinsurance balances receivable	(47,439)	(23,347)
Liability for unpaid losses and LAE at beginning of period, net	219,791	217,100
Add: Provision for losses and LAE:		
Current period	80,064	87,816
Prior periods	(13,527)	213
Net losses and LAE incurred	66,537	88,029
Less: Losses and LAE paid:		
Current period	18,554	17,138
Prior periods	51,690	64,097
Net losses and LAE paid	70,244	81,235
Liability for unpaid losses and LAE at end of period, net	216,084	223,894
Reinsurance balances receivable	51,478	33,105
Liability for unpaid losses and LAE at end of period, gross	<u>\$ 267,562</u>	<u>\$ 256,999</u>

FIRST ACCEPTANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The favorable development for the three months ended March 31, 2026 was primarily attributable to lower-than-expected loss severity on bodily injury and physical damage losses in the 2025 accident year.

There was no significant development for the three months ended March 31, 2025.

4. Income Taxes

The provision for income taxes consisted of the following (in thousands).

	Three Months Ended March 31,	
	2026	2025
Federal:		
Current	\$ 2,276	\$ 1,482
Deferred	(382)	(694)
	<u>1,894</u>	<u>788</u>
State:		
Current	82	87
Deferred	11	(1)
	<u>93</u>	<u>86</u>
	<u>\$ 1,987</u>	<u>\$ 874</u>

The provision for income taxes differs from the amounts computed by applying the statutory federal corporate tax rate of 21% to income before income taxes as a result of the following (in thousands).

	For the Three Months Ended March 31,			
	2026		2025	
Provision for income taxes at Federal statutory rate	\$ 2,137	21.0%	\$ 794	21.0%
Tax effect of:				
State income taxes, net of federal income tax benefit and state valuation allowance (a)	84	0.8%	69	1.8%
Changes in valuation allowances for deferred tax assets	(352)	-3.5%	—	0.0%
Tax-exempt investment income	(13)	-0.1%	(10)	-0.3%
Stock-based compensation benefits realized	(218)	-2.1%	(25)	-0.7%
Impact of change in estimated annual effective rate	344	3.4%	—	1.2%
Other	5	0.0%	46	1.2%
	<u>\$ 1,987</u>	<u>19.5%</u>	<u>\$ 874</u>	<u>23.1%</u>

a) The primary source of state income tax expense is related to MGA fees in Georgia.

ASC Topic 740, *Income Taxes*, establishes procedures to measure deferred tax assets and liabilities and assesses whether a valuation allowance relative to existing deferred tax assets is necessary. Management assesses the likelihood of realization of the Company's deferred tax assets and the need for a valuation allowance concerning those assets based on the weight of available positive and negative evidence. As of March 31, 2026 and December 31, 2025, management determined that a valuation allowance of \$2.7 million and \$3.1 million, respectively, was necessary relative to certain state tax net operating loss carryforwards and OTTI which were not expected to be realized.

Prior to 2026, the Company maintained a full valuation allowance against OTTI due to prior history of insufficient capital gains to offset capital losses. However, as of March 31, 2026, based on the sale of certain OTTI securities and available capital gains going forward, management released a total of \$0.4 million of the valuation allowance. This release was recorded as a benefit to the provision for income taxes, primarily impacting the Federal income tax.

FIRST ACCEPTANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Management also determined at March 31, 2026 and December 31, 2025, that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the remaining deferred tax assets not covered by this valuation allowance.

The deferred tax asset ("DTA") valuation allowance may be adjusted in future periods if management determines that it is more likely than not that some portion or all of the DTA will not be realized, or previously recognized valuation allowance should be released. In the event the DTA valuation allowance is adjusted, the Company would record an income tax expense for the adjustment.

For the three months ended March 31, 2026 and 2025, no state or federal taxes were paid.

5. Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and lease liabilities on our consolidated balance sheet. The Company does not have any finance leases.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Lease terms may include options to extend the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has operating leases, which include corporate offices and certain equipment. The leases have remaining lease terms of three years to seven years. Both operating lease costs and cash flows for the three months ended March 31, 2026 were \$0.3 million. Both operating lease cost and cash flows for the three months ended March 31, 2025 were \$0.2 million.

Supplemental balance sheet information related to leases was as follows:

	March 31,	
	2026	2025
Operating lease right-of-use assets	\$ 4,288	\$ 4,221
Operating lease liabilities	4,606	4,566
Weighted average remaining lease term	5.36 years	6.14 years
Weighted average discount rate	6.5%	6.5%

Maturities of operating lease liabilities were as follows:

For the Year Ended December 31,	Amount
2026 (excluding the three months ended March 31, 2026)	\$ 863
2027	1,166
2028	952
2029	789
2030	767
Thereafter	892
Total lease payments	\$ 5,429
Less imputed interest	(823)
Total	\$ 4,606

FIRST ACCEPTANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

6. Premiums and Reinsurance

Net premiums written and earned are summarized as follows (in thousands).

	For the Three Months Ended March 31,			
	2026		2025	
	Written	Earned	Written	Earned
Direct	\$ 166,491	\$ 136,404	\$ 156,387	\$ 131,681
Assumed	8,699	5,303	4,003	3,154
Ceded	(46,565)	(35,644)	(28,186)	(23,296)
Net	<u>\$ 128,625</u>	<u>\$ 106,063</u>	<u>\$ 132,204</u>	<u>\$ 111,539</u>

Effective July 1, 2024, the Company utilizes quota-share reinsurance with an unaffiliated reinsurer to reinsure a portion of the business produced by its second largest independent agent which utilizes a technology-driven method of distribution. For the period from July 1, 2025 through June 30, 2026, the reinsurance is limited to a combined total of \$150 million of ceded premiums written. Although the reinsurance agreement contractually obligates the reinsurer to reimburse the Company for their share of losses, it does not discharge the primary liability of the Company, which remains contingently liable in the event the reinsurer is unable to meet their contractual obligations. The Company's ceding commission income received from the reinsurer is on a sliding scale commission structure under which commission rates are adjustable and contingent upon the estimated loss and loss adjustment expense ratio.

Assumed business represents private-passenger non-standard automobile insurance premiums in Texas written through a program with a county mutual insurance company and assumed by the Company through 100% quota-share reinsurance.

At March 31, 2026, the Company had unsecured aggregate reinsurance receivables of \$55.6 million. These receivables were all from a single reinsurer that is rated A++ (Superior) by AM Best.

The following table presents a summary of reinsurance recoverables:

	Three Months Ended	
	March 31,	
	2026	2025
Paid loss and loss adjustment expense	\$ 4,153	\$ 3,149
Ceded loss and loss adjustment expense reserves	51,478	33,105
Ceding commission income	—	757
Total reinsurance recoverables	<u>\$ 55,631</u>	<u>\$ 37,011</u>

Ceded premiums earned and reinsurance recovered on losses and loss adjustment expenses ("LAE") are summarized as follows (in thousands):

	For the three months ended	
	Ended March 31,	
	2026	2025
Ceded premiums earned	\$ 35,644	\$ 23,296
Reinsurance recovered on losses and LAE	\$ 18,681	\$ 20,002

7. Accounting Pronouncements Issued But Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, "Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Topic 220)." This standard requires disclosure of specific information about costs and expenses. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. The Company is currently evaluating the potential effect the updated standard will have on its consolidated financial statements.