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DELTA REPORT

10-Q

FGFPP - FG FINANCIAL GROUP, INC.

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	839
CHANGES	8
DELETIONS	0
ADDITIONS	831

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2023

Or

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

Commission File Number: 001-36366

FG Financial Group, Inc.
(Exact name of registrant as specified in its charter)

Nevada	**46-1119100**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

104 S. Walnut Street, Unit 1A, Itasca, IL60143
(Address of principal executive offices and zip code)

(847)773-1665
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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, $0.001 par value per share	FGF	The Nasdaq Stock Market LLC
8.00% Cumulative Preferred Stock, Series A, $25.00 par value per share	FGFPP	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller Reporting Company	Emerging Growth Company

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

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

The number of shares outstanding of the registrant's common stock as of November 9, 2023 was 10,558,930.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

FG FINANCIAL GROUP, INC.
Consolidated Balance Sheets
($ in thousands, except per share data)

	September 30, 2023 (unaudited)		December 31, 2022	
ASSETS				
Equity securities, at fair value (cost basis of $1,916 and $889, respectively)	$	2,187	$	841
Other investments		27,365		24,839
Cash and cash equivalents		5,525		3,010
Deferred policy acquisition costs		1,480		1,527
Reinsurance balances receivable (net of current expected losses allowance of $84 and zero, respectively)		14,469		9,269
Funds deposited with reinsured companies		7,075		9,277
Other assets		727		712
Total assets	$	58,828	$	49,475
LIABILITIES				
Loss and loss adjustment expense reserves	$	5,912	$	4,409
Unearned premium reserves		9,394		6,823
Accounts payable and accrued expenses		720		723
Other liabilities		135		225
Total liabilities	$	16,161	$	12,180
Commitments and contingencies (Note 10)				
SHAREHOLDERS' EQUITY				
Series A Preferred Shares, $25.00 par and liquidation value, 1,000,000 shares authorized; 894,580 shares issued and outstanding as of September 30, 2023 and December 31, 2022	$	22,365	$	22,365
Common stock, $0.001 par value; 100,000,000 shares authorized; 10,303,739 and 9,410,473 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively		10		9
Additional paid-in capital		52,781		50,021
Accumulated deficit		(32,489)		(35,100)
Total shareholders' equity		42,667		37,295
Total liabilities and shareholders' equity	$	58,828	$	49,475

See accompanying notes to consolidated financial statements.

FG FINANCIAL GROUP, INC.
Consolidated Statements of Operations
($ in thousands, except per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenue:				
Net premiums earned	$ 4,192	$ 4,383	$ 11,534	$ 9,809
Net investment income	6,961	11,174	8,272	5,114
Other income	24	214	84	266
Total revenue	11,177	15,771	19,890	15,189
Expenses:				
Net losses and loss adjustment expenses	2,205	2,406	6,081	5,798
Amortization of deferred policy acquisition costs	1,003	1,109	2,533	2,427
General and administrative expenses	2,341	2,001	7,221	6,009
Total expenses	5,549	5,516	15,835	14,234
Net income	$ 5,628	$ 10,255	$ 4,055	$ 955
Dividends declared on Series A Preferred Shares	447	447	1,339	1,342
Income (loss) attributable to FG Financial Group, Inc. common shareholders	$ 5,181	$ 9,808	$ 2,716	$ (387)
Basic and diluted net income (loss) per common share	$ 0.50	$ 1.05	$ 0.28	$ (0.05)
Weighted average common shares outstanding:				
Basic and diluted	10,303,739	9,333,709	9,813,438	7,564,017

See accompanying notes to consolidated financial statements.

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FG FINANCIAL GROUP, INC.
Consolidated Statements of Shareholders' Equity
(Unaudited)
($ in thousands)

	Preferred Stock		Common Stock				Total Shareholders' Equity attributable to
	Shares Out-standing	Amount	Shares Out-standing	Amount	Paid-in Capital	Accumulated Deficit	FG Financial Group, Inc.
Balance, January 1, 2022	**894,580**	**$ 22,365**	**6,497,205**	**$ 6**	**$ 46,037**	**$ (34,399)**	**$ 34,009**
Stock based compensation	–	–	30,796	1	62	–	63
Dividends declared on Series A Preferred Shares ($0.50 per share)	–	–	–	–	–	(447)	(447)
Net loss	–	–	–	–	–	(3,823)	(3,823)
Balance, March 31, 2022	**894,580**	**$ 22,365**	**6,528,001**	**$ 7**	**$ 46,099**	**$ (38,669)**	**$ 29,802**
Common stock issuance	–	–	2,750,000	2	3,781	–	3,784
Stock based compensation	–	–	–	–	53	–	52
Dividends declared on Series A Preferred Shares ($0.50 per share)	–	–	–	–	–	(447)	(447)
Net loss	–	–	–	–	–	(5,478)	(5,478)
Balance, June 30, 2022	**894,580**	**$ 22,365**	**9,278,001**	**$ 9**	**$ 49,933**	**$ (44,594)**	**$ 27,713**
Common stock issuance	–	–	71,770	–	106	–	106
Stock based compensation	–	–	44,269	–	65	–	65
Dividends declared on Series A Preferred Shares ($0.50 per share)	–	–	–	–	–	(447)	(447)

Net income	–	–	–	–	–	10,255	10,255
Balance, September 30, 2022	**894,580**	**$ 22,365**	**9,394,040**	**$ 9**	**$ 50,104**	**$ (34,786)**	**$ 37,692**
Balance, January 1, 2023	**894,580**	**$ 22,365**	**9,410,473**	**$ 9**	**$ 50,021**	**$ (35,100)**	**$ 37,295**
Common stock issuance			27,186		74		74
Stock based compensation	–	–	1,080	-	641	–	641
Dividends declared on Series A Preferred Shares ($0.50 per share)	–	–	–	–	–	(447)	(447)
Net income	–	–	–	–	–	1,350	1,350
Cumulative effect of adoption of accounting guidance for expected credit losses at January 1, 2023						(106)	(106)
Balance, March 31, 2023	**894,580**	**$ 22,365**	**9,438,739**	**$ 9**	**$ 50,736**	**$ (34,303)**	**$ 38,807**
Common stock issuance	-	-	865,000	1	1,205	-	1,206
Stock based compensation	–	–	-	-	361	–	361
Dividends declared on Series A Preferred Shares ($0.50 per share)	–	–	–	–	–	(444)	(444)
Net loss	–	–	–	–	–	(2,923)	(2,923)
Balance, June 30, 2023	**894,580**	**$ 22,365**	**10,303,739**	**$ 10**	**$ 52,302**	**$ (37,670)**	**$ 37,007**
Stock based compensation	–	–	-	-	479	–	479
Dividends declared on Series A Preferred Shares ($0.50 per share)	–	–	–	–	–	(447)	(447)
Net income	–	–	–	–	–	5,628	5,628

Balance, September 30, 2023	**894,580**	**$ 22,365**	**10,303,739**	**$**	**10**	**$ 52,781**	**$**	**(32,489)**	**$**	**42,667**

See accompanying notes to consolidated financial statements.

FG FINANCIAL GROUP, INC.
Consolidated Statement of Cash Flows
(Unaudited)
(in thousands)

	Nine months ended September 30,	
	2023	**2022**
Cash flows from operating activities:		
Net income	$ 4,055	$ 955
Adjustments to reconcile net loss to net cash used by operating activities:		
Net unrealized holding (gain) on equity investments	(319)	(10,521)
(Income) from equity method investments, net of distributions received	(4,192)	(2,880)
(Increase) in investment without a readily determinable fair value	(250)	-
(Increase) in fair value of convertible note	(125)	-
Net realized (gain) loss on sale of equity investments	(3,062)	11,263
Stock compensation expense	1,481	180
Changes in operating assets and liabilities:		-
Reinsurance balances receivable	(5,307)	(3,857)
Funds deposited with reinsured companies	2,202	(2,237)
Deferred policy acquisition costs	47	(1,134)
Other assets	(42)	(121)
Loss and loss adjustment expense reserves	1,503	2,000
Unearned premium reserves	2,571	2,955
Accounts payable, accrued expenses and other liabilities	(92)	(544)
Net cash used by operating activities	(1,530)	(3,941)
Cash flows from investing activities:		
Purchases of furniture and equipment	-	(77)
Purchases of equity method investments	(495)	(6,795)
Purchases of other investments	(950)	-
Distribution from equity method investments	761	1,521
Proceeds from sales of equity securities	4,604	664
Return of capital – other investments	184	185
Net cash provided (used) by investing activities	4,104	(4,502)
Cash flows from financing activities:		
Payment of dividends on preferred shares	(1,339)	(1,341)
Proceeds from issuance of common stock, net	1,280	3,889
Net cash (used) provided by financing activities	(59)	2,548
Net increase (decrease) in cash and cash equivalents	2,515	(5,895)

Cash and cash equivalents at beginning of period		3,010		15,542
Cash and cash equivalents at end of period	$	5,525	$	9,647
Non-Cash Investing Transactions:				
Equity securities in OppFi received in connection with FG Special Situations Fund unwind	$	1,916	$	-

See accompanying notes to consolidated financial statements.

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FG FINANCIAL GROUP, INC.
Notes to Consolidated Financial Statements

Note 1. Nature of Business

FG Financial Group, Inc. ("FGF", the "Company", "we", or "us") is a reinsurance, merchant banking and asset management holding company. We focus on opportunistic collateralized and loss-capped reinsurance, while allocating capital in partnership with Fundamental Global®, and from time to time, other strategic investors, to merchant banking activities. The Company's principal business operations are conducted through its subsidiaries and affiliates. The Company also provides asset management services.

From our inception in October 2012 through December 2019, we operated as an insurance holding company, writing property and casualty insurance throughout the states of Louisiana, Florida, and Texas. On December 2, 2019, we sold our three former insurance subsidiaries to FedNat Holding Company ("FedNat") for a combination of cash and FedNat common stock, and embarked upon our current strategy focused on reinsurance, merchant banking and asset management.

As of September 30, 2023, FG Financial Holdings, LLC ("FG"), a private partnership focused on long-term strategic holdings, and its affiliated entity, collectively beneficially owned approximately 55% of our common stock. D. Kyle Cerminara, Chairman of our Board of Directors, serves as Chief Executive Officer, Co-Founder and Partner of FG.

Reincorporation

Effective at 5:01 p.m. ET on December 9, 2022, the Company completed its reincorporation from a Delaware corporation to a Nevada corporation (the "Reincorporation"). The Reincorporation was accomplished by means of a merger by and between the Company and its former wholly owned subsidiary FG Financial Group, Inc., a Nevada corporation. As of December 9, 2022, the rights of the Company's stockholders began to be governed by the Nevada corporation laws, our Amended and Restated Nevada Articles of Incorporation and our Nevada Bylaws. The Reincorporation was approved by the Company's stockholders at a special meeting held on December 6, 2022.

Other than the change in the state of incorporation, the Reincorporation did not result in any change in the business, physical location, management, assets, liabilities or net worth of the Company, nor did it result in any change in location of the Company's employees, including the Company's management.

The Reincorporation did not alter any stockholder's percentage ownership interest or number of shares owned in the Company and the Company's common stock continues to be quoted on the Nasdaq Global Market under the same symbol "FGF" and the 8.00% Cumulative Preferred Stock, Series A of the Company continues to be quoted on the Nasdaq Global Market under the same symbol, "FGFPP."

Current Business

Our strategy has evolved to focus on opportunistic collateralized and loss capped reinsurance, with capital allocation to merchant banking activities with asymmetrical risk/reward opportunities. As part of our refined focus, we have adopted the following capital allocation philosophy:

"***Grow intrinsic value*** per share with a ***long-term focus*** using ***fundamental research***, allocating capital to ***asymmetric risk/reward*** opportunities."

Currently, the business operates as a diversified holding company of insurance, reinsurance, asset management, our Special Purpose Acquisition Corporation "SPAC" Platform businesses, and our merchant banking division.

Insurance

Sponsor Protection Coverage and Risk, Inc. has been formed as a special purpose captive in South Carolina to provide reinsurance coverage for Sides A, B, & C Directors and Officers Liability insurance coverage for related and unrelated entities of FG Reinsurance Ltd (“FGRe”). These will include SPAC entities engaged in the services or business of taking companies public, as well as small cap businesses performing an initial public offering. Sponsor Protection Coverage and Risk, Inc. has yet to write any business.

Reinsurance

The Company’s wholly owned reinsurance subsidiary, FGRe, a Cayman Islands limited liability company, provides specialty property and casualty reinsurance. FGRe has been granted a Class B (iii) insurer license in accordance with the terms of The Insurance Act (as revised) of the Cayman Islands and underlying regulations thereto and is subject to regulation by the Cayman Islands Monetary Authority (the “Authority”). The terms of the license require advance approval from the Authority should FGRe wish to enter into any reinsurance agreements which are not fully collateralized.

As of September 30, 2023, the Company had seven active reinsurance contracts, including participating in a Funds at Lloyds (“FAL”) syndicate covering risks written by the syndicate during the 2021, 2022 and 2023 calendar years.

Asset Management

FG Strategic Consulting, LLC, (“FGSC”) a wholly owned subsidiary of the Company, looks to provide investment advisory services, including identifying, analyzing and recommending potential investments, advising as to existing investments and investment optimization, recommending investment dispositions, and providing advice regarding macro-economic conditions.

SPAC Platform and Merchant Banking

On December 21, 2020, we formed FG Management Solutions LLC (“FGMS”), formerly known as FG SPAC Solutions, LLC, a Delaware company, to facilitate the launch of our “SPAC Platform.” Under the SPAC Platform, we provide various strategic, administrative, and regulatory support services to newly formed SPACs for a monthly fee. Additionally, the Company co-founded a partnership, FG Merchant Partners, LP (“FGMP”), formerly known as FG SPAC Partners, LP, to participate as a co-sponsor for newly formed SPACs.

In the third quarter of 2022, the Company announced the expansion of its growth strategy through the formation of a merchant banking division.

In the fourth quarter of 2022, the Company invested $2.0 million into its first merchant banking project, FG Communities, Inc. (“FGC”). FGC is a self-managed real estate company focused on a growing portfolio of manufactured housing communities which are owned and operated by FGC.

Note 2. Significant Accounting Policies

Basis of Presentation

These statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Consolidation Policies

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

The consolidated financial statements include the accounts of the Company and entities in which it is required to consolidate under either the Variable Interest Entity (“VIE”) or Voting Interest Entity (“VOE”) models. Both models require the reporting entity to identify whether it has a controlling financial interest in a legal entity and is therefore required to consolidate the legal entity. Under the VOE model, a reporting entity with ownership of a majority of the voting interest of a legal entity is generally considered to have a controlling financial interest. The VIE model was established for situations in which control may be demonstrated other than by the possession of voting rights in a legal entity and instead focuses on the power to direct the activities that most significantly impact the legal entity’s economic performance, as well as the rights to receive benefits and obligations to absorb losses that could potentially be significant to the legal entity.

The determination of whether a legal entity is consolidated under either model is reassessed where there is a substantive change in the governing documents or contractual arrangements of the entity, to the capital structure of the entity or in the activities of the entity. The Company continuously reassesses whether it should consolidate under either model.

In September 2020, the Company invested approximately $5.0 million to sponsor the launch of the FG Special Situations Fund, LP (“The Fund”). The Fund, a VIE which the Company was required to consolidate through November 30, 2021, was considered an investment company for GAAP purposes and followed the accounting and reporting guidance in the Financial Accounting Standards Codification (“ASC”) Topic 946, Financial Services-Investment Companies, which includes the presentation of its investments at fair value. On December 1, 2021, the Company’s investment became that of a limited partner, and it no longer had the power to govern the financial and operating policies of the Fund, and thus, began to account for its investment in the Fund under the equity method of accounting.

During the first quarter of 2023, it was determined that the Fund would begin the process of winding down, and all investment holdings held in the name of the Fund would be transferred and distributed to members within the Fund based on their ownership percentage of each respective holding. Prior to the unwinding, through the Fund, the Company held underlying investments in FGAC Investors LLC, FG Merger Investors LLC, Greenfirst Forest Products Holdings LLC, and OppFi. The Fund, an investment company, carried each of these investments at fair value. In June 2023, all transfers were completed, resulting in the Company being transferred direct limited partner interests in FGAC Investors LLC, with a carrying value of $8.9 million, FG Merger Investors LLC, with a carrying value of $3.4 million, and Greenfirst Forest Products Holdings, LLC, with a carrying value of $1.4 million. The carrying value of these direct limited partner interests approximate to ownership of 29% of FGAC Investors LLC, 19% of FG Merger Investors LLC, and 16% of Greenfirst Forest Products Holdings, LLC. The Fund also distributed OppFi publicly traded securities to the Company with a carrying value of $1.9 million.

As a result of the winddown, the Company now holds direct limited partner interests in FGAC Investors LLC, FG Merger Investors LLC, and Greenfirst Forest Products Holdings, LLC. The Company has determined that each of these entities meets the criteria of a VIE. For each new position, the Company analyzed ASC 810 – Consolidation and has determined it is not the primary beneficiary of FGAC Investors LLC, FG Merger Investors LLC or Greenfirst Forest Products

Holdings LLC, but does have the ability to exercise significant influence over each of these. Therefore, the Company will apply the equity method of accounting for each of these investments.

In October of 2022, the Company invested $2.0 million into FGC, which the Company has determined meets the criteria of a VIE. The Company holds this investment at cost, subject to any adjustment from time to time due to impairment or observable price changes in orderly transactions. Due to its minority interest and inability to govern the financial and operating policies of FGC, the Company has determined it is not the primary beneficiary of FGC, and thus does not consolidate FGC.

The Company's risk of loss associated with its non-consolidated VIEs is limited. As of September 30, 2023, and December 31, 2022, the carrying value and maximum loss exposure of the Company's non-consolidated VIE's was $16.5 million and $18.8 million, respectively.

See Note 4 for further information regarding the Company's investments.

The Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Estimates and their underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recorded in the accounting period in which they are determined. The critical accounting estimates and assumptions in the accompanying consolidated financial statements include the valuation of our equity method investments, current expected credit losses, the valuation of net deferred income taxes and deferred policy acquisition costs, premium revenue recognition, reserves for loss and loss adjustment expenses, and stock-based compensation expense.

Investments in Equity Securities

Investments in equity securities are carried at fair value with subsequent changes in fair value recorded to the Consolidated Statements of Operations as a component of net investment income.

Other Investments

Other investments consist, in part, of equity investments made in privately held companies accounted for under the equity method. We utilize the equity method to account for investments when we possess the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. The ability to exercise significant influence is presumed when the investor possesses more than 20% of the voting interests of the investee. This presumption may be overcome based on specific facts and circumstances that demonstrate that the ability to exercise significant influence is restricted. We apply the equity method to investments in common stock and to other investments when such other investments possess substantially identical subordinated interests to common stock.

In applying the equity method, we record the investment at cost and subsequently increase or decrease the carrying amount of the investment by our proportionate share of the net earnings or losses and other comprehensive income of the investee. We record dividends or other equity distributions as reductions in the carrying value of the investment. Should net losses of the investee reduce the carrying amount of the investment to zero, additional net losses may be recorded if other investments in the investee are at-risk, even if we have not committed to provide financial support to the investee. Such additional equity method losses, if any, are based upon the change in our claim on the investee's book value.

When we receive distributions from our equity method investments, we utilize the cumulative earnings approach. When classifying the related cash flows under this approach, the Company compares the cumulative distributions received, less distributions received in prior periods, with the Company's cumulative equity in earnings. Cumulative distributions that do not exceed cumulative equity in earnings represent returns on investment and are classified as cash inflows from operating activities. Cumulative distributions in excess of cumulative equity in earnings represent returns on investment and are classified as cash inflows from investing activities.

In addition to investments accounted for under the equity method of accounting, other investments also consist of equity we have purchased in a limited partnership, a limited liability company, and a corporation for which there does not exist a readily determinable fair value. The Company accounts for these investments at their cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments by the same issuer. When the Company observes an orderly transaction of an investee's identical or similar equity securities, the Company adjusts the carrying value based on the observable price as of the transaction date. Once the Company records such an adjustment, the investment is considered an asset measured at fair value on a nonrecurring basis. Any profit distributions the Company receives on these investments are included in net investment income.

Other investments also include a convertible note and a senior unsecured promissory note.

See Note 4 for additional information regarding the Company's investments.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities of 90 days or less.

Pursuant to the Company's insurance license, the Authority has required that FGRe hold a minimum capital requirement of $200,000 in cash in a bank in the Cayman Islands which holds an "A" license issued under the Banks and Trust Companies Act (2020 Revision).

Income Taxes

The Company follows the asset and liability method of accounting for income taxes, whereby deferred income tax assets and liabilities are recognized for (i) the differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and (ii) loss and tax credit carry-forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not and a valuation allowance is established for any portion of a deferred tax asset that management believes will not be realized. Current federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense (benefit).

Concentration of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk include investments, cash, and deposits with reinsured companies. The Company maintains its cash with a major U.S. domestic banking institution which is insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000. As of September 30, 2023, the Company held funds in excess of these FDIC insured amounts. The terms of these deposits are on demand to mitigate some of the associated risk. The Company has not incurred losses related to these deposits.

Premium Revenue Recognition

The Company participates in quota-share contracts and estimates the ultimate premiums for the contract period. These estimates are based on information received from the ceding companies, whereby premiums are recorded as written in the same periods in which the underlying insurance contracts are written and are based on cession statements from cedents. These statements are received quarterly and in arrears, and thus, for any reporting lag, premiums written are estimated based on the portion of the ultimate estimated premiums relating to the risks underwritten during the lag period.

Premium estimates are reviewed by management periodically. Such review includes a comparison of actual reported premiums to expected premiums. Based on management's review, the appropriateness of the premium estimates is evaluated, and any adjustments to these estimates are recorded in the period in which they are determined. Changes in premium estimates, including premiums receivable, are not unusual and may result in significant adjustments in any period. A significant portion of amounts included in the caption "Reinsurance balances receivable" in the Company's consolidated balance sheets represents estimated premiums written, net of commissions, brokerage, and loss and loss adjustment expense, and are not currently due based on the terms of the underlying contracts. Additional premiums due on a contract that has no remaining coverage period are earned in full when written.

Premiums written are generally recognized as earned over the contract period in proportion to the risk covered. Unearned premiums represent the unexpired portion of reinsurance provided.

Current Expected Credit Loss

In the first quarter of 2023, the Company adopted ASU 2016-13, as amended, Financial Instruments – Credit Losses ("ASU 2016-13"), which requires an entity to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The financial assets included in the caption "Reinsurance balances recoverable" in the Company's consolidated balance sheets are carried at amortized cost and therefore affected by ASU 2016-13. The amendments in this update were effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted, however smaller reporting companies, like the Company, could delay adoption until January 2023. Upon adoption of ASU 2016-13, the Company calculated an allowance for expected credit losses for its reinsurance balances receivable by applying a Probability of Default / Loss Given Default model. The model considers both the external collectability history as well as external loss history. The external loss history that the Company used included a long-term probability of liquidation study specific to insurance companies. Additionally, the life of each of the Company's reinsurance treaties was also considered as the probability of default was calculated over the contractual length of the reinsurance contracts. The credit worthiness of a counterparty is evaluated by considering the credit ratings assigned by independent agencies and individually evaluating all the counterparties. The adoption resulted in a cumulative-effect adjustment to increase accumulated deficit by $0.1 million as of January 1, 2023. The Company updates the model each quarter and adjusts the balance accordingly. There was no change to the allowance during the third quarter.

In the first quarter of 2023, the Company allocated $200,000 into a promissory note. The promissory note is carried at amortized cost on the Company's consolidated balance sheet under the caption "other investments." Due to being held at amortized cost, the promissory note falls into the scope of ASU 2016-13. Due to immateriality, the Company does not have a current expected credit allowance against the promissory note.

Deferred Policy Acquisition Costs

Policy acquisition costs are costs that vary with, and are directly related to, the successful production of new and renewal business, and consist principally of commissions, taxes and brokerage expenses. If the sum of a contract's expected losses and loss expenses and deferred acquisition costs exceeds associated unearned premiums and expected investment income, a premium deficiency is determined to exist. In this event, deferred acquisition costs are written off to the extent necessary to eliminate the premium deficiency. If the premium deficiency exceeds deferred acquisition costs then a liability is accrued for the excess deficiency. There were no premium deficiency adjustments recognized during the periods presented herein.

Funds Deposited for Benefit of Reinsured Companies

"Funds Deposited with Reinsured Companies" on the Company's consolidated balance sheets includes amounts held to support our reinsurance contracts. As of September 30, 2023 and December 31, 2022, the total cash collateral posted to support all of our reinsurance treaties was approximately $7.1 million and $9.3 million, respectively.

Loss and Loss Adjustment Expense Reserves

The Company maintains reserves equal to our estimated ultimate liability for losses and loss adjustment expense for reported and unreported claims from our reinsurance business. Loss and loss adjustment reserve estimates are based primarily on estimates derived from reports the Company has received from ceding companies. The Company then uses a variety of statistical and actuarial techniques to monitor reserve adequacy. When setting reserves, the Company considers many factors including: (1) the types of exposures and projected ultimate premium to be written by our cedants; (2) expected loss ratios by type of business; (3) actuarial methodologies which analyze loss reporting and payment experience, reports from ceding companies and historical trends; and (4) general economic conditions. The Company also engages independent actuarial specialists, at least annually, to assist management in establishing appropriate reserves. Since reserves are estimates, the final settlement of losses may vary from the reserves established, and any adjustments to the estimates, which may be material, are recorded in the period they are determined. The final settlement of losses may vary, perhaps materially, from the reserves recorded.

U.S. GAAP does not permit establishing loss reserves, which include case reserves and IBNR loss reserves, until the occurrence of an event which may give rise to a claim. As a result, only loss reserves applicable to losses incurred up to the reporting date are established, with no allowance for the establishment of loss reserves to account for expected future loss events.

Generally, the Company obtains regular updates of premium and loss related information for the current and historical periods, which are utilized to update the initial expected loss ratio. We also experience a lag between (i) claims being reported by the underlying insured to the Company’s cedent and (ii) claims being reported by the Company’s cedent to the Company. This lag may impact the Company’s loss reserve estimates. Client reports have pre-determined due dates (for example, thirty days after each month end). As a result, the lag depends in part upon the terms of the specific contract. The timing of the reporting requirements is designed so that the Company receives premium and loss information as soon as practicable once the client has closed its books. Accordingly, there should be a short lag in such reporting. Additionally, most of the contracts that have the potential for large single event losses have provisions that such loss notifications are provided to the Company immediately upon the occurrence of an event.

Stock-Based Compensation

The Company has accounted for stock-based compensation under the provisions of ASC Topic 718 – *Stock Compensation,* which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments. The fair value of each stock option award is estimated on the date of grant using the Black-Scholes valuation model using assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate along with multiple Monte Carlo simulations to determine a derived service period as the options vest based upon meeting certain performance conditions. The fair value of each stock option award is recorded as compensation expense on a straight-line basis over the requisite service period, which is generally the period in which the stock options vest, with a corresponding increase to additional paid-in capital.

The Company has also issued restricted stock units (“RSUs”) to certain of its employees and directors which have been accounted for as equity-based awards since, upon vesting, they are required to be settled in the Company’s common shares. We have used the fair value of the Company’s common stock on the date the RSUs were issued to estimate the grant date fair value of those RSUs which vest solely based upon the passage of time. The fair value of each RSU is recorded as compensation expense over the requisite service period, which is generally the expected period over which the awards will vest.

Based upon the Company’s historical forfeiture rates relating to stock options and RSUs, the Company has not made any adjustment to stock compensation expense for expected forfeitures as of September 30, 2023.

Fair Value of Financial Instruments

The carrying values of certain financial instruments, including cash, short-term investments, deposits held, accounts payable, and other accrued expenses, approximate fair value due to their short-term nature. The Company measures the fair value of financial instruments in accordance with GAAP which defines fair value as the exchange price that would be received for 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 on the measurement date. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. See Note 4 for further information on the fair value of the Company's financial instruments.

Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed using the weighted average number of shares outstanding during the respective period.

Diluted earnings (loss) per common share assumes conversion of all potentially dilutive outstanding stock options, restricted stock units, warrants or other convertible financial instruments. Potential common shares outstanding are excluded from the calculation of diluted earnings (loss) per share if their effect is anti-dilutive.

Note 3. Recently Adopted and Issued Accounting Standards

Accounting Standards Adopted

As discussed, the Company adopted ASU 2016-13 during the first quarter of 2023 using a modified retrospective transition method. The adoption resulted in a cumulative-effect adjustment to increase accumulated deficit by $0.1 million as of January 1, 2023.

Note 4. Investments and Fair Value Disclosures

The following table summarizes the Company's equity securities held at fair value as of September 30, 2023 and December 31, 2022:

(in thousands)

As of September 30, 2023	**Cost Basis**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Carrying Amount**
OppFi common stock and warrants	$ 1,916	$ 271	$ -	$ 2,187
Total investments	$ 1,916	$ 271	$ -	$ 2,187

As of December 31, 2022	**Cost Basis**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Carrying Amount**
Hagerty common stock	$ 889	$ –	$ 48	$ 841
Total investments	$ 889	$ –	$ 48	$ 841

OppFi Common Stock

As a result of the Fund unwinding, the Company received approximately 860,000 shares of OppFi common stock. On the date of the distribution, the common shares had an aggregate fair value of approximately $1.9 million.

Hagerty Common Stock

On December 15, 2022, FGMP distributed 99,999 common shares of Hagerty to the Company. On the date of distribution, the common shares had an aggregate fair value of approximately $889,000. The Company sold the common shares during the first quarter of 2023 for a realized loss of approximately $16,000.

Equity Method Investments

Other investments on the Company's consolidated balance sheets include our equity method investments in FGMP, FGAC Investors LLC, FG Merger Investors LLC, and Greenfirst Forest Products Holdings LLC.

On January 4, 2021, FGMP was formed as a Delaware limited partnership to co-sponsor newly formed SPACs with their founders or partners, as well as other merchant banking interests. The Company is the sole managing member of the general partner of FGMP and holds a limited partner interest of approximately 46% in FGMP directly and through its subsidiaries. FGMP participates as a co-sponsor of the SPACs launched under our SPAC Platform as well as merchant banking initiatives.

For the three months ended September 30, 2023, the Company recorded equity method gains from FGMP of approximately $1.2 million. No capital contributions were made to FGMP during the quarter. For the nine months ended September 30, 2023, the Company contributed $0.1 million into FGMP and has recorded equity method gains of approximately $4.1 million. The carrying value of our investment in FGMP as of September 30, 2023 was approximately $9.9 million compared to $5.7 million as of December 31, 2022. Of the $9.9 million carrying value of our investment in FGMP at September 30, 2023 the Company may allocate up to approximately $0.4 million to incentivize and compensate individuals and entities for the successful merger of SPACs launched under our platform.

Equity method investments previously included our investment in the Fund. However, during the first quarter of 2023, it was determined that the Fund would begin the process of winding down, and all investment holdings held in the name of the Fund would be transferred and distributed to members within the Fund based on their ownership percentage of each respective holding. Prior to the unwinding, through the Fund, the Company held underlying investments in FGAC Investors LLC, FG Merger Investors LLC, and Greenfirst Forest Products Holdings LLC. The Fund, an investment company, carried each of these investments at fair value. In June 2023, all transfers were completed, resulting in the Company being transferred direct limited partner interests in FGAC Investors LLC, with a carrying value of $8.9 million, FG Merger Investors LLC, with a carrying value of $3.4 million, and Greenfirst Forest Products Holdings, LLC, with a carrying value of $1.4 million. The Company determined that it has the ability to exercise significant influence over FGAC Investors LLC, FG Merger Investors LLC and Greenfirst Forest Products Holdings LLC, and thus will account for each of these investments under the equity method of accounting. After taking into account second quarter equity pickups, the combined carrying value of these investments at June 30, 2023 was approximately $11.9 million. For the three months ended September 30, 2023, the Company contributed $0.5 million into FG Merger Investors LLC, and recorded an equity method gain of approximately $2.4 million. The Company recorded an equity method loss from Greenfirst Forest Products Holdings LLC of approximately $0.1 million and a gain of $0.1 million from FGAC Investors LLC for the three months ended September 30, 2023. The combined carrying value of these investments at September 30, 2023 was approximately $14.7 million.

Financial information for our investments accounted for under the equity method, in the aggregate, is as follows:

	As of September 30, 2023	As of December 31, 2022
(in thousands)		
Other investments	$ 72,585	$ 35,366
Cash	275	113
Other assets	177	165
Total assets	73,037	35,644
Total liabilities	439	65

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
(in thousands)		
Net investment income	$ 17,417	$ 8,170
Other income	129	-
General and administrative expenses	(1,149)	(95)

Net income	16,397	8,075
15		

Certain investments held by our equity method investees are valued using Monte-Carlo simulation and option pricing models. Inherent in Monte-Carlo simulation and option pricing models are assumptions related to expected volatility and discount for lack of marketability of the underlying investment. Our investees estimate the volatility of these investments based on the historical performance of various broad market indices blended with various peer companies which they consider as having similar characteristics to the underlying investment, as well as consideration of price and volatility of relevant publicly traded securities such as SPAC warrants. Our investees also consider the probability of a successful merger when valuing equity for SPACs that have not yet closed.

Investments without Readily Determinable Fair Value

In addition to our equity method investments, other investments, as listed on our consolidated balance sheets, consist of equity we have purchased in companies for which there does not exist a readily determinable fair value. The Company accounts for these investments at their cost, subject to any adjustment from time to time due to impairment or observable price changes in orderly transactions. When the Company observes an orderly transaction of an investee's identical or similar equity securities, the Company adjusts the carrying value based on the observable price as of the transaction date. Any profit distributions the Company receives on these investments are included in net investment income.

The carrying value of investments without readily determinable fair value were increased by $0.3 million for the nine months ended September 30, 2023, as compared to zero for the nine months ended September 30, 2022. The increase was due to an observable price change in FGC during the second quarter of 2023. This amount is included in net investment income on the Company's consolidated statements of operations. The Company did not record any changes during the three months ended September 30, 2023, and September 30, 2022. The Company's total carrying value in investments without a readily determinable fair value was $2.3 million as of September 30, 2023, compared to approximately $2.3 million as of December 31, 2022.

Other

Other investments, in addition to equity method investments and investments without readily determinable fair value, include a convertible promissory note and a senior unsecured promissory note.

On September 29, 2023, the Company invested $250,000 in a convertible promissory note with ThinkMarkets. The promissory note has an interest rate of 15% annually, with interest payments due monthly, and matures on August 1, 2025. Commencing upon the closing of the contemplated business combination, the Company has the option to convert any unpaid loan amount and all accrued and unpaid interest into fully paid shares of FGAC common stock, at a conversion price of $5.00 per share. The Company evaluated the convertible promissory note's settlement provisions and elected the fair value option to value this instrument. Under the fair value election, the convertible promissory note is measured initially and subsequently at fair value, which as of September 30, 2023, both are calculated to be $250,000.

On March 16, 2023, the Company invested $200,000 in a senior unsecured loan to Craveworthy LLC ("Craveworthy"). The loan has an interest rate of 13% and a maturity of March 15, 2024. The $200,000 principal and any interest accrued may be prepaid voluntarily by Craveworthy but is not required to be paid until the date of maturity. As of September 30, 2023, the entire principal amount of $200,000 as well as approximately $15,000 of accrued interest was outstanding.

On March 15, 2023, the Company invested $500,000 in a convertible promissory note with iCore. During the third quarter, the Company elected to convert all unpaid principal and interest due from the convertible promissory note with iCore into fully paid common shares of iCore. As part of the conversion, the Company received approximately 219,000 common shares of iCore. During the third quarter, the Company sold all of the common shares received from conversion for approximately $3.7 million in cash proceeds, resulting in a realized gain of approximately $3.1 million.

Impairment

For equity securities without readily determinable fair values, impairment is determined via a qualitative assessment which considers indicators to evaluate whether the investment is impaired. Some of these indicators include a significant deterioration in the earnings performance or asset quality of the investee, a significant adverse change in regulatory, economic or general market conditions in which the investee operates, or doubt over an investee's ability to continue as a going concern. If the investment is deemed to be impaired after conducting this analysis, the Company would estimate the fair value of the investment to determine the amount of impairment loss.

For equity method investments, evidence of a loss in value might include a series of operating losses of an investee, the absence of an ability to recover the carrying amount of the investment, or a deterioration in the value of the investee's underlying assets. If these, or other indicators lead to the conclusion that there is a decrease in the value of the investment that is other than temporary, the Company would recognize that decrease in value even though the decrease may be in excess of what would otherwise be recognized under the equity method of accounting.

The risks and uncertainties inherent in the assessment methodology used to determine impairment include, but may not be limited to, the following:

- the opinions of professional investment managers and appraisers could be incorrect;
- the past operating performance and cash flows generated from the investee's operations may not reflect their future performance; and
- the estimated fair values for investment for which observable market prices are not available are inherently imprecise.

We have not recorded an impairment on our investments for either of the nine months ended September 30, 2023 and 2022.

Net investment income for the three and nine months ended September 30, 2023 and 2022 is as follows:

($ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Investment income:				
Realized gain (loss) on common stock	$ 3,078	$ (2,472)	$ 3,062	$ (11,441)
Change in unrealized holding on common stock	404	2,448	319	10,521
Equity method earnings	3,460	11,226	4,192	6,080
Increase in investments without readily determinable fair value	-	-	250	-
(Decrease) increase in fair value of convertible note	(52)	-	125	-
Other	71	(28)	324	(46)
Net investment income	$ 6,961	$ 11,174	$ 8,272	$ 5,114

Fair Value Measurements

The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. The FASB has issued guidance that defines fair value as the exchange price that would be received for an asset (or paid to transfer a liability) in the principal, or most advantageous market in an orderly transaction between market participants. This guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance categorizes assets and liabilities at fair value into one of three different levels depending on the observation of the inputs employed in the measurements, as follows:

- Level 1 – inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets providing the most reliable measurement of fair value since it is directly observable.
- Level 2 – inputs to the valuation methodology which include quoted prices for similar assets or liabilities in active markets. These inputs are observable, either directly or indirectly, for substantially the full-term of the financial instrument.

- Level 3 – inputs to the valuation methodology which are unobservable and significant to the measurement of fair value.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets and other characteristics specific to the individual investment. In some cases, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the hierarchy based on the lowest level input that is significant to the fair value measurement. When determining fair value, the Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial instruments measured, on a recurring basis, at fair value as of September 30, 2023 and December 31, 2022 in accordance with the guidance promulgated by the FASB are as follows.

(in thousands)

As of September 30, 2023	Level 1	Level 2	Level 3	Total
Oppfi common stock and warrants	$ 2,187	$ –	$ –	$ 2,187
ThinkMarkets convertible note	$ –	–	250	250
	$ 2,187	$ –	$ 250	$ 2,437
As of December 31, 2022				
Hagerty common stock	$ 841	$ –	$ –	$ 841
	$ 841	$ –	$ –	$ 841

On September 29, 2023, the Company invested $250,000 in a convertible promissory note with ThinkMarkets. As of September 30, 2023, the Company approximates the fair value of the note to be $250,000.

The following tables provide a reconciliation of the fair value of recurring Level 3 fair value measurements for the three- and nine-months ended September 30, 2023 and September 30, 2022:

(in thousands)	Nine months ended September 30,	
	2023	2022
Assets:		
Convertible note		
Beginning balance	-	-
Consideration paid	750	-
Increase in fair value of convertible note	125	-
Transfer out	(625)	
Balance, September 30	$ 250	$ -

(in thousands)	Three months ended September 30,	
	2023	2022
Assets:		
Convertible note		
Beginning balance	677	-
Consideration paid	250	-
Decrease in fair value of convertible note	(52)	-
Transfer out	(625)	
Balance, September 30	$ 250	$ -

Note 5. Loss and Loss Adjustment Expense Reserves

A significant degree of judgment is required to determine amounts recorded in the consolidated financial statements for the provision for loss and loss adjustment expense ("LAE") reserves. The process for establishing this provision reflects the uncertainties and significant judgmental factors inherent in predicting future results of both known and unknown loss events. The process of establishing the provision for loss and LAE reserves relies on the judgment and opinions of many individuals, including the opinions of the Company's management, as well as the management of ceding companies and their actuaries.

In estimating losses, the Company may assess any of the following:

- a review of in-force treaties that may provide coverage and incur losses;
- general forecasts, catastrophe and scenario modelling analyses and results shared by cedents;
- reviews of industry insured loss estimates and market share analyses;
- management's judgment; and
- loss development factor selections, initial expected loss ratio selections, and weighting of methods used

Under the terms of certain of our quota-share agreements, and due to the nature of claims and premium reporting, a lag exists between (i) claims being reported by the underlying insured to the Company's cedent and (ii) claims being reported by the Company's cedent to the Company. This lag may impact the Company's loss reserve estimates. The reports we receive from our cedents have pre-determined due dates. In the case of the Company's FAL contracts, third quarter 2023 premium and loss information will not be made available to the Company until subsequent to the filing of this quarterly report. Thus, our third quarter results, including the loss and loss adjustment expense reserves presented herein, have been based upon a combination of actual results from the 2023 calendar year as well as forecasts for 2023 reported to us by the ceding companies. We have approximated third quarter 2023 results under our FAL contracts based upon this historical and forecasted information.

While the Company believes its estimate of loss and loss adjustment expense reserves are adequate as of September 30, 2023, based on available information, actual losses may ultimately differ materially from the Company's current estimates. The Company will continue to monitor the appropriateness of its assumptions as new information is provided.

A summary of changes in outstanding loss and loss adjustment expense reserves for the nine months ended September 30, 2023 and 2022, is as follows:

(in thousands)	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Balance, beginning of period, net of reinsurance	$ 4,409	$ 2,133
Incurred related to:		
Current year	5,420	4,984
Prior year	661	814
Paid related to:		
Current year	(3,675)	(2,568)
Prior years	(903)	(1,230)
Balance, September 30, net of reinsurance	$ 5,912	$ 4,133

Note 6. Income Taxes

Actual income tax expense (benefit) differs from the income tax expense computed by applying the applicable effective federal and state tax rates to income before income tax expense as follows:

($ in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Provision for taxes at U.S., statutory marginal income tax rate of 21%	$ 1,182	$ 2,154	$ 852	$ 201
Valuation allowance for deferred tax assets deemed unrealizable	(1,200)	(2,168)	(871)	(219)
Non-deductible expenses associated with the Share Repurchase Transaction	–	2	1	2
Share-based compensation	18	12	18	16

Income tax expense (benefit)	$ –	$ –	$ –	$ -

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes as compared to the amounts used for income tax purposes. The Company's gross deferred tax assets and liabilities are $8.0 million and $3.4 million as of September 30, 2023. The Company has recorded a valuation allowance against its deferred tax assets of $4.6 million, as of September 30, 2023, due to the uncertain nature surrounding our ability to realize these tax benefits in the future. Significant components of the Company's net deferred tax assets are as follows:

(in thousands)

	As of September 30, 2023		As of December 31, 2022	
Deferred income tax assets:				
Net operating loss carryforward	$	4,670	$	4,171
Loss and loss adjustment expense reserves		52		39
Unearned premium reserves		395		287
Capital loss carryforward		2,491		4,313
Share-based compensation		424		242
Investments		10		5
Other		8		9
Deferred income tax assets	$	8,050	$	9,066
Less: Valuation allowance		(4,615)		(5,463)
Deferred income tax assets net of valuation allowance	$	3,435	$	3,603
Deferred income tax liabilities:				
Investments	$	3,125	$	3,282
Deferred policy acquisition costs		310		321
Deferred income tax liabilities	$	3,435	$	3,603
Net deferred income tax asset (liability)	$	–	$	–

As of September 30, 2023, the Company had net operating loss carryforwards ("NOLs") for federal income tax purposes of approximately $22.2million, which will be available to offset future taxable income. Approximately $0.5 million expire on December 31, 2039, $0.1 million expire on December 31, 2040, and $1.6 million of the Company's NOLs will expire on December 31, 2041. The remaining $20.0 million of the Company's NOLs do not expire under current tax law. Additionally, the Company has approximately $11.9 million of capital loss carryforward that can only be used to offset capital gains and which will expire in December 2026 if not used prior.

As of September 30, 2023, the Company had no unrecognized tax benefits. The Company analyzed its tax positions in accordance with the provisions of Accounting Standards Codification Topic 740, *Income Taxes*, and has determined that there are currently no uncertain tax positions. The Company generally recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Note 7. Equity Incentive Plan Grants

On December 15, 2021, our shareholders approved the FG Financial Group, Inc. 2021 Equity Incentive Plan (the "2021 Plan"). The purpose of the 2021 Plan is to attract and retain directors, consultants, officers and other key employees of the Company and its subsidiaries and to provide to such persons incentives and rewards for superior performance. The 2021 Plan is administered by the Compensation and Management Resources Committee of the Board and has a term of ten years. The 2021 Plan awards may be in the form of stock options (which may be incentive stock options or nonqualified stock options), stock appreciation rights (or “SARs”), restricted shares, restricted share units, and other share-based awards, and provides for a maximum of 1,500,000 shares available for issuance.

On March 24, 2023, the Company's board of directors approved an amendment to the 2021 Plan to increase the number of shares available for issuance from 1,500,000 to 2,000,000.

In addition, on March 24, 2023, the board of directors approved an employee purchase plan ("ESPP Plan") whereby qualifying employees can choose each year to have up to 5% of their annual base earnings withheld to purchase the Company's common shares in the open market. The Company matches 100% of the employee's contribution amount after thirty days of employment.

RSUs Outstanding

The following table summarizes RSU activity for the nine months ended September 30, 2023 and 2022:

Restricted Stock Units	Number of Units		Weighted Average Grant Date Fair Value
Non-vested units, January 1, 2023	256,382	$	2.57
Granted	821,974		2.76
Vested	(227,301)		2.71
Forfeited	—		—
Non-vested units, September 30, 2023	851,055	$	1.40
Non-vested units, January 1, 2022	164,655	$	4.35
Granted	158,225		1.58
Vested	(50,065)		4.81
Forfeited	—		—
Non-vested units, September 30, 2022	272,815	$	2.66

On August 19, 2022, we issued a total of 158,225 RSUs to our non-employee directors. The RSUs vest in five equal annual installments, beginning with the first anniversary of the grant date.

On February 17, 2023, we granted a total of 415,000 RSUs to various members of the Company's management. The RSUs vest in three equal annual installments, beginning with the date the shares were granted.

In the third quarter of 2023, we granted a total of 36,974 RSUs to non-executive members of our Company's board of directors. The RSU's vest immediately.

On January 18, 2021, the Company entered into an Equity Award Letter Agreement (the "Letter Agreement") with Mr. Swets, pursuant to which the Company clarified its intention to grant an additional 370,000 stock options, restricted shares or restricted stock units pursuant to a future award, subject to the approval of an amended and/or new equity plan, among other conditions. On February 17, 2023, in satisfaction of the obligations in the letter agreement, the Company granted 370,000 RSUs to Mr. Swets that will vest on the first anniversary of the grant date.

Restricted Shares

On July 31, 2022, the Company issued 25,000 restricted shares under the 2021 Equity Incentive Plan to an employee of the Company. The restriction was lifted on the first anniversary of the grant date.

Stock Options Outstanding

On January 12, 2021, in connection with Larry G. Swets, Jr.'s appointment as Chief Executive Officer, the Company entered into a Stock Option Agreement (the "Stock Option") with Mr. Swets. The Stock Option entitles Mr. Swets to purchase up to 130,000 shares of the Company's common stock at an exercise price of $3.38 per share. The Stock Option becomes vested and fully exercisable in 20% increments on each anniversary of the grant date, provided that Mr. Swets remains in the continuous service of the Company through each applicable vesting date and that the Company's book value per share has increased by 15% or more as compared to the Company's book value per share as of the fiscal year end prior. The Stock Option expires on January 11, 2031.

The Stock Option contains performance and service conditions that affect vesting. Pursuant to ASC Topic 718- *Stock Compensation,* these conditions have not been reflected in estimating the fair value of the award upon its grant date; however, the Company employed a Monte-Carlo model to estimate the likelihood of satisfaction of the required performance and service conditions. This resulted in a derived service period of approximately 3.3 years under the grant.

In estimating the fair value of the Stock Option, the Company estimated volatility based on the historical volatility of our stock. The risk-free interest rate is based on the U.S. Treasury Constant Maturity similar to the expected remaining life of the Stock Option. The expected life of the Stock Option is assumed to be equivalent to its contractual term. The dividend rate is based on our historical rate, which the Company anticipates will remain at zero. The following assumptions were used to determine the estimated fair value of the Stock Option:

Expected volatility	45.60	%
Expected life (years)	10.00	
Risk-free interest rate	5.15	%
Dividend yield	0.00	%

The following table summarizes activity for stock options issued for the nine months ended September 30, 2023 and 2022.

Common Stock Options	Shares	Weighted Ave Exercise Price	Weighted Ave Remaining Contractual Term (yrs)	Weighted Ave Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding, January 1, 2023	130,000	$ 3.38	8.04	$ 1.88	$ -
Exercisable, January 1, 2023	–	$ –	–	$ –	$ –
Granted				–	–
Exercised	–	–	–	–	–
Cancelled	–	–	–	–	–
Outstanding, September 30, 2023	130,000	$ 3.38	7.29	$ 1.88	$ –
Exercisable, September 30, 2023	–	$ –	–	$ –	$ –
Outstanding, January 1, 2022	130,000	$ 3.38	9.04	$ 1.88	$ 49,400
Exercisable, January 1, 2022	–	$ –	–	$ –	$ –
Granted	–	–	–	–	–
Exercised	–	–	–	–	–
Cancelled	–	–	–	–	–
Outstanding, September 30, 2022	130,000	$ 3.38	8.29	$ 1.88	$ –
Exercisable, September 30, 2022	–	$ –	–	$ –	$ –

Total stock-based compensation expense for the nine months ended September 30, 2023 and 2022 was approximately $1.5 million and $180,000, respectively. As of September 30, 2023, total unrecognized stock compensation expense of approximately $1.8 million remains, which will be recognized through December 31, 2026. Stock compensation expense has been reflected in the Company's financial statements as part of general and administrative expense.

Warrants

No warrants were granted or exercised during the nine months ended September 30, 2023 and 2022. On February 24, 2022, 1,500,000 warrants with an exercise price of $15.00 expired. As of September 30, 2023, the Company did not have any warrants outstanding.

Note 8. Related Party Transactions

Related party transactions are carried out in the normal course of operations and are measured in part by the amount of consideration paid or received, as established and agreed by the parties. Management believes that consideration paid for such services in each case approximates fair value. Except where disclosed elsewhere in these consolidated financial statements, the following is a summary of related party transactions.

Joint Venture Agreement

On March 31, 2020, the Company entered into the Limited Liability Company Agreement of Fundamental Global Asset Management, LLC ("FGAM"), a joint venture owned 50% by each of the Company and FG. The purpose of FGAM is to sponsor, capitalize and provide strategic advice to investment managers in connection with the launch and/or growth of their asset management businesses and the investment products they sponsor (each, a "Sponsored Fund").

FGAM is governed by a Board of Managers consisting of four managers, two of which have been appointed by each Member. The Company has appointed two of its independent directors to the Board of Managers of FGAM. Certain major actions, including any decision to sponsor a new investment manager, require the prior consent of both Members.

FG Special Situations Fund

The Company participated as a limited partner in the Fund. The general partner of the Fund, and the investment advisor of the Fund, was ultimately controlled by Mr. Cerminara, the Chairman of the Company's Board of Directors. Portions of the Company's investment into the Fund were used to sponsor the launch of SPACs affiliated with certain of our officers and directors.

The Fund began the process of winding down in the first quarter of 2023 and completed the process in the second quarter of 2023. As a result of the winddown, the Company now holds direct limited partner interests in FGAC Investors LLC, FG Merger Investors LLC, and Greenfirst Forest Products Holdings, LLC. Mr. Cerminara, Mr. Swets and Mr. Baqar, our Executive Vice President and Chief Financial Officer, serve as managers of FGAC Investors LLC and FG Merger Investors LLC, while Mr. Cerminara ultimately controls Greenfirst Forest Products Holdings, LLC.

FG Merchant Partners

FGMP was formed to co-sponsor newly formed SPACs with their founders or partners. Certain of our directors and officers also hold limited partner interests in FGMP. Mr. Swets holds a limited partner interest through Itasca Financial LLC, an advisory and investment firm for which Mr. Swets is managing member. Mr. Baqar also holds a limited partner interest through Sequoia Financial LLC, an advisory firm for which Mr. Baqar is managing member. Mr. Cerminara also holds a limited partner interest through Fundamental Global, LLC, a holding company for which Mr. Cerminara is the manager and one of the members.

FGMP has invested in the founder shares and warrants of Aldel, FG Merger Corp, FG Acquisition Corp, FGC and Craveworthy. Certain of our directors and officers are affiliated with these entities.

FG Communities

In October of 2022, the Company directly invested $2.0 million into FGC. The Company also holds an interest through its ownership in FGMP. FGC is a self-managed real estate company focused on a growing portfolio of manufactured housing communities which are owned and operated by FGC. Mr. Cerminara is the President and a director of FGC.

Craveworthy

On March 16, 2023, the Company invested $200,000 in a senior unsecured loan to Craveworthy. Mr. Swets has an indirect interest in Craveworthy, independent from the interests held by the Company through its ownership in FGMP.

Think Markets

On September 29, 2023, the Company invested $250,000 in a convertible promissory note to support the business combination of Think Markets and FG Acquisition Corp. Mr. Swets and Mr. Baqar are executive officers of FG Acquisition Corp.

Shared Services Agreement

On March 31, 2020, the Company entered into a Shared Services Agreement (the "Shared Services Agreement") with Fundamental Global Management, LLC ("FGM"), an affiliate of FG, pursuant to which FGM provides the Company with certain services related to the day-to-day management of the Company, including assisting with regulatory compliance, evaluating the Company's financial and operational performance, providing a management team to supplement the executive officers of the Company, and such other services consistent with those customarily performed by executive officers and employees of a public company. In exchange for these services, the Company pays FGM a fee of $456,000 per quarter (the "Shared Services Fee"), plus reimbursement of expenses incurred by FGM in connection with the performance of the Services, subject to certain limitations approved by the Company's Board of Directors or Compensation Committee from time to time.

The Shared Services Agreement has an initial term of three years, and thereafter renews automatically for successive one-year terms unless terminated in accordance with its terms. The Shared Services Agreement may be terminated by FGM or by the Company, by a vote of the Company's independent directors, at the end of the initial or automatic renewal term upon 120 days' notice, subject to payment by the Company of certain costs incurred by FGM to wind down the provision of services and, in the case of a termination by the Company without cause, payment of a termination fee equal to the Shared Services Fee paid for the two quarters preceding termination.

The Company paid $1,368,000 and $1,368,000 to FGM under the Shared Services Agreement for each of the nine months ended September 30, 2023 and 2022, respectively.

Note 9. Net Earnings Per Share

Net earnings per share is computed by dividing net income by the weighted average number of common shares and common share equivalents outstanding during the periods presented. In calculating diluted earnings per share, those potential common shares that are found to be anti-dilutive are excluded from the calculation. The table below provides a summary of the numerators and denominators used in determining basic and diluted earnings per share for the three and nine months ended September 30, 2023 and 2022.

($ in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Basic and diluted:				
Net income from continuing operations	$ 5,628	$ 10,255	$ 4,055	$ 955
Dividends declared on Series A Preferred Shares	(447)	(447)	(1,339)	(1,342)
Income (loss) attributable to FG Financial Group, Inc. common shareholders from continuing operations	5,181	9,808	2,716	(387)
Weighted average common shares	10,303,739	9,333,709	9,813,438	7,564,017
Income (loss) per common share from continuing operations	$ 0.50	$ 1.05	$ 0.28	$ (0.05)

Weighted average common shares outstanding	10,303,739	9,333,709	9,813,438	7,564,017

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The following potentially dilutive securities outstanding as of September 30, 2023 and 2022 have been excluded from the computation of diluted weighted-average shares outstanding as their effect would be anti-dilutive.

	As of September 30,	
	2023	**2022**
Options to purchase common stock	130,000	130,000
Restricted stock units	851,055	297,815
	981,055	427,815

Note 10. Commitments and Contingencies

Legal Proceedings:

As of September 30, 2023, the Company was not aware of any material claims or actions pending or threatened against us. From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. Currently, it is not possible to predict legal outcomes and their impact on the future development of claims. Any such development will be affected by future court decisions and interpretations. Because of these uncertainties, additional liabilities may arise for amounts in excess of the Company's current reserves.

Operating Lease Commitments:

In July 2021, the Company entered into a lease agreement for office space in St. Petersburg, FL. The lease had a term of 12 months and was not renewed upon expiration. Total minimum rent over the 12-month term was approximately $17,000. Due to the short-term nature of the lease, the Company recognized lease expense on a straight-line basis over the term of the lease, with any variable lease payments recognized in the period in which the obligation for the payment occurred. Rent expense related to the St. Petersburg office was zero and approximately $10,000 for the nine months ended September 30, 2023 and September 30, 2022, respectively.

In April 2022, the Company entered into a lease agreement for office space in Itasca, IL. The lease has a term of 44 months beginning on May 1, 2022. Total minimum rent over the term of the lease is expected to be approximately $77,000. The Company has accounted for the lease under ASC 842, Leases. The annual discount rate used for the Itasca office was 8%. As of September 30, 2023, the right of use asset and lease liability are approximately $44,000, each, and held in "Other assets" and "Other liabilities" on the balance sheet, respectively. Rent expense related to the Itasca office was approximately $16,000 and $8,800 for the nine months ended September 30, 2023 and September 30, 2022, respectively.

Note 11. Segment Reporting

The Company has two operating segments—insurance and asset management. The chief operating decision maker ("CODM") is the Company's Chief Executive Officer. The measure of profit or loss used by the CODM to identify and measure the Company's reportable segments is income before income tax. Our insurance segment consists of the operations of our Cayman Islands-based reinsurance subsidiary, FGRe, as well as the returns associated with the investments made by our reinsurance operations. Our asset management segment includes our investments made outside of reinsurance operations.

The following table presents the financial information for each segment that is specifically identifiable or based on allocations using internal methodology as of and for the three and nine months ended September 30, 2023 and 2022. The 'other' category in the table below consists largely of corporate general and administrative expenses which have not been allocated to a specific segment. Segment assets for the "other" category primarily consist of unrestricted cash in the amounts of $3.8 million and $8.7 million as of September 30, 2023 and 2022, respectively.

(in thousands)

For the three months ended September 30, 2023		Insurance		Asset Management		Other		Total
Net premiums earned	$	4,192	$	–	$	–	$	4,192
Net investment income		5,032		1,922		7		6,961
Other income		-		24		-		24
Total revenue		9,224		1,946		7		11,177
Income (loss) before income tax		5,465		1,946		(1,783)		5,628
For the nine months ended September 30, 2023								
Net premiums earned	$	11,534	$	–	$	–	$	11,534
Net investment income		8,108		150		14		8,272
Other income		–		84		–		84
Total revenue		19,642		234		14		19,890
Income (loss) before income tax		9,366		234		(5,545)		4,055
As of September 30, 2023								
Segment assets	$	35,776	$	18,436	$	4,616	$	58,828
For the three months ended September 30, 2022								
Net premiums earned	$	4,383	$	–	$	–	$	4,383
Net investment income		2,468		8,706		–		11,174
Other income		–		89		125		214
Total revenue		6,851		8,795		125		15,771
Income (loss) before income tax		3,274		8,798		(1,817)		10,255
For the nine months ended September 30, 2022								
Net premiums earned	$	9,809	$	–	$	–	$	9,809
Net investment income		1,562		3,552		–		5,114
Other income		–		141		125		266
Total revenue		11,371		3,693		125		15,189
Income (loss) before income tax		2,728		3,680		(5,453)		955
As of September 30, 2022								
Segment assets	$	21,662	$	17,777	$	9,484	$	48,923

Note 12. Subsequent Events

The Corporation has evaluated subsequent events through the filing date of the financial statements and determined that there have been no events that have occurred that would require additional disclosures.

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FG FINANCIAL GROUP, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our consolidated financial statements and related notes and information included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report for the year ended December 31, 2022 on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 24, 2023.

Unless context denotes otherwise, the terms "Company," "FGF," "we," "us," and "our," refer to FG Financial Group, Inc., and its subsidiaries.

Cautionary Note about Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements are therefore entitled to the protection of the safe harbor provisions of these laws. These statements may be identified by the use of forward-looking terminology such as "anticipate," "believe," "budget," "can," "contemplate," "continue," "could," "envision," "estimate," "expect," "evaluate," "forecast," "goal," "guidance," "indicate," "intend," "likely," "may," "might," "outlook," "plan," "possibly," "potential," "predict," "probable," "probably," "pro-forma," "project," "seek," "should," "target," "view," "will," "would," "will be," "will continue," "will likely result" or the negative thereof or other variations thereon or comparable terminology. In particular, discussions and statements regarding the Company's future business plans and initiatives are forward-looking in nature. We have based these forward-looking statements on our current expectations, assumptions, estimates, and projections. While we believe these to be reasonable, such forward-looking statements are only predictions and involve a number of risks and uncertainties, many of which are beyond our control. These and other important factors may cause our actual results, performance, or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements, and may impact our ability to implement and execute on our future business plans and initiatives.

Management cautions that the forward-looking statements in this Quarterly Report on Form 10-Q are not guarantees of future performance, and we cannot assume that such statements will be realized or the forward-looking events and circumstances will occur. Factors that might cause such a difference include, without limitation: general conditions in the global economy; our lack of operating history or established reputation in the reinsurance industry; our inability to obtain or maintain the necessary approvals to operate reinsurance subsidiaries; risks associated with operating in the reinsurance industry, including inadequately priced insured risks, credit risk associated with brokers we may do business with, and inadequate retrocessional coverage; our inability to execute on our investment and investment management strategy, including our strategy to invest in the risk capital of special purpose acquisition companies (SPACs); potential loss of value of investments; risk of becoming an investment company; fluctuations in our short-term results as we implement our new business strategy; risks of being unable to attract and retain qualified management and personnel to implement and execute on our business and growth strategy; failure of our information technology systems, data breaches and cyber-attacks; our ability to establish and maintain an effective system of internal controls; our limited operating history as a public company; the requirements of being a public company and losing our status as a smaller reporting company or becoming an accelerated filer; any potential conflicts of interest between us and our controlling stockholders and different interests of controlling stockholders; potential conflicts of interest between us and our directors and executive officers; risks associated with our related party transactions and investments; and risks associated with our investments in SPAC, including the failure of any such SPAC to complete its initial business combination. Our expectations and future plans and initiatives may not be realized. If one of these risks or uncertainties materializes, or if our underlying assumptions prove incorrect, actual results may vary materially from those expected, estimated or projected. You are cautioned not to place undue reliance on forward-looking statements. The forward-looking statements are made only as of the date hereof and do not necessarily reflect our outlook at any other point in time. We do not undertake and specifically decline any obligation to update any such statements or to publicly announce the results of any revisions to any such statements to reflect new information, future events or developments.

Overview

FG Financial Group, Inc. ("FGF", the "Company", "we", or "us") is a reinsurance, merchant banking and asset management holding company. We focus on opportunistic collateralized and loss-capped reinsurance, while allocating capital in partnership with Fundamental Global®, and from time to time, other strategic investors, to merchant banking activities. The Company's principal business operations are conducted through its subsidiaries and affiliates. From our inception in October 2012 through December 2019, we operated as an insurance holding company, writing property and casualty insurance throughout the states of Louisiana, Florida, and Texas. On December 2, 2019, we sold our three former insurance subsidiaries, and embarked upon our current strategy focused on reinsurance, merchant banking and asset management.

As of September 30, 2023, FG Financial Holdings, LLC ("FG"), a private partnership focused on long-term strategic holdings, and its affiliated entity collectively beneficially owned approximately 55.0% of our common stock. D. Kyle Cerminara, Chairman of our Board of Directors, serves as Chief Executive Officer, Co-Founder and Partner of FG.

Critical Accounting Estimates

Critical accounting estimates are those estimates made in accordance with generally accepted accounting principles that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. Actual results may differ materially from these estimates. Set forth below is qualitative and quantitative information necessary to understand the estimation uncertainty and the impact the critical accounting estimate has had or is reasonably likely to have on financial condition or results of operations, to the extent the information is material and reasonably available.

Other Investments

Other investments consist, in part, of equity investments made in privately held companies accounted for under the equity method. As discussed further in Note 4, certain investments held by our equity method investees are valued using Monte-Carlo simulation and option pricing models. Inherent in Monte-Carlo simulation and option pricing models are assumptions related to expected volatility and discount for lack of marketability of the underlying investment. Our investees estimate the volatility of these investments based on the historical performance of various broad market indices blended with various peer companies which they consider as having similar characteristics to the underlying investment, as well as consideration of price and volatility of relevant publicly traded securities such as SPAC warrants. Our investees also consider the probability of a successful merger when valuing equity for SPACs that have not yet completed a business combination.

Current Expected Credit Loss

Upon adoption of ASU 2016-13, the Company calculated an allowance for expected credit losses for its reinsurance balances receivable by applying a Probability of Default / Loss Given Default model. The model considers both the external collectability history as well as external loss history. The external loss history that the Company used included a long-term probability of liquidation study specific to insurance companies. Additionally, the life of each of the Company's reinsurance treaties was also considered as the probability of default was calculated over the contractual length of the reinsurance contracts. The credit worthiness of a counterparty is evaluated by considering the credit ratings assigned by independent agencies and individually evaluating all the counterparties.

Upon adoption of ASU 2016-13, the Company calculated an approximately $0.1 million allowance for expected credit losses for its reinsurance balances receivable.

Valuation of Net Deferred Income Taxes

The provision for income taxes is calculated based on the expected tax treatment of transactions recorded in the Company's consolidated financial statements. In determining its provision for income taxes, the Company interprets tax legislation in a variety of jurisdictions and makes assumptions about the expected timing of the reversal of deferred income tax assets and liabilities and the valuation of net deferred income taxes.

The ultimate realization of the deferred income tax asset balance is dependent upon the generation of future taxable income during the periods in which the Company's temporary differences reverse and become deductible. A valuation allowance is established when it is more likely than not that all or a portion of the deferred income tax asset balance will not be realized. In determining whether a valuation allowance is needed, management considers all available positive and negative evidence affecting specific deferred income tax asset balances, including the Company's past and anticipated future performance, the reversal of deferred income tax liabilities, and the availability of tax planning strategies. To the extent a valuation allowance is established in a period, an expense must be recorded within the income tax provision in the consolidated statements of income and comprehensive income.

Premium Revenue Recognition

The Company participates in reinsurance quota-share contracts and estimates the ultimate premiums for the contract period. These estimates are based on information received from the ceding companies, whereby premiums are recorded as written in the same periods in which the underlying insurance contracts are written and are based on cession statements from cedents. These statements are received quarterly and in arrears, and thus, for any reporting lag, premiums written are estimated based on the portion of the ultimate estimated premiums relating to the risks underwritten during the lag period. Premium estimates are reviewed by management periodically. Such review includes a comparison of actual reported premiums to expected ultimate premiums. Based on management's review, the appropriateness of the premium estimates is evaluated, and any adjustments to these estimates are recorded in the period in which they are determined. Changes in premium estimates, including premiums receivable, are not unusual and may result in significant adjustments in any period. A significant portion of amounts included in the caption "Reinsurance balances receivable" in the Company's consolidated balance sheets represent estimated premiums written, net of commissions, brokerage, and loss and loss adjustment expense, and are not currently due based on the terms of the underlying contracts. Premiums written are generally recognized as earned over the contract period in proportion to the risk covered. Additional premiums due on a contract that has no remaining coverage period are earned in full when written. Unearned premiums represent the unexpired portion of reinsurance provided.

Deferred Policy Acquisition Costs

Policy acquisition costs are costs that vary with, and are directly related to, the successful production of new and renewal reinsurance business, and consist principally of commissions, taxes, and brokerage expenses. If the sum of a contract's expected losses and loss expenses and deferred acquisition costs exceeds associated unearned premiums and expected investment income, a premium deficiency is determined to exist. In this event, deferred acquisition costs are written off to the extent necessary to eliminate the premium deficiency. If the premium deficiency exceeds deferred acquisition costs, then a liability is accrued for the excess deficiency. There were no premium deficiency adjustments recognized during the periods presented herein.

Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expense reserve estimates are based on estimates derived from reports received from ceding companies. These estimates are periodically reviewed by the Company's management and adjusted as necessary. Since reserves are estimates, the final settlement of losses may vary from the reserves established and any adjustments to the estimates, which may be material, are recorded in the period they are determined.

Loss estimates may also be based upon actuarial and statistical projections, an assessment of currently available data, predictions of future developments, estimates of future trends and other factors. Significant assumptions used by the Company's management and third-party actuarial specialists include loss development factor selections, initial expected loss ratio selections, and weighting of methods used. The final settlement of losses may vary, perhaps materially, from the reserves recorded. All adjustments to the estimates are recorded in the period in which they are determined. U.S. GAAP does not permit establishing loss reserves, which include case reserves and IBNR loss reserves, until the occurrence of an event which may give rise to a claim. As a result, only loss reserves applicable to losses incurred up to the reporting date are established, with no allowance for the establishment of loss reserves to account for expected future loss events. Generally, the Company obtains regular updates of premium and loss related information for the current and historical periods, which are utilized to update the initial expected loss ratio. We also experience lag between (i) claims being reported by the underlying insured to the Company's cedent and (ii) claims being reported by the Company's cedent to the Company. This lag may impact the Company's loss reserve estimates. Cedent reports have pre-determined due dates (for example, thirty days after each month end). As a result, the lag depends in part upon the terms of the specific contract. The timing of the reporting requirements is designed so that the Company receives premium and loss information as soon as practicable once the cedent has closed its books. Accordingly, there should be a short lag in such reporting. Additionally, most of the contracts that have the potential for large single event losses have provisions that such loss notifications are provided to the Company immediately upon the occurrence of an event.

Stock-Based Compensation Expense

The Company uses the fair-value method of accounting for stock-based compensation awards granted. The Company has determined the fair value of its outstanding stock options on their grant date using the Black-Scholes option pricing model along with multiple Monte Carlo simulations to determine a derived service period as the options vest based upon meeting certain performance conditions. The Company determines the fair value of restricted stock units ("RSUs") on their grant date using the fair value of the Company's common stock on the date the RSUs were issued (for those RSU which vest solely based upon the passage of time). The fair value of these awards is recorded as compensation expense over the requisite service period, which is generally the expected period over which the awards will vest, with a corresponding increase to additional paid-in capital. When the stock options are exercised, or correspondingly, when the RSUs vest, the amount of proceeds together with the amount recorded in additional paid-in capital is recorded in shareholders' equity.

Recent Accounting Pronouncements

See Item 8, Note 3 – Recently Adopted and Issued Accounting Standards in the Notes to the Consolidated Financial Statements for a discussion of recent accounting pronouncements and their effect, if any, on the Company.

Analysis of Financial Condition

As of September 30, 2023 Compared to December 31, 2022

Investments

See Item 8, Note 4, Investments and Fair Value Disclosures, for information regarding the Company's investments held at fair value as of September 30, 2023 and December 31, 2022.

Equity Method Investments

See Item 8, Note 4, under the caption, "Equity Method Investments," for information relating to the Company's investments accounted for under the equity method.

Investments without Readily Determinable Fair Value

See Item 8, Note 4, under the caption, "Investments without Readily Determinable Fair Value," for information relating to Company investments for which readily determinable fair values do not exist.

Funds Deposited with Reinsured Companies

See Item 8, Note 2, under the caption, "*Funds Deposited for benefit of Reinsured Companies*," for information relating to FGRe's collateral deposits.

Reinsurance Balances Receivable

Reinsurance balances receivable were $14.5 million, net of a current expected loss allowance of $0.1 million, as of September 30, 2023 compared to $9.3 million as of December 31, 2022, representing net amounts due to the Company under our quota-share agreements. As the Company estimates the ultimate premiums, loss expenses and other costs associated with some of these contracts, based on information received by us from the ceding companies, a significant portion of this balance is based on estimates and, ultimately, may not be collected by the Company.

Net Deferred Taxes

See Item 8, Note 6, Income Taxes, for information relating to deferred income taxes.

Loss and Loss Adjustment Expense Reserves

See Item 8, Note 5, Loss and Loss Adjustment Expense Reserves, for information relating to loss and loss adjustment expense and judgments required for recording such items.

Off Balance Sheet Arrangements

None.

Shareholders' Equity

8.00% Cumulative Preferred Stock, Series A

The total number of Series A Preferred Stock shares outstanding as of September 30, 2023 is 894,580.

Dividends on the Series A Preferred Stock are cumulative from the date of original issue and are payable quarterly on the 15th day of March, June, September and December of each year, when, as and if declared by our Board of Directors. Dividends are payable out of amounts legally available therefore at a rate equal to 8.00% per annum per $25.00 of stated liquidation preference per share, or $2.00 per share of Series A Preferred Stock per year. Our Board of Directors declared the third quarter 2023 dividend on the shares of Series A Preferred Stock on August 10, 2023. The Series A Preferred Stock shares trade on the Nasdaq Stock Market under the symbol "FGFPP."

Common Stock

In June 2022, we sold a total of 2,750,000 shares of our common stock in an underwritten public offering, at a price of $1.58 per share, for net proceeds of approximately $3.8 million. On August 2, 2022, ThinkEquity, the underwriter with respect to the public offering, partially exercised its overallotment option and we sold an additional 71,770 shares of our common stock, at a price of 1.58 per share, for net proceeds of $0.1 million. The Company intends to use the net proceeds from the underwritten public offering for working capital and other general corporate purposes.

On November 3, 2022, the Company entered into a Sales Agreement with ThinkEquity LLC, pursuant to which the Company may offer and sell, from time to time through ThinkEquity LLC, shares of the Company's common stock, subject to the terms and conditions of the Sales Agreement. During the first quarter of 2023, the Company sold approximately 27,000 shares under the Sales Agreement for net proceeds of approximately $74,000. On May 26, 2023, the Sales Agreement was terminated.

In June of 2023, the Company sold a total of 865,000 shares of common stock in an underwritten public offering, at a price of $1.85 per share, for net proceeds of approximately $1.3 million. The Company intends to use the net proceeds from the underwritten public offering for general working capital purposes.

The total number of common stock outstanding as of September 30, 2023 is 10,303,739.

Change in Shareholders' Equity

The table below presents the primary components of changes to total shareholders' equity for the nine months ended September 30, 2023 and 2022.

	Preferred Shares Outstanding	Common Shares Outstanding	Total Shareholders' Equity attributable to FG Financial Group, Inc.
Balance, January 1, 2022	894,580	6,497,205	$ 34,009
Stock compensation expense	–	75,065	180
Dividends declared on Series A Preferred Stock	–	–	(1,341)
Issuance of common stock		2,821,770	3,889
Net income	–	–	955
Balance, September 30, 2022	894,580	9,394,040	$ 37,692
Balance, January 1, 2023	894,580	9,410,473	$ 37,296
Stock compensation expense	–	1,080	1,481
Dividends declared on Series A Preferred Stock	–	–	(1,339)
Issuance of common stock	–	892,186	1,280
Net income	–	–	4,055
Cumulative effect of adoption of accounting guidance for expected credit losses at January 1, 2023	-	-	(106)
Balance, September 30, 2023	894,580	10,303,739	$ 42,667

Results of Operations

Three and Nine Months Ended September 30, 2023 Compared with Three and Nine Months Ended September 30, 2022

Net Premiums Earned

Net premiums earned represent actual premiums earned on our reinsurance agreements as well as estimated premiums earned on our FAL agreement as disclosed previously. All actual and estimated premiums earned are the result of property and casualty assumed premium. For the nine months ended September 30, 2023 and 2022, earned premiums are approximately $11.5 million and $9.8 million, respectively. For the three months ended September 30, 2023 and 2022, earned premiums are approximately $4.1 million and $4.4 million, respectively. The increase in reinsurance premiums for the nine months ended was due primarily to the additional reinsurance agreement entered into with FAL to cover risks written by the syndicate during the calendar year 2023.

Net Investment Income

Net investment income (loss) for the three and nine months ended September 30, 2023 and 2022 is as follows:

($ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Investment income (loss):				
Realized gain (loss) on common stock	$ 3,078	$ (2,472)	$ 3,062	$ (11,441)
Change in unrealized holding on common stock	404	2,448	319	10,521
Equity method earnings	3,460	11,226	4,192	6,080
Increase in investments without a readily determinable fair value	-	-	250	-
Decrease (increase) in fair value of convertible note	(52)	-	125	-
Other	71	(28)	324	(46)
Net investment (loss) income	$ 6,961	$ 11,174	$ 8,272	$ 5,114

Other Income

Other income was $84,000 compared to $266,000 for the nine months ended September 30, 2023 and 2022, respectively, and is primarily comprised of service fee revenue we have earned under our SPAC Platform.

Net Losses and Loss Adjustment Expenses

Net losses and loss adjustment expenses ("LAE") for the three months ended September 30, 2023 and 2022, were $2.2 million and $2.4 million, respectively ($6.1M and $5.8M for the nine months ended September 30, 2023 and 2022, respectively). As discussed under Note 5, Loss and Loss Adjustment Expense Reserves, a portion of this charge represents an estimate based upon a full calendar year forecast of results provided to us by the ceding companies under our FAL arrangements.

General and Administrative Expenses

General and administrative expenses increased by $1.2 million to $7.2 million for the nine months ended September 30, 2023, compared to $6.0 million for the nine months ended September 30, 2022. For the three months ended September 30, 2023, general and administrative expenses was $2.3 million, compared to $2.0 million for the three months ended September 30, 2022. The increase for both 2023 periods was primarily due to an increase in stock compensation expense, which is a non-cash charge to the consolidated statements of operations.

Income Tax Expense (Benefit)

Our actual effective tax rate varies from the statutory federal income tax rates as shown in the following table.

($ in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Provision for taxes at U.S., statutory marginal income tax rate of 21%	$ 1,182	$ 2,154	$ 852	$ 201
Valuation allowance for deferred tax assets deemed unrealizable	(1,200)	(2,168)	(871)	(219)
Non-deductible expenses associated with the Share Repurchase Transaction	–	2	1	2
Share-based compensation	18	12	18	16
Income tax expense (benefit)	$ –	$ –	$ –	$ –

As of September 30, 2023 and 2022, the Company has gross deferred tax assets of approximately $8.0 million and $7.9 million, respectively; however the Company has recorded a valuation allowance against all of its deferred tax assets due to the uncertain nature surrounding our ability to realize these tax benefits in the future, resulting in a net deferred income tax asset of $0 as of September 30, 2023 and 2022.

Net Income (Loss)

Information regarding our net loss and loss per share for the three months and nine months ended September 30, 2023 and 2022 is as shown in the following table:

($ in thousands)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Basic and diluted:				
Net income from continuing operations	$ 5,628	$ 10,255	$ 4,055	$ 955
Dividends declared on Series A Preferred Shares	(447)	(447)	(1,339)	(1,342)
Income (loss) attributable to FG Financial Group, Inc. common shareholders from continuing operations	5,181	9,808	2,716	(387)
Weighted average common shares	10,303,739	9,333,709	9,813,438	7,564,017
Income (loss) per common share from continuing operations	$ 0.50	$ 1.05	$ 0.28	$ (0.05)
Weighted average common shares outstanding	10,303,739	9,333,709	9,813,438	7,564,017

Liquidity and Capital Resources

The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. The liquidity requirements of the Company and its subsidiaries have been met primarily by funds generated from operations and from the proceeds from the sales of our common stock. Cash provided from these sources has historically been used for making investments, loss and LAE payments, as well as other operating expenses.

Cash Flows

The following table summarizes the Company's consolidated cash flows for the nine months ended September 30, 2023 and 2022.

(in thousands)	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Summary of Cash Flows		
Cash and cash equivalents – beginning of period	$ 3,010	$ 15,542
Net cash used by operating activities	(1,530)	(3,941)
Net cash provided (used) by investing activities	4,104	(4,502)
Net cash (used) provided by financing activities	(59)	2,548
Net Increase (decrease) in cash and cash equivalents	2,515	(5,895)
Cash and cash equivalents – end of period	$ 5,525	$ 9,647

For the nine months ended September 30, 2023, net cash used by operating activities was approximately $1.5 million, primarily driven by net income for the period of $4.0 million, an increase in unearned premium reserves of $2.6 million, a decrease in funds deposited with reinsured companies of $2.2 million, an increase in loss and loss adjustment expense reserves of $1.5 million, and an increase in stock compensation expense of $1.5 million. This was offset by a change in equity method and other investments of approximately $4.9 million, a realized gain of $3.0 million, and a increase in reinsurance balances receivable of $5.3 million.

For the nine months ended September 30, 2023, net cash provided by investing activities was $4.1 million, primarily related to the sale of equity securities, offset by our investments into convertible notes and equity method investments.

Net cash used by financing activities was approximately $0.1 million, as a result of our common stock offering for approximately $1.3 million offset by cash dividends declared on our Series A Preferred Shares for approximately $1.4 million.

For the nine months ended September 30, 2022, net cash used by operating activities was approximately $3.9 million, the major drivers of which were as follows:

- Our net income of approximately $1.0 million for the period;
- Approximately $10.5 million for a non-cash charge related to the unrealized holding gain, offset by $11.2 million in realized loss on sale associated with our shares of FedNat common stock; and
- Approximately $2.9 million for a non-cash charge related to the unrealized holding gains on our various investments.
- Approximately $2.7 million increase to amounts held on deposit with reinsured companies.

For the nine months ended September 30, 2022, net cash used by investing activities was $4.5 million primarily related to our increased investment in the Fund to sponsor FG Merger and FG Acquisition. Net cash provided by financing activities was approximately $2.5 million, as a result of our common stock offering for approximately $3.8 million offset by cash dividends declared on our Series A Preferred Shares for approximately $1.3 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management performed an evaluation under the supervision and with the participation of the Company's principal executive officer and principal financial officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 30, 2023. Based upon this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2023, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of September 30, 2023, the Company was not a party to any legal proceedings and was not aware of any material claims or actions pending or threatened against us. From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. Currently, it is not possible to predict legal outcomes and their impact on the future development of claims. Any such development will be affected by future court decisions and interpretations. Because of these uncertainties, additional liabilities may arise for amounts in excess of the Company's current reserves.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A. "Risk Factors" to our annual report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 24, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit	Description
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act.
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.
** Furnished herewith.

SIGNATURES

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

	FG FINANCIAL GROUP, INC.
Date: November 9, 2023	By: */s/ Larry G. Swets, Jr.*
	Larry G. Swets, Jr., Chief Executive Officer
	(principal executive officer)
Date: November 9, 2023	By: */s/ Hassan R. Baqar*
	Hassan R. Baqar, Chief Financial Officer
	(principal financial and accounting officer)

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EXHIBIT 31.1

Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Larry G. Swets, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2023 September 30, 2023 of FG Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023 November 9, 2023

By: */s/ Larry G. Swets, Jr.*

Larry G. Swets, Jr., Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Hassan R. Baqar, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2023 September 30, 2023 of FG Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023 November 9, 2023

By: */s/ Hassan R. Baqar*

Hassan R. Baqar, Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

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

In connection with the Quarterly Report on Form 10-Q (the "Report") of FG Financial Group, Inc. (the "Company") for the quarterly period ended June 30, 2023 September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof, I, Larry G. Swets, Jr., the Principal Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2023 November 9, 2023

By: */s/ Larry G. Swets, Jr.*

Larry G. Swets, Jr., Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

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

In connection with the Quarterly Report on Form 10-Q (the "Report") of FG Financial Group, Inc. (the "Company") for the quarterly period ended June 30, 2023 September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof, I, Hassan R. Baqar, the Chief Financial Officer and Principal Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2023 November 9, 2023

By: */s/ Hassan R. Baqar*

Hassan R. Baqar, Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

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