

Risk Factors Comparison 2025-03-18 to 2024-04-01 Form: 10-K

Legend: New Text Removed Text Unchanged Text Moved Text Section

Our future success will depend, in part, upon the efforts of Meryl Golden, our President and Chief Executive Officer, ~~and Barry Goldstein, our Executive Chairman~~. The loss of Ms. Golden ~~or Mr. Goldstein~~ or other key personnel could prevent us from fully implementing our business strategies and could materially and adversely affect our business, financial condition and results of operations. As we continue to grow, we will need to recruit and retain additional qualified management personnel, but we may not be able to do so. Our ability to recruit and retain such personnel will depend upon a number of factors, such as our results of operations and prospects and the level of competition prevailing in the market for qualified personnel. Ms. Golden and we are parties to an employment agreement which expires on December 31, 2024 **2026**. ~~Mr. Goldstein and we are parties to an employment agreement which expires on the earlier of December 31, 2024 or at the time of our 2024 annual meeting of stockholders if he is not re-elected Chairman of the Board at such time.~~ Difficult conditions in the economy generally could adversely affect our business and operating results. As with most businesses, we believe that difficult conditions in the economy could have an adverse effect on our business and operating results. General economic conditions also could adversely affect us in the form of consumer behavior, which may include decreased demand for our products. As consumers become more cost conscious, they may choose to purchase lower levels of insurance. Changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our reported results of operations and financial condition. Our financial statements are subject to the application of generally accepted accounting principles, which are periodically revised, interpreted and / or expanded. Accordingly, we are required to adopt new guidance or interpretations, which may have a material adverse effect on our results of operations and financial condition that is either unexpected or has a greater impact than expected. Our business could be adversely affected by a security breach or other attack involving our computer systems or those of one or more of our vendors. Our business requires that we develop and maintain computer systems to run our operations and to store a significant volume of confidential data. Some of these systems rely on third-party vendors, through either a connection to, or an integration with, those third-party systems. In the course of our operations, we acquire the personal confidential information of our customers and employees. We also store our intellectual property, trade secrets, and other sensitive business and financial information. All of these systems are subject to “cyber attacks” by sophisticated third parties with substantial computing resources and capabilities, and to unauthorized or illegitimate actions by employees, consultants, agents and other persons with legitimate access to our systems. Such attacks or actions may include attempts to: • steal, corrupt, or destroy data, including our intellectual property, financial data or the personal information of our customers or employees • misappropriate funds • disrupt or shut down our systems • deny customers, agents, brokers, or others access to our systems, or • infect our systems with viruses or malware. ~~29While~~ **While** we can take defensive measures, there can be no assurance that we will be successful in preventing attacks or detecting and stopping them once they have begun. Our business could be significantly damaged by a security breach, data loss or corruption, or cyber attack. In addition to the potentially high costs of investigating and stopping such an event and implementing necessary fixes, we could incur substantial liability if confidential customer or employee information is stolen. In addition, such an event could cause a significant disruption of our ability to conduct our insurance operations. We have a cyber insurance policy to protect against the monetary impact of some of these risks. However, the occurrence of a security breach, data loss or corruption, or cyber-attack, if sufficiently severe, could have a material adverse effect on our business results. We rely on our information technology and telecommunication systems, and the failure of these systems could materially and adversely affect our business. Our business is highly dependent upon the successful and uninterrupted functioning of our information technology and telecommunications systems. We rely on these systems to support our operations. The failure of these systems could interrupt our operations and result in a material adverse effect on our business.

Risks Related to Our Common Stock Our stock price may fluctuate significantly and be highly volatile and this may make it difficult for stockholders to resell shares of our common stock at the volume, prices and times they find attractive. The market price of our common stock could be subject to significant fluctuations and be highly volatile, which may make it difficult for stockholders to resell shares of our common stock at the volume, prices and times they find attractive. There are many factors that will impact our stock price and trading volume, including, but not limited to, the factors listed above under “Risks Related to Our Business.” Stock markets, in general, have experienced in recent years, and continue to experience, significant price and volume volatility, and the market price of our common stock may continue to be subject to similar market fluctuations that may be unrelated to our operating performance and prospects. Increased market volatility and fluctuations could result in a substantial decline in the market price of our common stock. The trading volume in our common stock has been limited. As a result, stockholders may not experience liquidity in their investment in our common stock, thereby potentially limiting their ability to resell their shares at the volume, times and prices they find attractive. Our common stock is currently traded on The Nasdaq Capital Market (“Nasdaq”). Our common stock has substantially less liquidity than the average trading market for many other publicly traded insurance and other companies. An active trading market for our common stock may not develop or, if developed, may not be sustained. Such stocks can be more volatile than stocks trading in an active public market. Therefore, stockholders have reduced liquidity and may not be able to sell their shares at the volume, prices and times that they desire. ~~30There~~ **There** may be future issuances or resales of our common stock which may materially and adversely affect the market price of our common stock. Subject to any required state insurance regulatory approvals, we are not restricted from issuing additional shares of our common stock in the future, including securities convertible into, or exchangeable or exercisable for, shares of our common stock. Our issuance of additional shares of common stock in the future will dilute the

ownership interests of our then existing stockholders. We have effective registration statements on Form S- 8 under the Securities Act of 1933, as amended (the “ Securities Act ”), covering an aggregate of ~~12~~, 900, 000 shares of our common stock issuable under our **Amended and Restated** 2014 Equity Participation Plan (the **" 2014 Plan"**) and our **2024 Equity Participation Plan (the** “ 2014-2024 Plan ”). As of December 31, ~~2023~~-**2024**, options to purchase ~~107,281~~, ~~201,913~~ shares of our common stock, and ~~550,267~~, ~~581,586~~ shares subject to unvested restricted stock grants, were outstanding under the 2014 Plan and ~~584,596~~-**the 2024 Plan and 941,245** shares were reserved for issuance thereunder. The shares issuable pursuant to the registration statements on Form S- 8 will be freely tradable in the public market, except for shares held by our affiliates. As of December 31, ~~2023~~-**2024**, there were also outstanding warrants for the purchase of ~~969,642~~, ~~525,025~~ shares of our common stock. The shares issuable pursuant to an exercise of the warrants may be freely tradeable in the public market under certain circumstances. The 2014 Plan ~~terminates~~-**terminated** in August 2024 **and the** ~~We plan to submit to our stockholders for approval a new 2024 equity participation plan~~-**Plan terminates in August 2034**. The sale of a substantial number of shares of our common stock or securities convertible into, or exchangeable or exercisable for, shares of our common stock, whether directly by us, by selling stockholders in future offerings or by our existing stockholders in the secondary market, the perception that such issuances or resales could occur or the availability for future issuances or resale of shares of our common stock or securities convertible into, or exchangeable or exercisable for, shares of our common stock could materially and adversely affect the market price of our common stock and our ability to raise capital through future offerings of equity or equity- related securities on attractive terms or at all. In addition, our board of directors is authorized to designate and issue preferred stock without further stockholder approval, and we may issue other equity and equity- related securities that are senior to our common stock in the future for a number of reasons, including, without limitation, to repay our indebtedness, support operations and growth, maintain our capital ratios, and comply with any future changes in regulatory standards. ~~Our executive officers and directors own a substantial number of shares of our common stock. This will enable them to significantly influence the vote on all matters submitted to a vote of our stockholders. As of March 21, 2024, our executive officers and directors beneficially owned 1,349,810 shares of our common stock, representing 12.2% of the outstanding shares of our common stock. Accordingly, our executive officers and directors, through their beneficial ownership of our common stock, will be able to significantly influence the vote on all matters submitted to a vote of our stockholders, including the election of directors, amendments to our restated certificate of incorporation or amended and restated bylaws, mergers or other business combination transactions and certain sales of assets outside the usual and regular course of business. The interests of our executive officers and directors may not coincide with the interests of our other stockholders, and they could take actions that advance their own interests to the detriment of our other stockholders.~~ 31 Anti- **Anti**- takeover provisions and the regulations to which we may be subject may make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to our stockholders. We are a holding company incorporated in Delaware. Anti- takeover provisions in Delaware law and our restated certificate of incorporation and bylaws, as well as regulatory approvals required under state insurance laws, could make it more difficult for a third party to acquire control of us and may prevent stockholders from receiving a premium for their shares of common stock. Our certificate of incorporation provides that our board of directors may issue up to 2, 500, 000 shares of preferred stock, in one or more series, without stockholder approval and with such terms, preferences, rights and privileges as the board of directors may deem appropriate. These provisions, the control of our executive officers and directors over the election of our directors, and other factors may hinder or prevent a change in control, even if the change in control would be beneficial to, or sought by, our stockholders. We do not currently pay dividends ~~and are restricted pursuant to our debt agreement from paying dividends~~. We have not paid cash dividends since September 2022. Our future dividend policy will be subject to the discretion of our Board of Directors and will be contingent upon future earnings, if any, our financial condition, capital requirements, general business conditions, and other factors. **We** ~~In addition, pursuant to the Exchange Agreement, we are not permitted to pay any cash dividends without the approval of the holders of a majority of the outstanding principal amount of the 2022 Notes. Therefore, we~~ can give no assurance that any dividends will be paid to holders of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS: