

# ATLAS

FINANCIAL HOLDINGS, INC.

NASDAQ: AFH



2018 Second Quarter  
Conference Call  
August 7, 2018



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When discussing our business operations, we may use certain terms of art which are not defined under U.S. GAAP. In the event of any unintentional difference between presentation materials and our GAAP results, investors should rely on the financial information in our public filings.

|   |                                    |                      |
|---|------------------------------------|----------------------|
| Corporate Headquarters                                      | Schaumburg, IL<br>(Chicago Suburb) |                      |
| Core Target Markets   | Taxi/Limo/Livery/Paratransit       |                      |
| <b>NASDAQ: AFH</b>  | <b>At 6/30/2018</b>                | <b>At 12/31/2017</b> |
| Cash and Investments  | \$226.4 million                    | \$243.5 million      |
| Total Assets  | \$483.1 million                    | \$482.5 million      |
| Total Atlas Shareholders' Equity                            | \$96.2 million                     | \$90.6 million       |
| Common Shares Outstanding (includes Restricted Share Units) | 11,944,378                         | 12,178,857           |
| Book Value Per Common Share Outstanding                     | \$8.06                             | \$7.42               |

# 2018 Q2 Financial and Underwriting Results

## Premium Results

Gross premiums written were \$57.4 million for both Q2 2018 and Q2 2017. Challenged taxi accounts less likely to absorb rate increases than other segments.

Overall premium shifted toward limo / livery / para-transit during period

## Underwriting Results

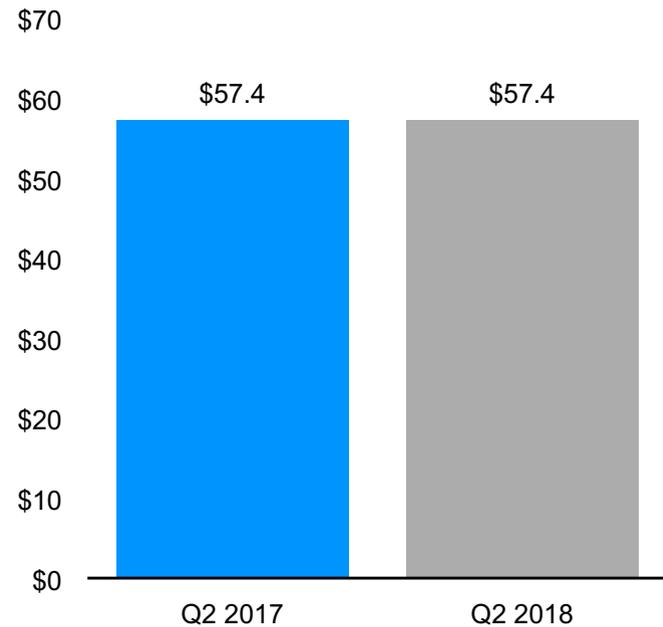
Combined ratio was 88.9% as compared to 86.2% for the prior year period.

1.4 percentage points of yr/yr loss ratio change attributable to assigned risk business.

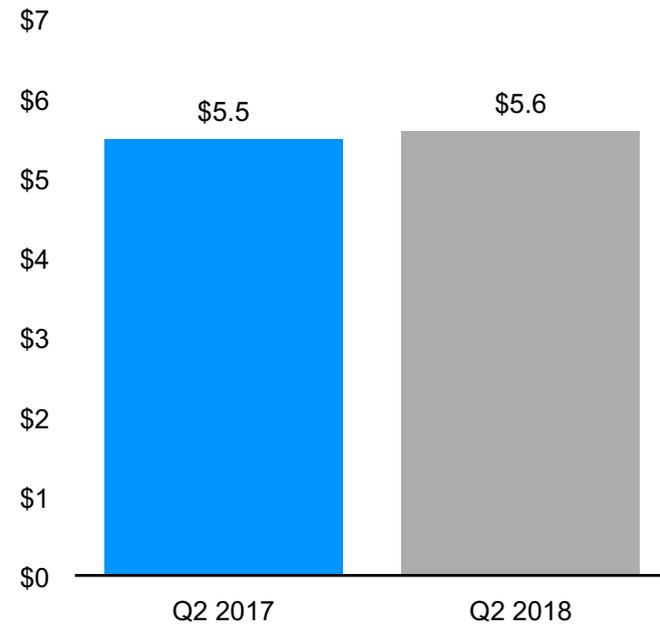
## Book Value

Atlas' book value increased to \$8.06 at 6/30/2018 from \$7.42 at 12/31/2017

**Gross Premiums Written (in millions)**



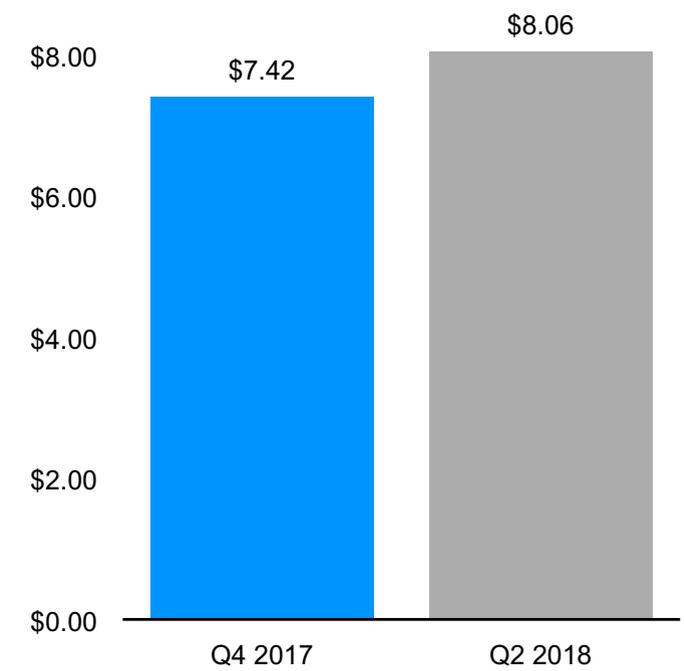
**Net Income (in millions)**



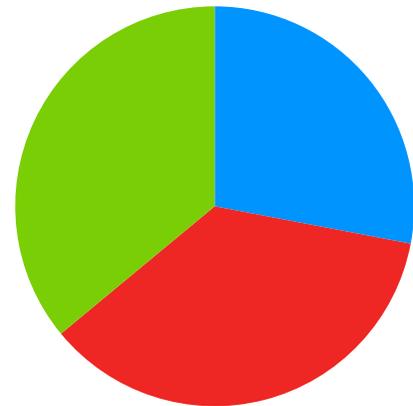
**Earnings per Common Share Diluted**



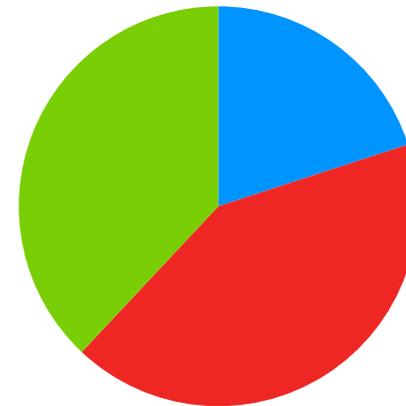
**Book Value per Common Share**



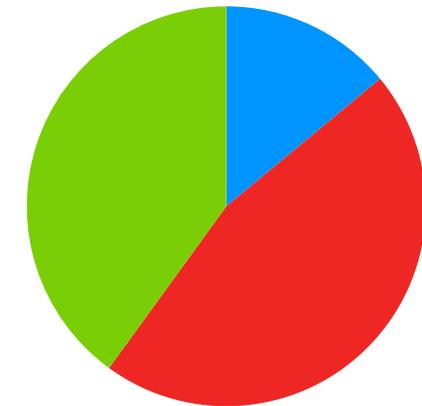
2016 Full Year



2017 Full Year



YTD 2018



■ Taxi    
 ■ Limo/Livery    
 ■ Para-transit

■ Taxi    
 ■ Limo/Livery    
 ■ Para-transit

■ Taxi    
 ■ Limo/Livery    
 ■ Para-transit

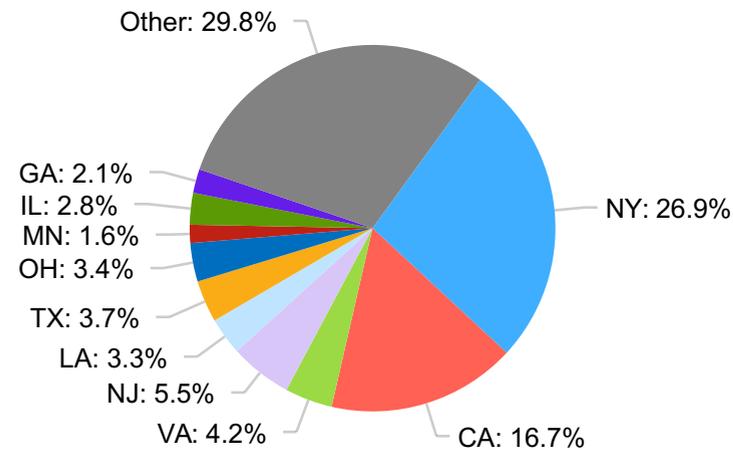
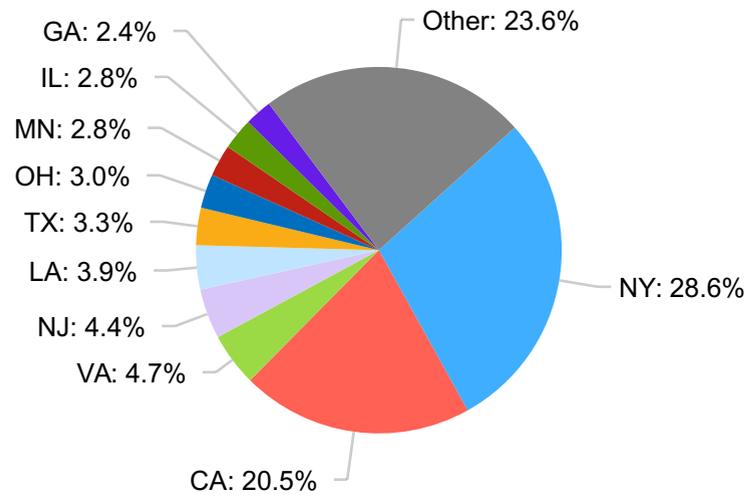
|              | Average Vehicles Per Policy |
|--------------|-----------------------------|
| Taxi         | 2.0                         |
| Limo/Livery  | 1.7                         |
| Para-transit | 3.1                         |

|              | Average Vehicles Per Policy |
|--------------|-----------------------------|
| Taxi         | 2.0                         |
| Limo/Livery  | 2.1                         |
| Para-transit | 3.3                         |

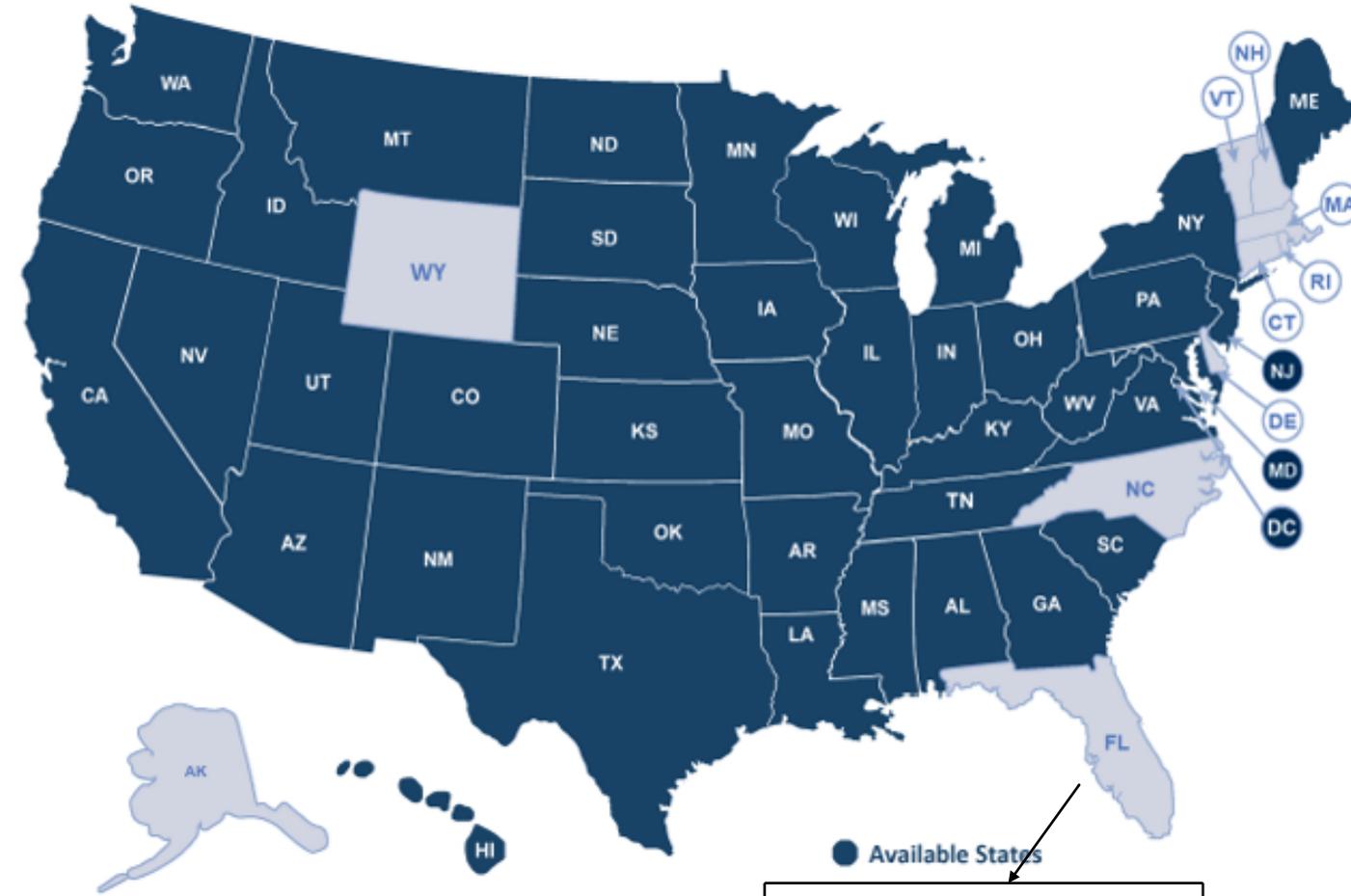
|              | Average Vehicles Per Policy |
|--------------|-----------------------------|
| Taxi         | 2.4                         |
| Limo/Livery  | 1.7                         |
| Para-transit | 3.2                         |

## Gross premiums written by state (in \$000)

|            | Three Month Periods Ended |        |               |        |
|------------|---------------------------|--------|---------------|--------|
|            | June 30, 2018             |        | June 30, 2017 |        |
| New York   | \$ 16,406                 | 28.6%  | \$ 15,438     | 26.9%  |
| California | 11,767                    | 20.5%  | 9,589         | 16.7%  |
| Virginia   | 2,720                     | 4.7%   | 2,402         | 4.2%   |
| New Jersey | 2,535                     | 4.4%   | 3,142         | 5.5%   |
| Louisiana  | 2,216                     | 3.9%   | 1,895         | 3.3%   |
| Texas      | 1,881                     | 3.3%   | 2,137         | 3.7%   |
| Ohio       | 1,724                     | 3.0%   | 1,948         | 3.4%   |
| Minnesota  | 1,623                     | 2.8%   | 941           | 1.6%   |
| Illinois   | 1,616                     | 2.8%   | 1,588         | 2.8%   |
| Georgia    | 1,395                     | 2.4%   | 1,180         | 2.1%   |
| Other      | 13,476                    | 23.6%  | 17,094        | 29.8%  |
| Total      | \$ 57,359                 | 100.0% | \$ 57,354     | 100.0% |



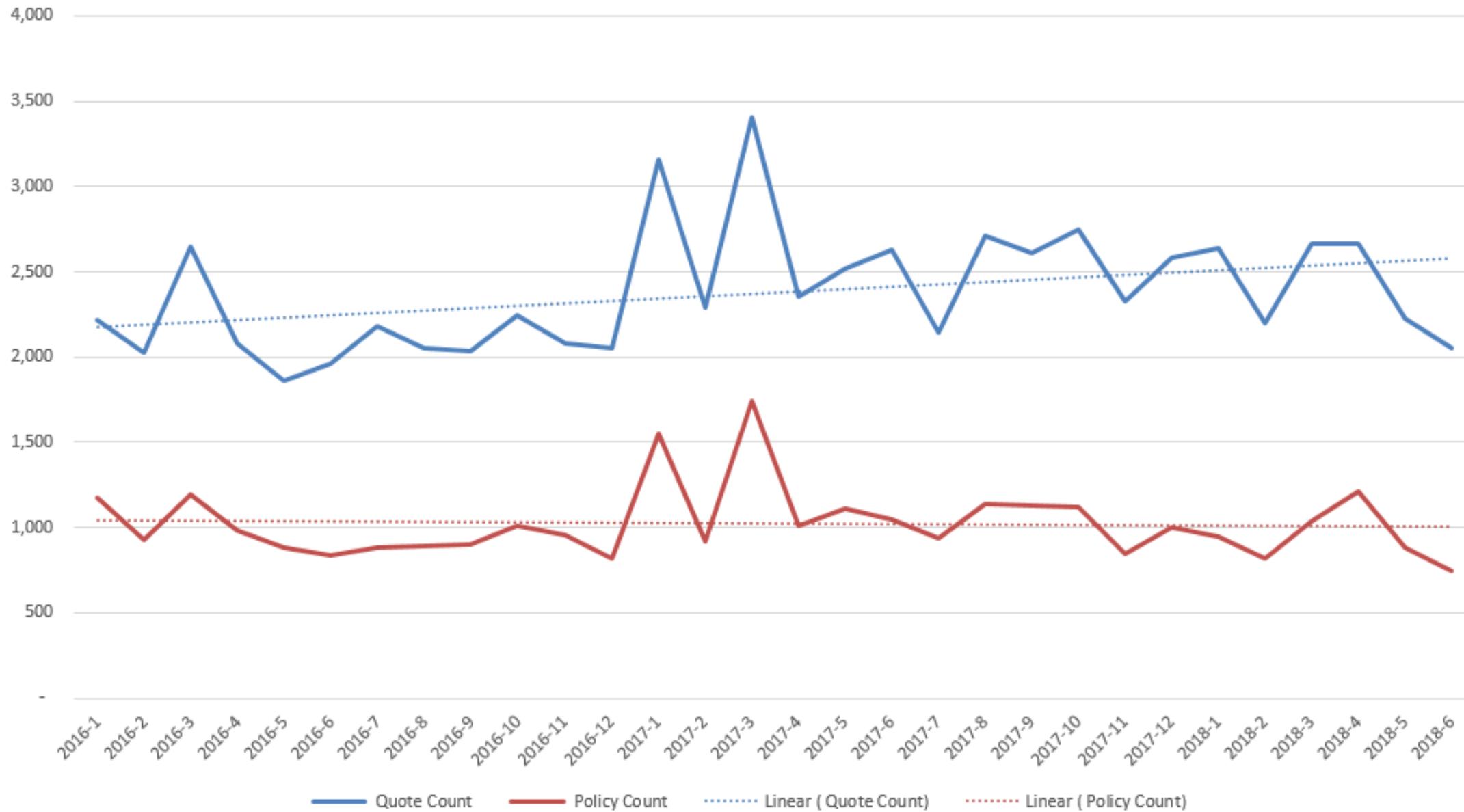
Nationwide market share is estimated at approximately 12% to 13%, with proportionate share forecast at 20%



Limited volume of business in-force in FL to evaluate market conditions

# Commercial Auto Insurance Competitive Landscape

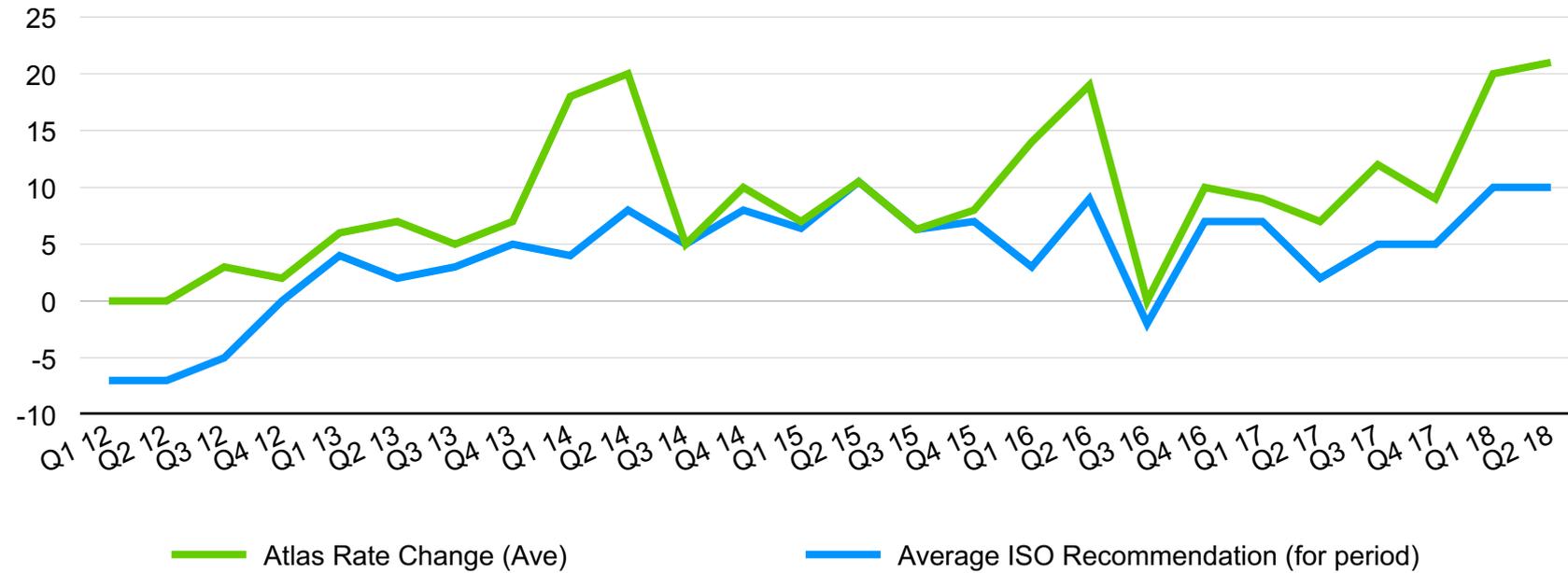
Quote & Bind Activity



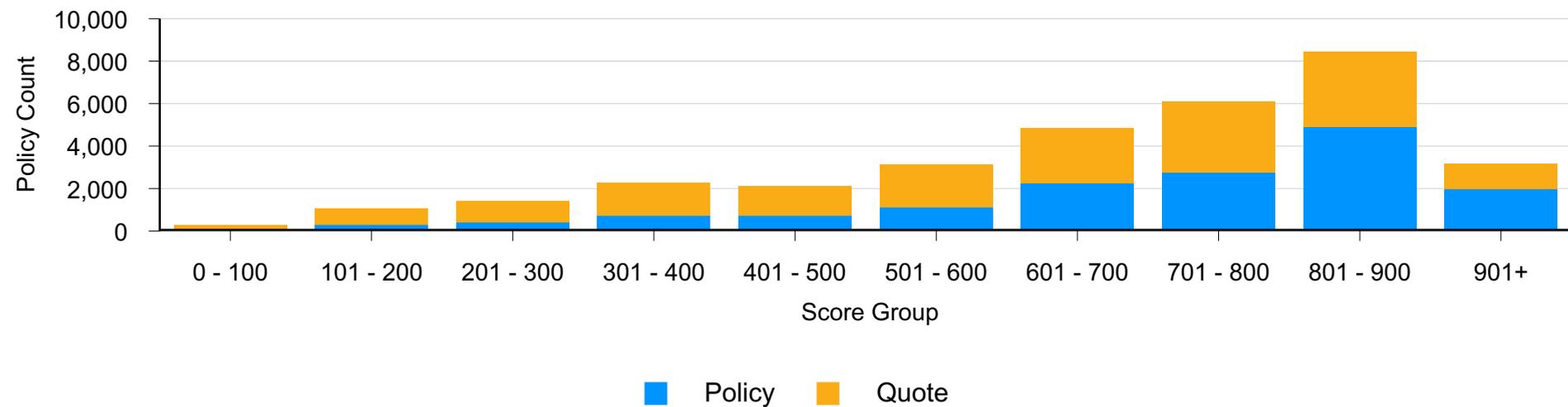
Continued demand and favorable market conditions

Relatively flat trend in new business written, impacted by rate increases

### Pricing Relative to ISO

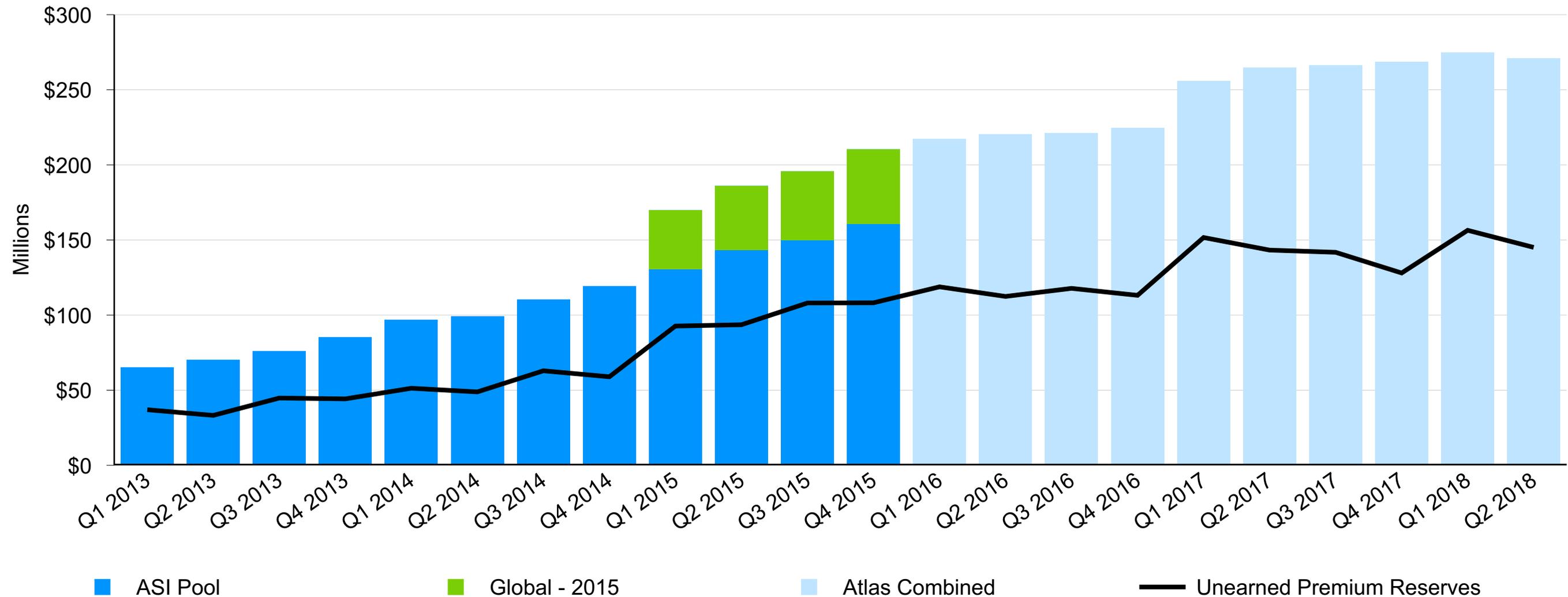


### Predictive Model Policy Counts 6/1/2016 - 6/30/2018



At June 30, 2018, in-force premium was \$270.9 million and the Company's gross unearned premium reserves were \$145.1 million.

### Premium In-force & Unearned Premium Reserves



*Financial Highlights*



## 2018 Second Quarter Financial and Operating Information

### Quarterly Premiums Affected by Rate Decisions / Shift in Market Dynamics

- Gross premiums written generated by the Company for both quarters ended June 30, 2018 and June 30, 2017 were \$57.4 million
- In-force premium at June 30, 2018 increased 2.4% to \$270.9 million, compared to \$268.5 million at December 31, 2017
- Underwriting profit always takes precedent over top line growth
- Expected continued market hardening

### Underwriting Performance

- Underwriting income for the second quarter of 2018 was \$6.2 million, compared to underwriting income of \$7.5 million in the prior year period
- Atlas' underwriting expense ratio<sup>(1)(2)</sup> for the quarter ended June 30, 2018 was 27.3%
- Combined Ratio<sup>(1)</sup> ("CR") was 88.9%
- Net income was \$5.6 million or \$0.47 earnings per common share diluted

*(1) Ratios are computed as a percentage of net premiums earned*

*(2) Excluding the impact of share-based compensation expenses*

### Book Value / Return on Equity

- Book value per common share of \$8.06 (increased \$0.64 compared to prior year end)
- Return on equity was 23.8% in the second quarter 2018 compared to 16.2% in the prior year period

#### 2018 Financial Expectations

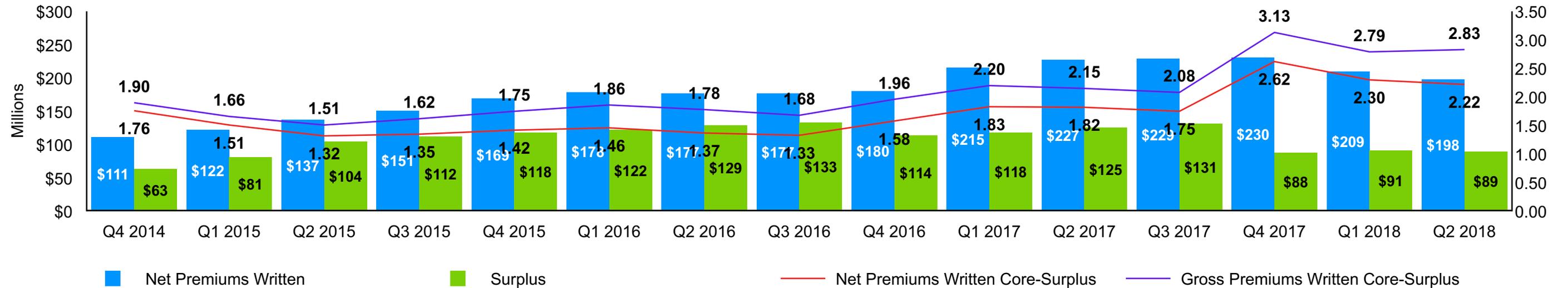
- ✓ Relative stability regarding target market with continued growth
- ✓ Emphasis remains on underwriting profit as priority
- ✓ Expense ratio at or below current levels
- ✓ Exceed P&C industry Return on Equity ("ROE") by 500 - 1,000 bps

No indicators of new market entry and Company continues to expect price leadership to optimize return on deployed capital via underwriting

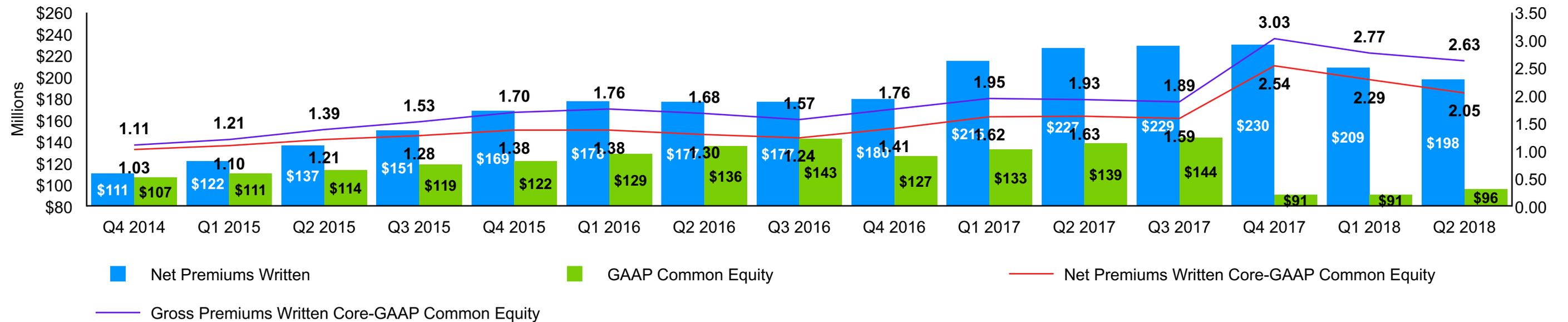
# Operating Leverage (Actual through Q2 2018)

Controlling leverage through the use of quota share:

## Statutory



## GAAP

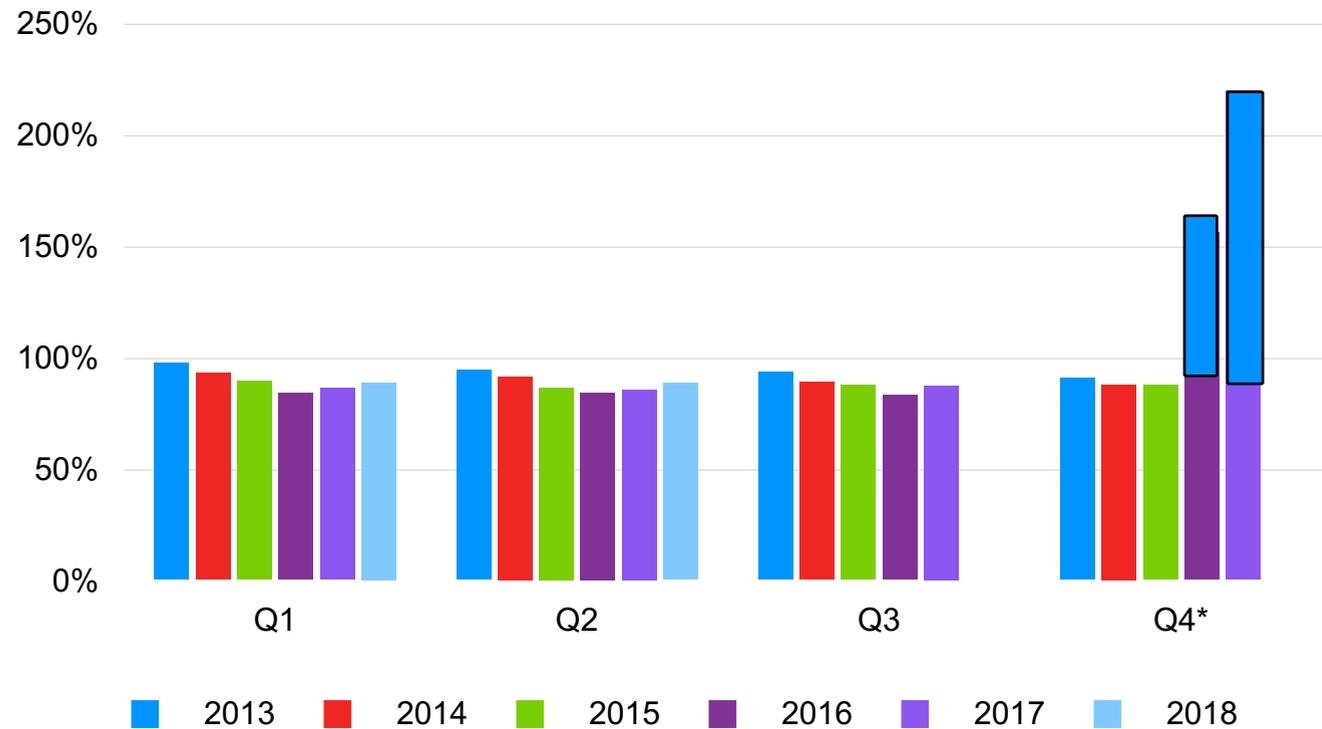


The table below details the comparisons of each component of the Company's combined ratio for the periods indicated (after accounting for the effect of quota share reinsurance):

|   | Three Month Periods Ended |               | Six Month Periods Ended |               |
|---|---------------------------|---------------|-------------------------|---------------|
|   | June 30, 2018             | June 30, 2017 | June 30, 2018           | June 30, 2017 |
| Loss Ratio:   |                           |               |                         |               |
| Current accident year   | 60.7%                     | 59.8%         | 60.7 %                  | 59.9%         |
| Prior accident years  | 0.4%                      | 0.3%          | 1.2 %                   | 0.4%          |
| <b>Loss Ratio</b>   | <b>61.1%</b>              | <b>60.1%</b>  | <b>61.9 %</b>           | <b>60.3%</b>  |
| Underwriting Expense Ratio:   |                           |               |                         |               |
| Acquisition cost ratio  | 12.1%                     | 12.3%         | 11.4 %                  | 11.5%         |
| Other underwriting expense ratio  | 15.1%                     | 12.4%         | 16.0 %                  | 14.0%         |
| Deferred policy acquisition costs amortization ratio  | 0.1%                      | 0.9%          | (0.2)%                  | 0.1%          |
| Underwriting expense ratio before expenses related to stock purchase agreements and share-based compensation expenses | 27.3%                     | 25.6%         | 27.2 %                  | 25.6%         |
| Expenses recovered related to stock purchase agreement ratio  | —%                        | —%            | (0.5)%                  | —%            |
| Share-based compensation expense ratio  | 0.5%                      | 0.5%          | 0.5 %                   | 0.6%          |
| <b>Underwriting expense ratio</b>   | <b>27.8%</b>              | <b>26.1%</b>  | <b>27.2 %</b>           | <b>26.2%</b>  |
| <b>Total combined ratio</b>   | <b>88.9%</b>              | <b>86.2%</b>  | <b>89.1 %</b>           | <b>86.5%</b>  |

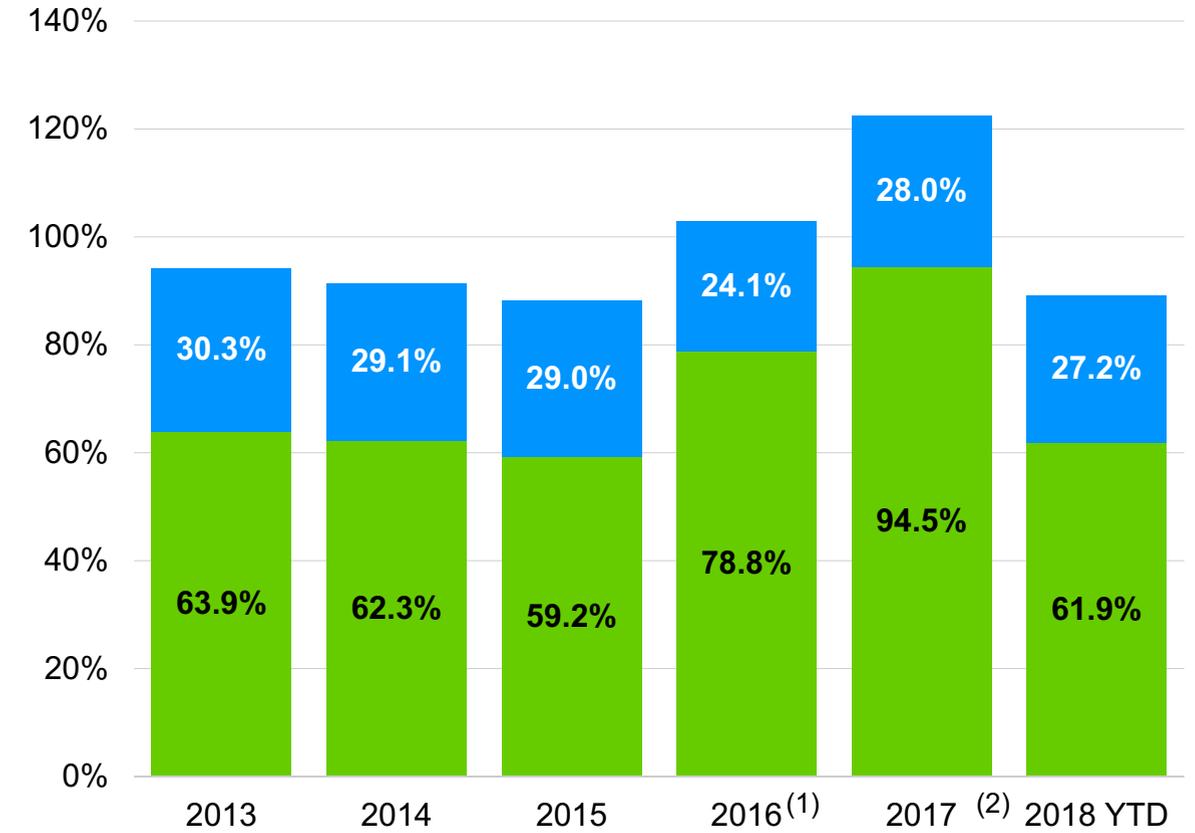
*Note: 1.4% of yr/yr change in loss ratio attributable to assigned risk business*

### Combined Ratio by Quarter



\* 130.3% and 72.9% impact in Q4 2017 & 2016, respectively, related to claims reserve strengthening on prior accident years

### Combined Ratio



■ Loss & LAE Ratio      ■ Underwriting Expense Ratio

(1) 2016 includes 19.1% impact for the full year related to claims reserves strengthening related to prior accident years  
 (2) 2017 includes 35.0% impact for the full year related to claims reserves strengthening related to prior accident years

|                            | Three Month Periods Ended |               |
|----------------------------|---------------------------|---------------|
|                            | June 30, 2018             | June 30, 2017 |
| Loss ratio                 | 61.1%                     | 60.1%         |
| Underwriting expense ratio | 27.8%                     | 26.1%         |
| <b>Combined Ratio</b>      | <b>88.9%</b>              | <b>86.2%</b>  |

## Healthy Balance Sheet with Availability of Capital & Reinsurance to Support Growth

- Attractive investment leverage, Company has \$25 million outstanding of Senior Unsecured Notes at June 30, 2018

| (\$ in millions)                                      | June 30, 2018 | December 31, 2017 |
|---|---------------|-------------------|
| Cash and Investments                                  | \$226.4       | \$243.5           |
| Total Assets  | \$483.1       | \$482.5           |
| Claims Liabilities (gross of Reinsurance Recoverable) | \$187.2       | \$211.6           |
| Unearned Premium Reserves                             | \$145.1       | \$128.0           |
| Atlas Shareholders' Equity                            | \$96.2        | \$90.6            |

## Conservative Investment Approach

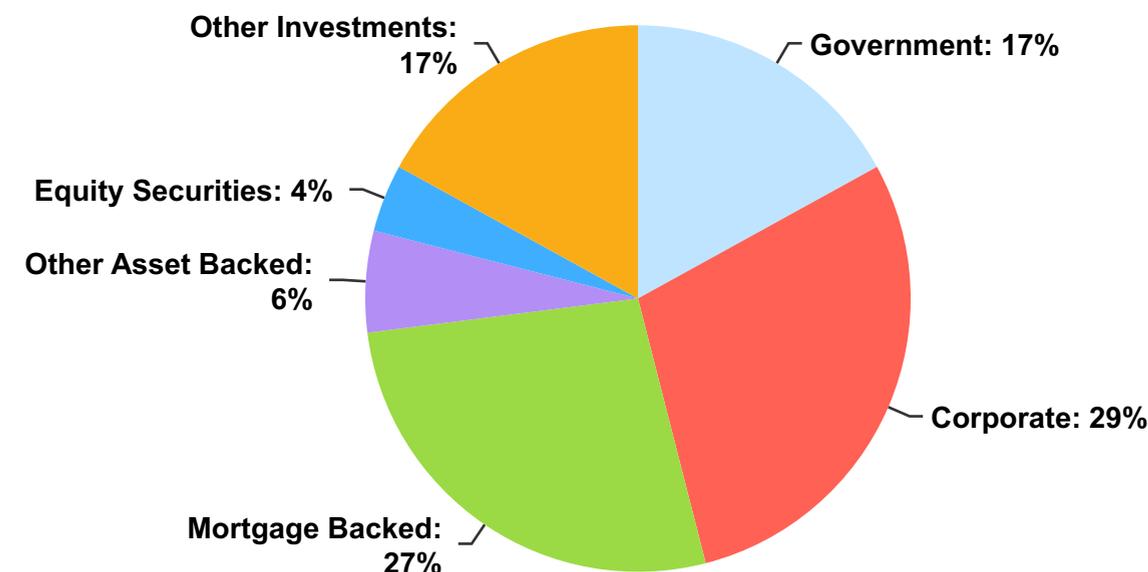
- Emphasize preservation of capital, market liquidity to support payment of liabilities and diversification of risk
- Investment duration re-positioned to match core commercial auto reserve liabilities (4.2 years)

## Investment Portfolio

- As of June 30, 2018, total cash and invested assets were \$226.4 million, of which fixed income consisted of 61.0%
- Predominantly corporate and government bonds
- Average S&P rating of AA
- 27.8% AAA
- 82.4% A or better

|                                      | June 30, 2018     |               | December 31, 2017 |               |
|--------------------------------------|-------------------|---------------|-------------------|---------------|
|                                      | Amount            | % of Total    | Amount            | % of Total    |
| AAA/Aaa                              | \$ 38,443         | 27.8%         | \$ 42,978         | 27.2%         |
| AA/Aa                                | 50,907            | 36.8%         | 58,173            | 36.8%         |
| A/A                                  | 24,598            | 17.8%         | 27,384            | 17.3%         |
| BBB/Baa                              | 23,587            | 17.1%         | 28,348            | 18.0%         |
| BB                                   | 417               | 0.3%          | 875               | 0.6%          |
| B                                    | 230               | 0.2%          | 226               | 0.1%          |
| <b>Total Fixed Income Securities</b> | <b>\$ 138,182</b> | <b>100.0%</b> | <b>\$ 157,984</b> | <b>100.0%</b> |

## Investment Portfolio (6/30/2018)



*Other than fixed income securities will be reduced as a percentage of overall investments during 2018*

# Detailed Impact of Changes to Book Value per Common Share

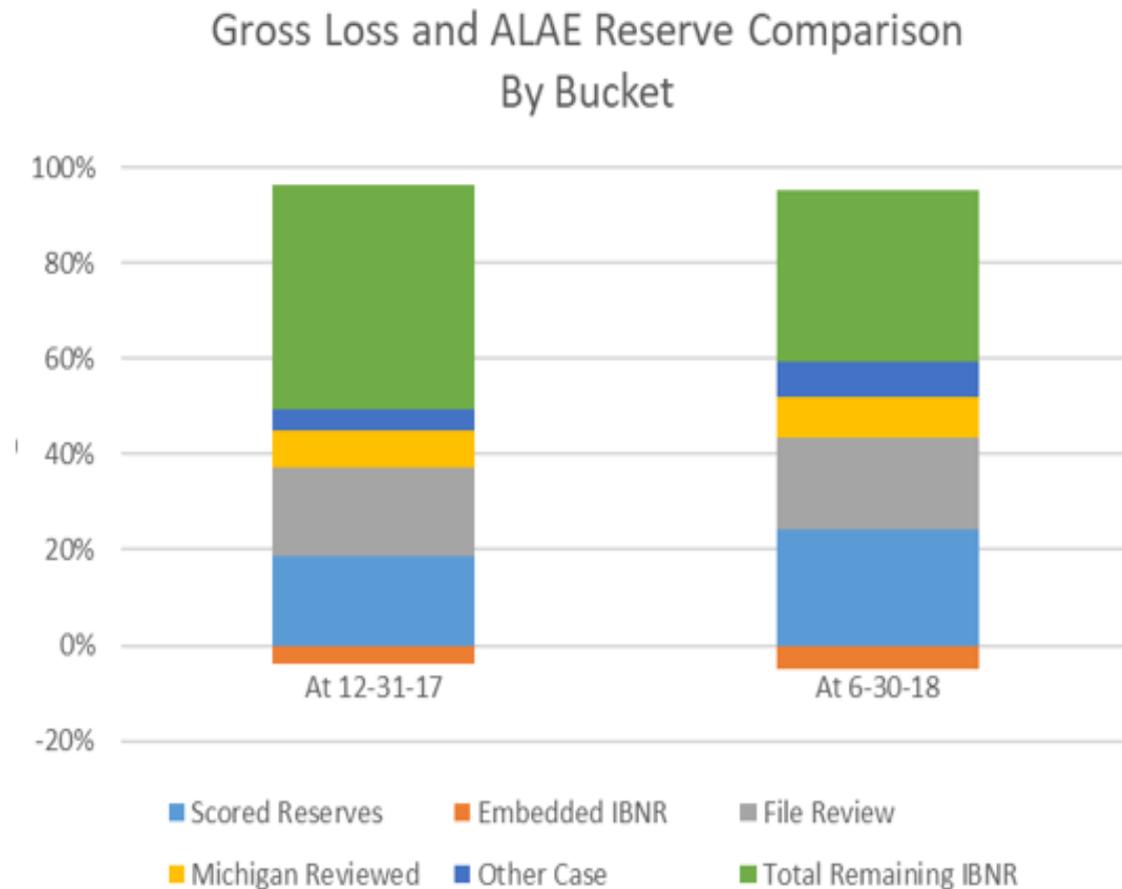
Book value per common share of \$8.06 increased by \$0.64 relative to December 31, 2017 as follows:



*Operating Conclusions*



# Incremental Benefit of Predictive Analytics Claim Activity - ASI POOL Reserves



## Accident Year 2017 and Prior Claim Count

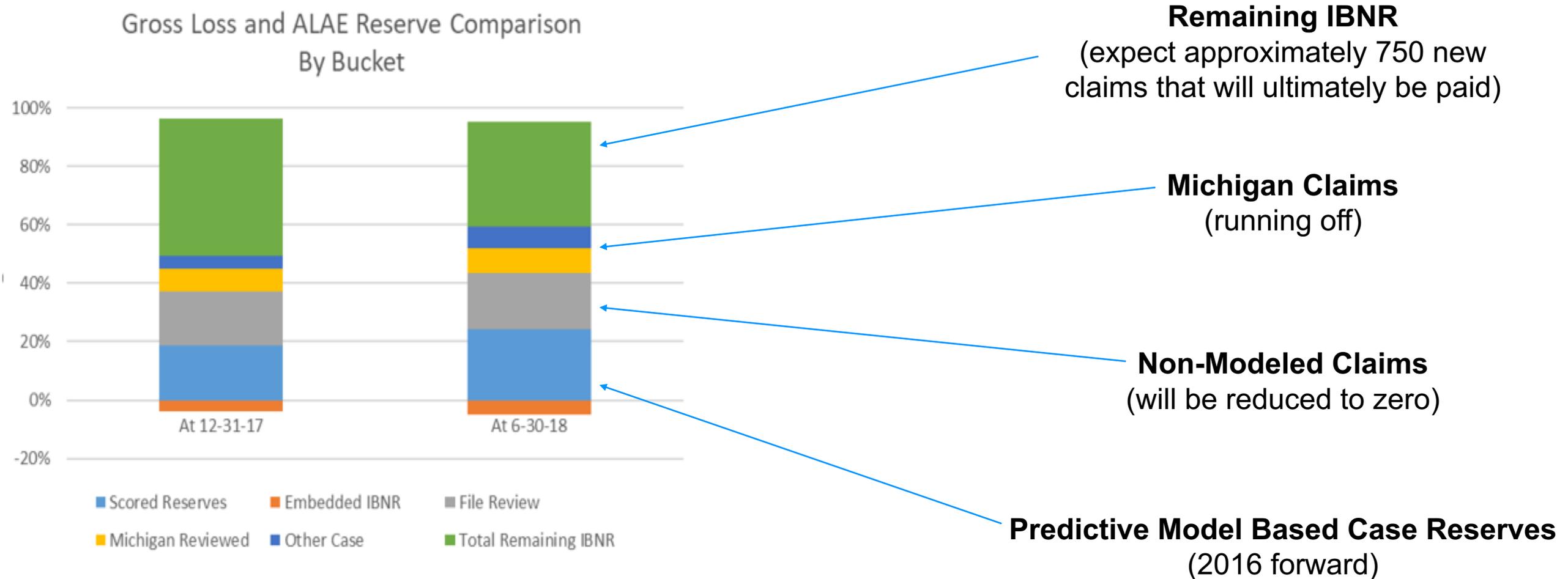
- Overall claim pending reduced by more than 58% since year end
  - Includes new claims presented in Q2 '18 as well as re-opens
- Scored reserves represent majority of open count

## Michigan

- Pending claim count of 351 as of June 30, 2018 (includes new reported for 2018)

## Accident Year 2017 and Prior Loss Reserves

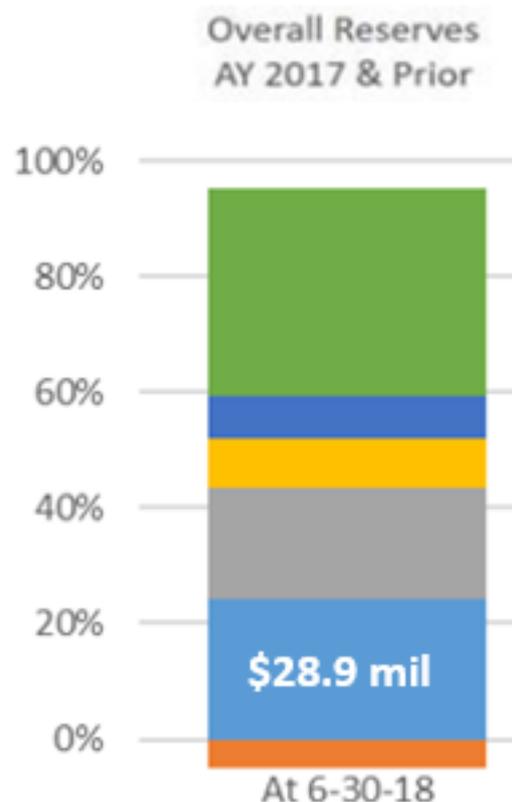
- Gross Loss reserves (case plus IBNR) for the ASI Pool decreased 33.2% since year end
- File review expectation plus modeled case plus physical damage reserves total \$64.9 million
- Additional IBNR of \$42.4 million



**Gross Loss & ALAE reserves (AY '17 and prior) decreased by 33.2%, while claim counts decrease by 58.8%.**

# Reserve Analysis

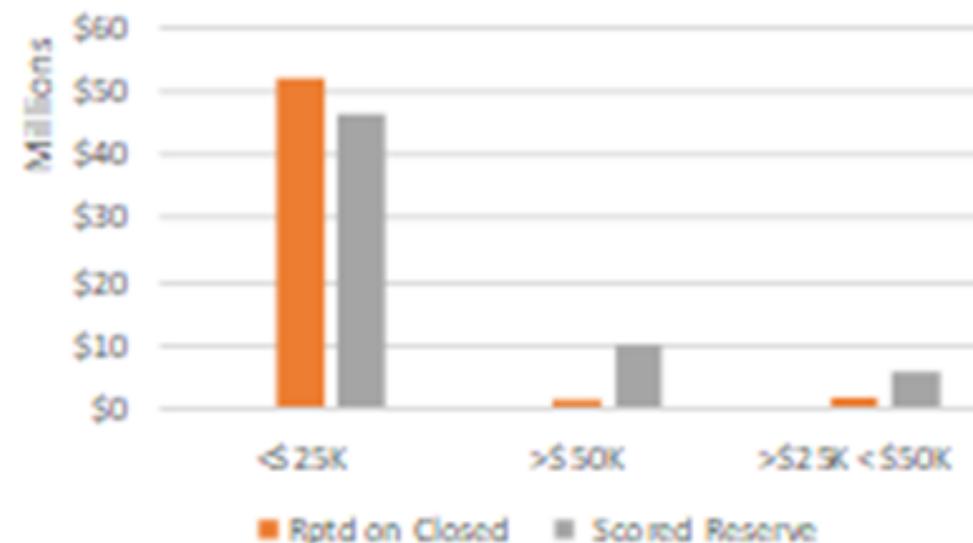
## Predictive Model Based Case



### Since launching modeling in claims, 7,331 scored claims have been closed

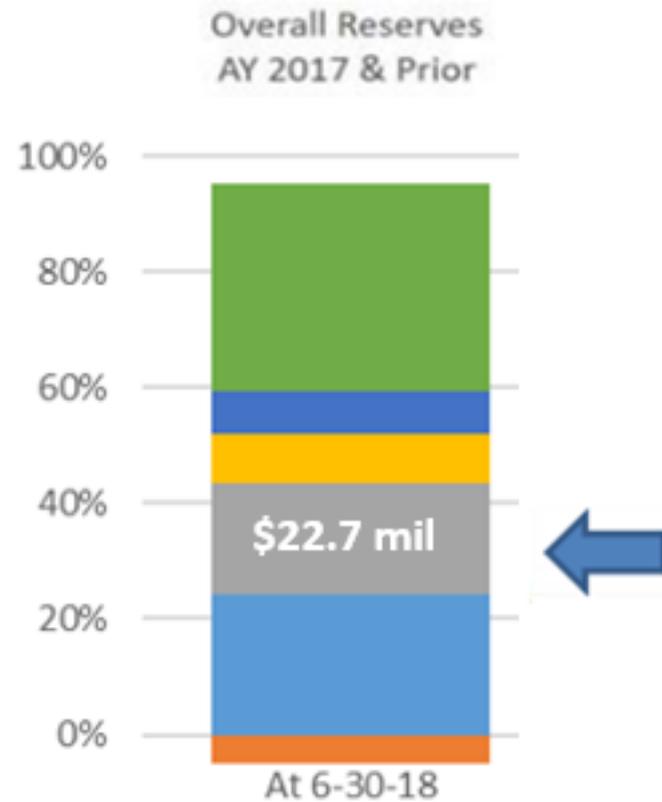
- Aggregate case reserve of \$62.7 million
- Amount paid on closure (including CWOP) totaled \$55.2 million
- Predictive model based case reserves represent the majority of pending third party liability claims (AY 2017 & prior)
- Average case reserve is \$8,955

Reported on Closed Claims Versus Scored Reserve



| Row Labels         | Count        | Rptd on Closed    | Scored Reserve    |
|--------------------|--------------|-------------------|-------------------|
| <\$25K             | 7,063        | 51,962,677        | 46,429,215        |
| >\$50K             | 88           | 1,594,553         | 10,213,129        |
| >\$25K <\$50K      | 180          | 1,648,448         | 6,088,660         |
| <b>Grand Total</b> | <b>7,331</b> | <b>55,205,677</b> | <b>62,731,004</b> |

# Reserve Analysis Older Non-Modelled Claims

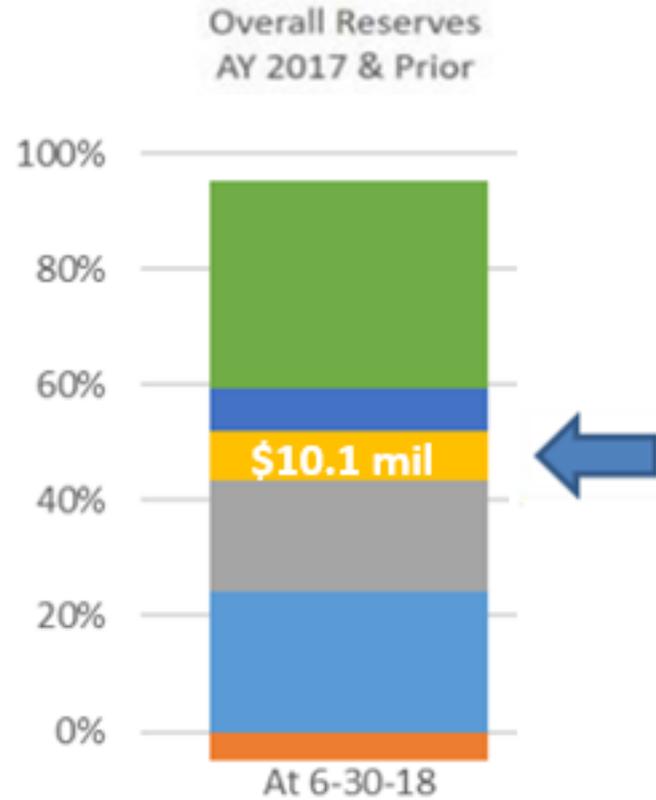


## YTD 2018, 420 older claims which were not scored by predictive model were closed

- Aggregate paid was \$12.7 million compared to the expected range of \$7.8 - \$18.3 million
- Remaining count of non-scored claims is 638
- Average allocated case/IBNR per feature of approximately \$35.5 thousand

## Continued progress winding down business

- In force below 1%
- 68.7% of open Michigan claims have been scored
- Average case reserve is \$63 thousand



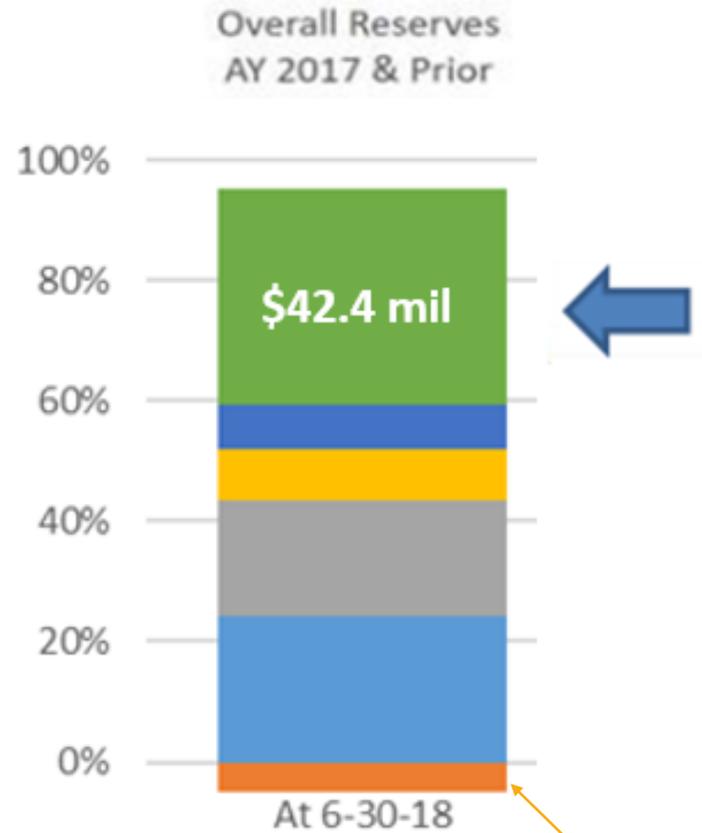
|              |                  |   |
|--------------|------------------|---|
| Scored Y/N   | (All)            | ▼ |
| policy_state | MI               | ⌵ |
| Loss Year    | (All)            | ▼ |
| Settle QtrYr | (Multiple Items) | ⌵ |

|              |       |   |
|--------------|-------|---|
| Status 2     | O     | ⌵ |
| Settle Year  | (All) | ▼ |
| policy_state | MI    | ⌵ |

| Count of ClaimClaimant | Column Labels |            |
|------------------------|---------------|------------|
| Row Labels             | ⌵ C           | O          |
| 2010                   | 210           |            |
| 2011                   | 276           |            |
| 2012                   | 331           | 1          |
| 2013                   | 437           |            |
| 2014                   | 685           |            |
| 2015                   | 851           | 5          |
| 2016                   | 934           | 22         |
| 2017                   | 786           | 36         |
| 2018                   | 243           | 9          |
| NULL                   | 1             | 278        |
| <b>Grand Total</b>     | <b>4,754</b>  | <b>351</b> |

| Count of ClaimClaimant | Column Labels |            |             |            |
|------------------------|---------------|------------|-------------|------------|
| Row Labels             | ▼ N           | Y          | Grand Total |            |
| 2011                   |               | 1          | 1           |            |
| 2012                   |               | 1          | 1           |            |
| 2013                   |               | 6          | 6           |            |
| 2014                   |               | 27         | 2           | 29         |
| 2015                   |               | 39         | 12          | 51         |
| 2016                   |               | 15         | 117         | 132        |
| 2017                   |               | 4          | 94          | 98         |
| 2018                   |               | 17         | 16          | 33         |
| <b>Grand Total</b>     |               | <b>110</b> | <b>241</b>  | <b>351</b> |

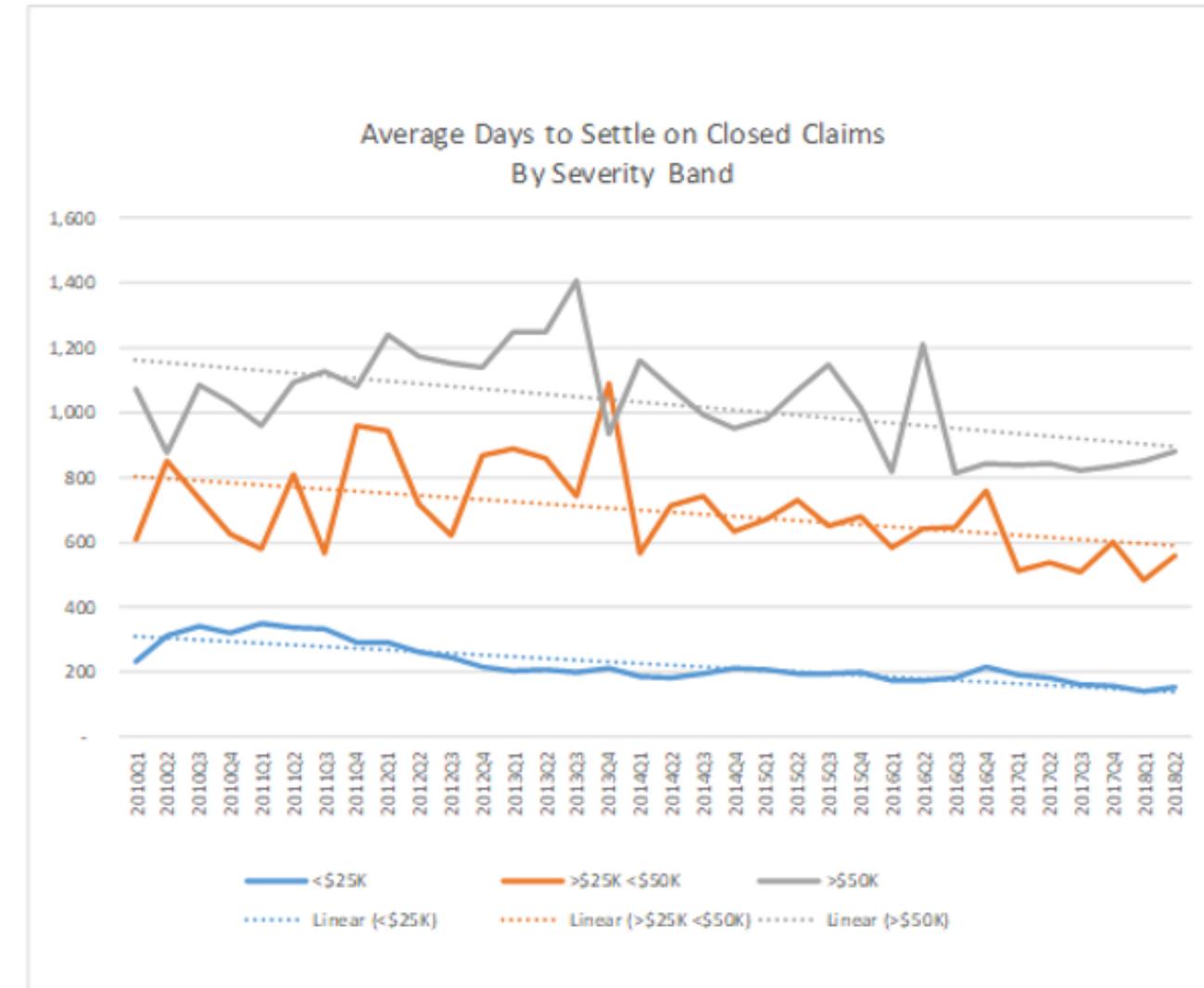
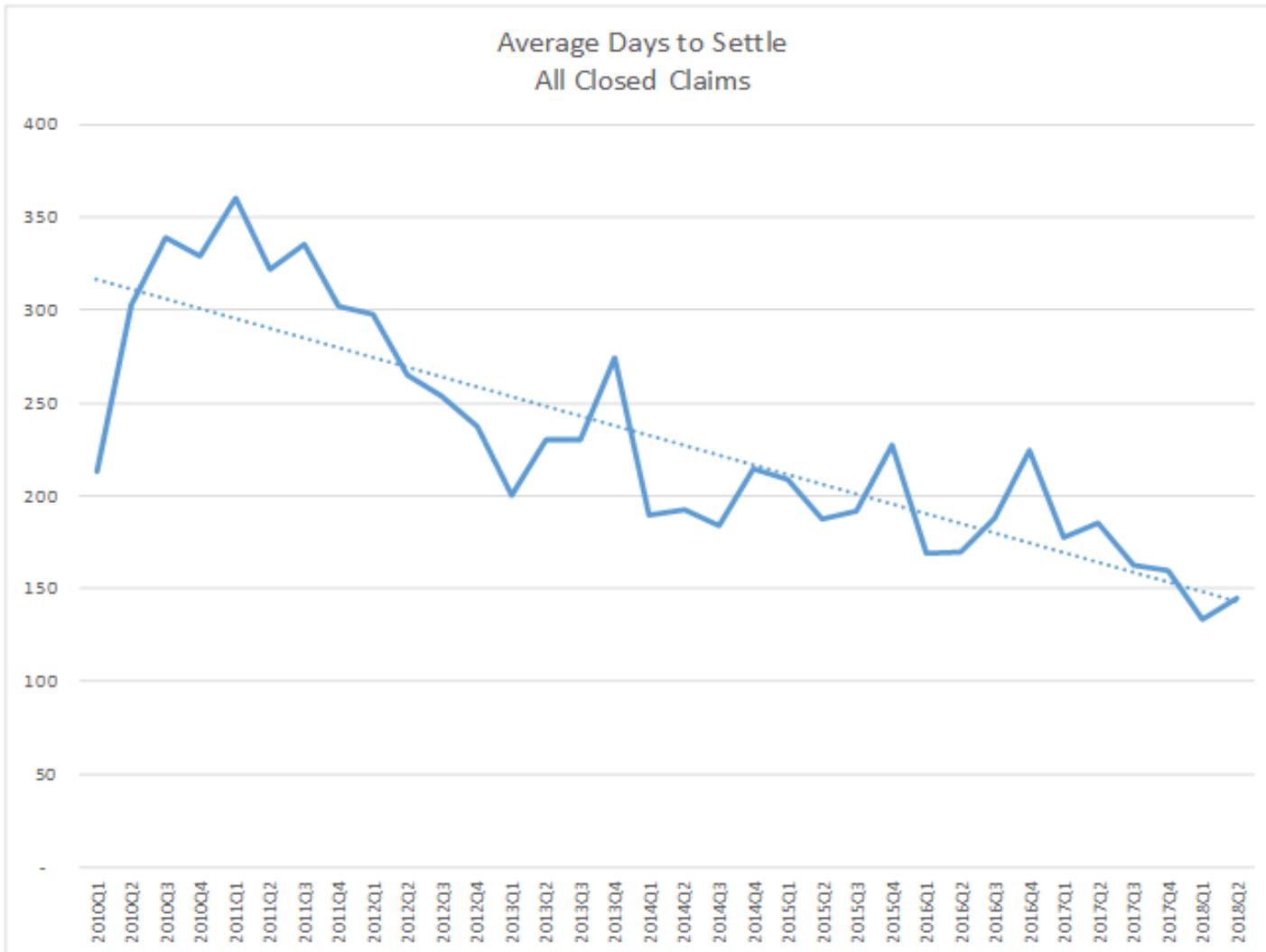
# Reserve Analysis Remaining IBNR



- Approximately 750 additional claims are expected to be received and paid for AY 2017 and prior
- Average IBNR per expected new claim is approximately \$57 thousand

Potential redundancy in modeled case if payments continue to be lower than modeled severity

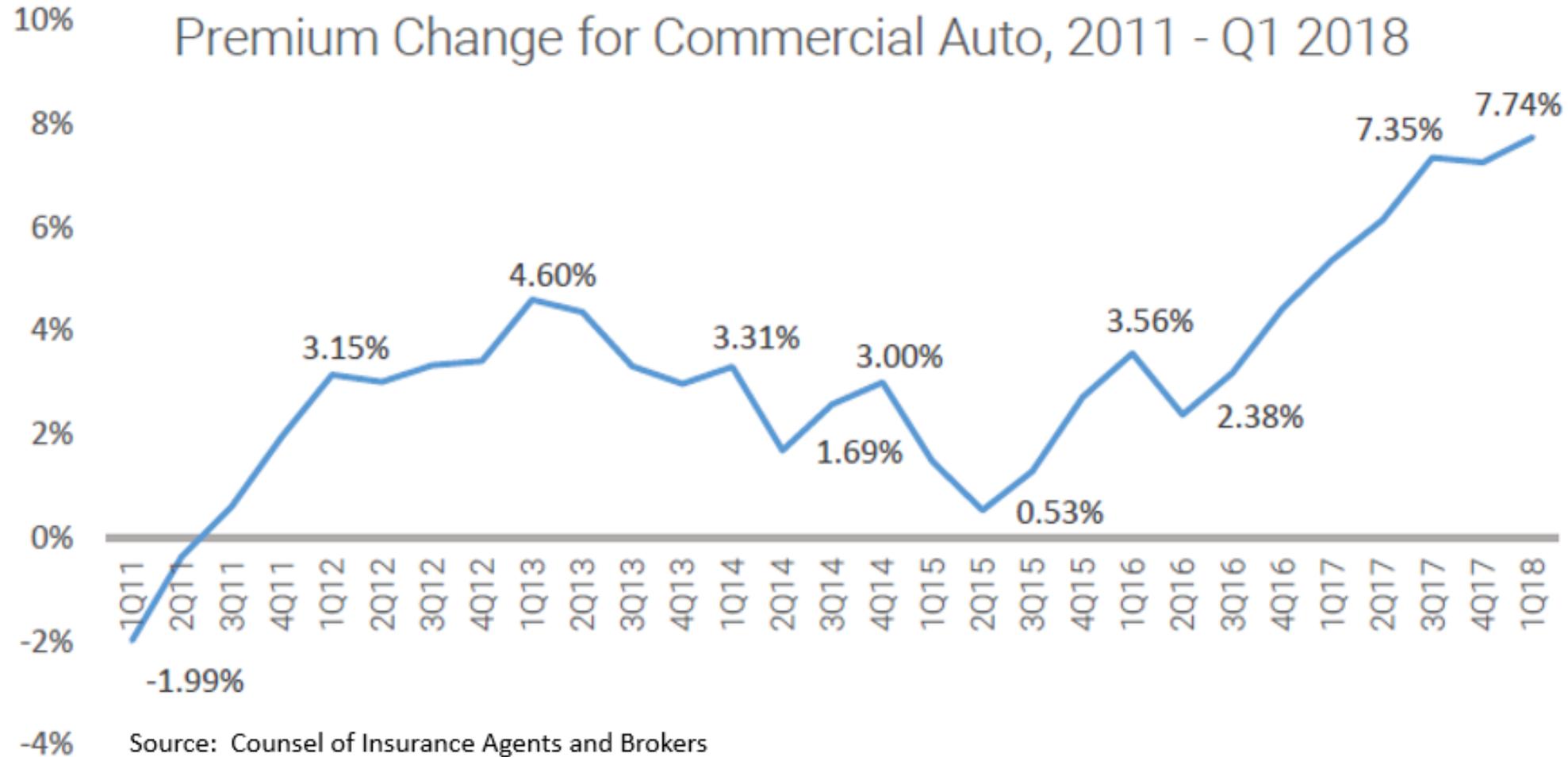
# Incremental Benefit of Predictive Analytics Claim Activity



Decreasing Trend on Average Days to Settle overall

Decreasing Trend on Average Days to Settle by Severity band

**Continued compression in close with declining calendar year paid severity**



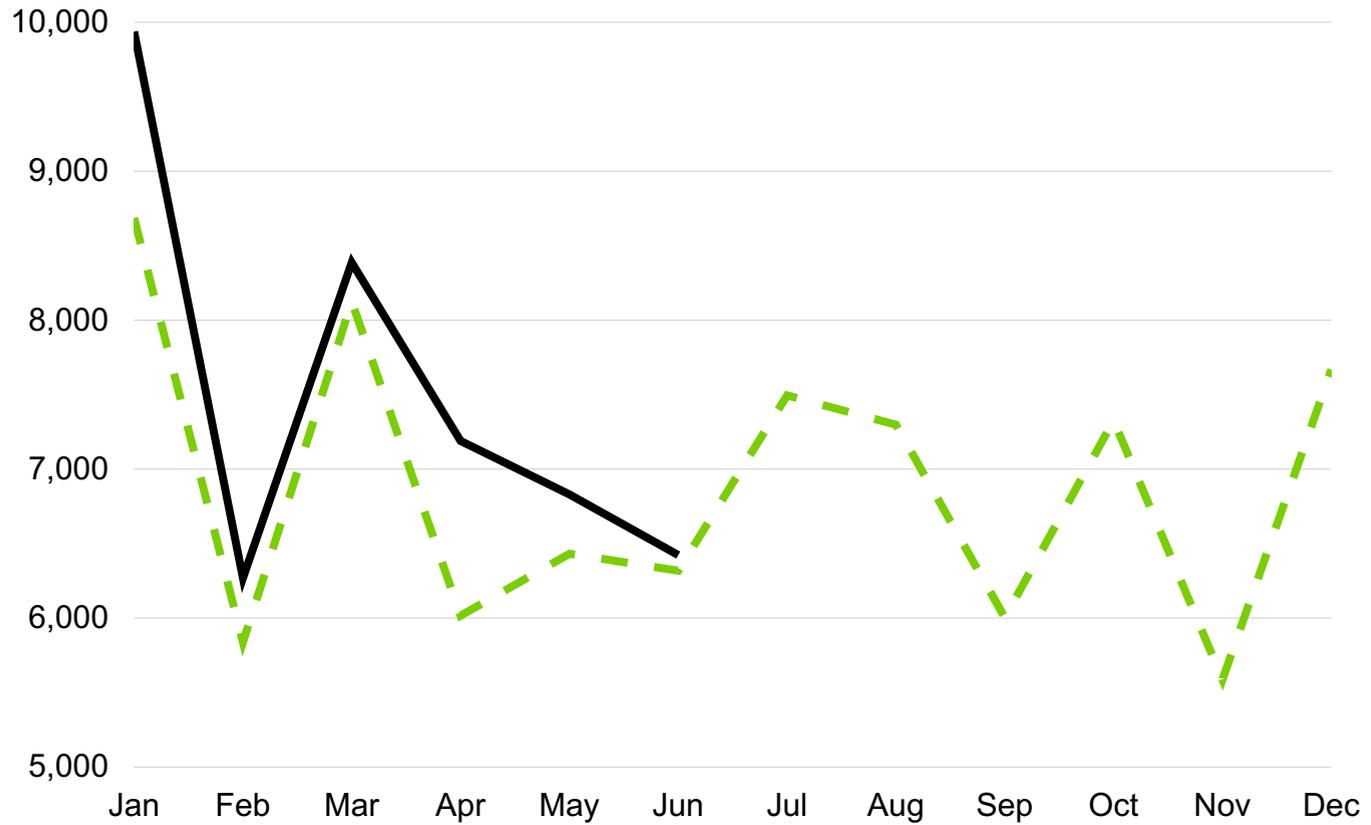
**Commercial Auto rate increases are at highest levels in more than a decade**

# Operating Activities: Underwriting

(commercial business only: excludes Global Liberty)

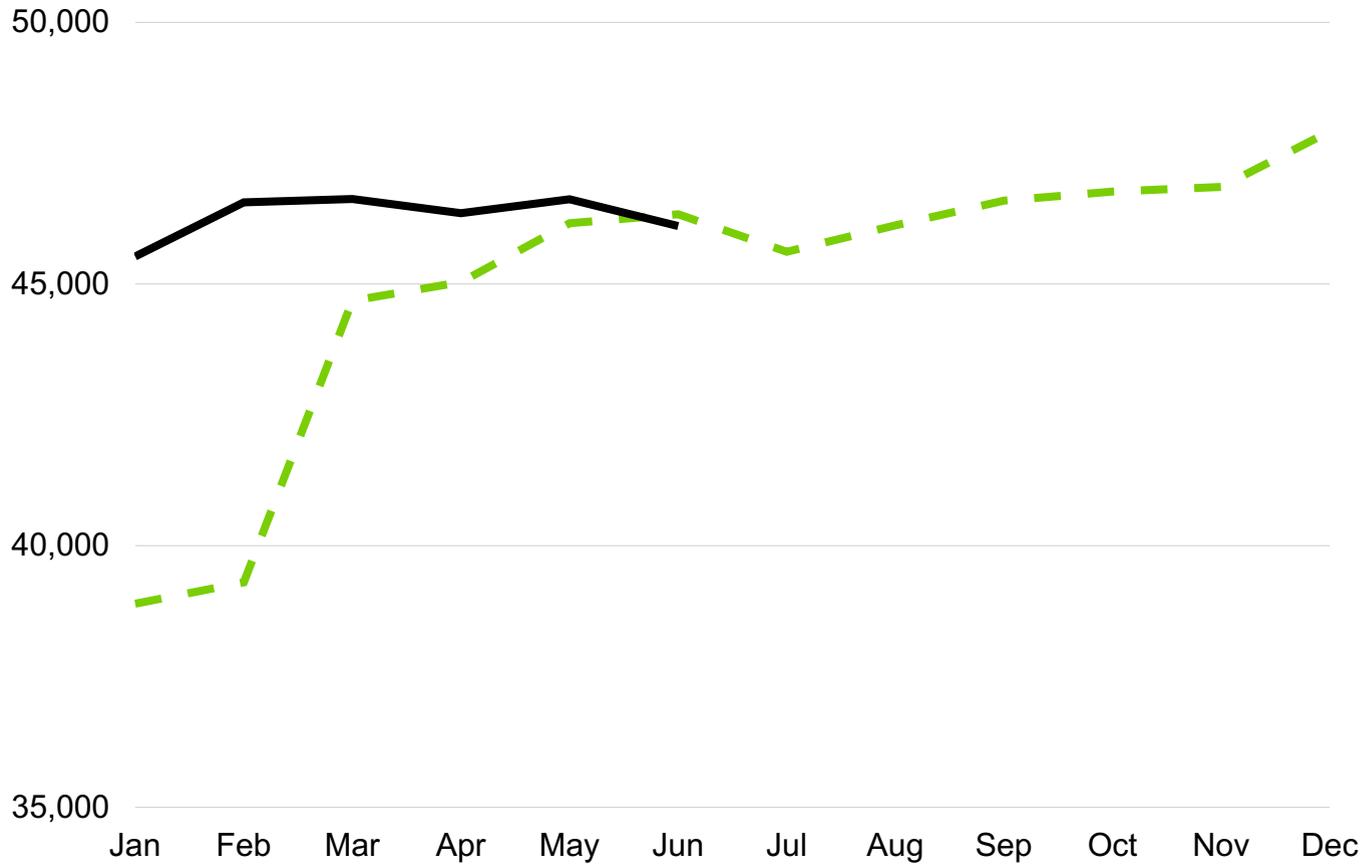


**New and Renewal Business Submissions  
(Monthly Vehicles Submitted)**



— Number of Vehicles (incl Expiring)    - - - Prior Year

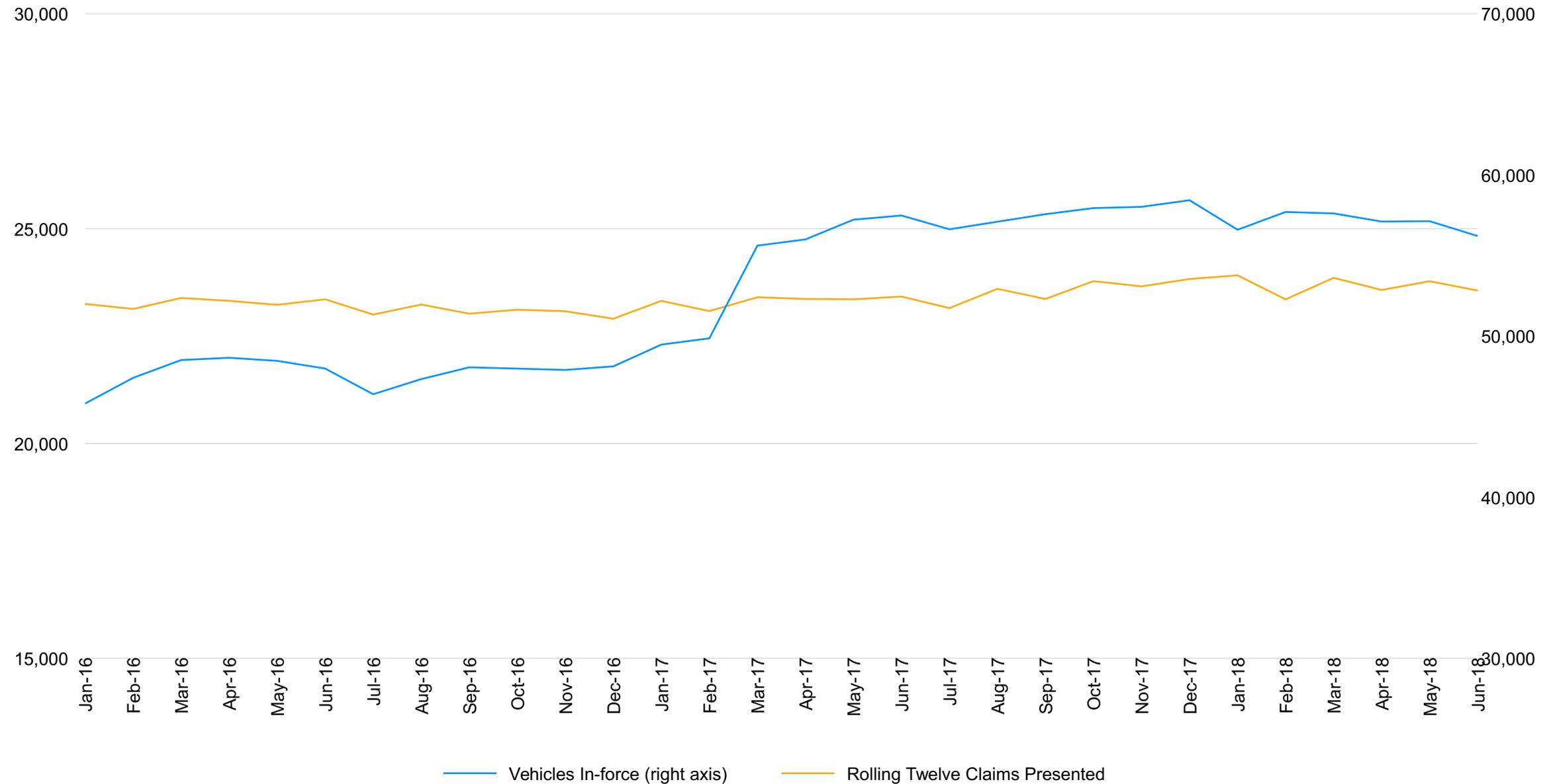
**Vehicles In-Force**



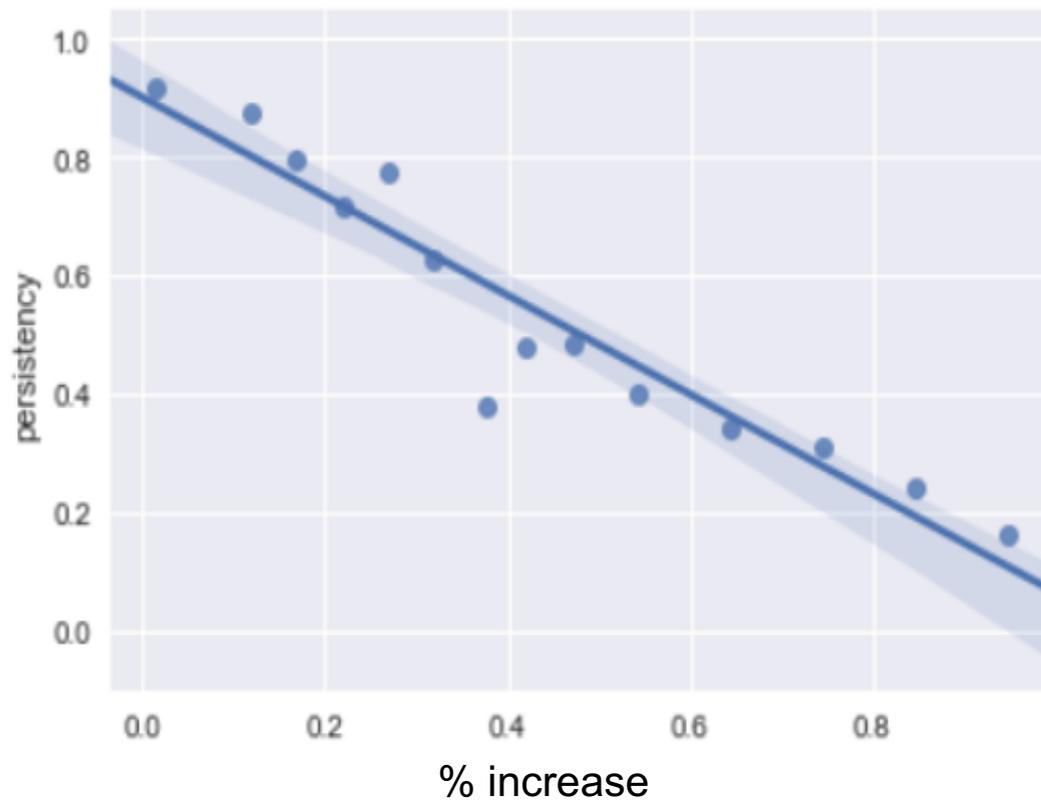
— Actual    - - - Prior Year

# Incremental Benefit of Predictive Analytics Claim Activity

**New Claims Presented versus Vehicles In Force**



## Price Elasticity



Hit ratio drops as price increases get larger

Atlas Financial, Inc.

Incremental Gain: Increasing Persistency Towards Profit

Policies Scored and Originally New to Atlas Effective 7/1/2016 - 6/30/2017

| New Business Score Range | Persistency Ratio (3) | Distribution (1) (4) | Distribution (2) (5) | Shift (6) | Embedded Combined Ratio Target* (7) |
|--------------------------|-----------------------|----------------------|----------------------|-----------|-------------------------------------|
| 1 to 400                 | 67%                   | 37%                  | 31%                  | -6%       | 85.0%                               |
| 401 to 700               | 87%                   | 30%                  | 33%                  | 2%        | 84.0%                               |
| 701 to 999               | 91%                   | 32%                  | 36%                  | 4%        | 74.0%                               |
| <b>Total</b>             | <b>81%</b>            | <b>100%</b>          | <b>100%</b>          |           |                                     |

Expected margin expansion

Shift towards more profitable accounts

Notes

(1) are policies written and originally scored through UW profit model effective 7/1/2016 thru 6/30/2017.

\* Provided for purpose of discussion. Actual varies by jurisdiction.

## Premium Growth

- Priority on margin over top line growth
- Expect local competitors to follow price leadership exhibited in first half of year
- Do not expect A.M. Best rating to have material impact on quality or quantity of business
- Significant opportunities in TNC related space

## Operating Margin

- Continued focus on increasing rate versus exposure
- Maintain operating efficiency
- Leverage value of core assets through partnership
- Expand utilization of in-vehicle technologies
- Ongoing commitment to analytics across enterprise

## Earning Power

- Reiterate EPS guidance of \$2.00 per share or better
- ROAE > 20%



For Additional Information

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A reconciliation of Non-GAAP financial measures can be found on the next slide



# Reconciliation of Non-U.S. GAAP Financial Measurements

We use these non-GAAP financial measures in order to present our financial condition and results of operations in the way we believe will be most meaningful and representative of our business results. The non-GAAP financial measures that we present may not be comparable to similarly-named measures reported by other companies.

**Adjusted operating income, before income taxes** includes both underwriting income and loss and net investment income, but excludes net realized gains and losses, legal and professional expense incurred related to business combinations, interest expense, net impairment charges recognized in earnings and other items. Underwriting income is derived by reducing net premiums earned by net claims incurred, policy acquisition costs and general operating expenses.

| Reconciliation of U.S. GAAP Net Income to Adjusted Operating Income, Before Income Taxes (\$ in '000s, except per share data) | Three Month Periods Ended |         |               |         | Six Month Periods Ended |         |               |         |
|---|---------------------------|---------|---------------|---------|-------------------------|---------|---------------|---------|
|   | June 30, 2018             |         | June 30, 2017 |         | June 30, 2018           |         | June 30, 2017 |         |
| Net income  | \$ 5,576                  | \$ 0.47 | \$ 5,510      | \$ 0.45 | \$ 11,105               | \$ 0.92 | \$ 10,362     | \$ 0.85 |
| Add: income tax expense   | 1,503                     | 0.12    | 2,969         | 0.25    | 2,786                   | 0.22    | 5,582         | 0.46    |
| Add: expenses recovered pursuant to stock purchase agreement  | —                         | —       | —             | —       | (520)                   | (0.04)  | —             | —       |
| Add: interest expense   | 461                       | 0.04    | 644           | 0.05    | 916                     | 0.08    | 912           | 0.07    |
| Less: loss from change in fair value of equity securities   | 33                        | —       | —             | —       | (95)                    | (0.01)  | —             | —       |
| Less: net realized investment gains   | 154                       | 0.02    | 284           | 0.02    | 447                     | 0.04    | 418           | 0.03    |
| Less: other income  | 16                        | —       | 103           | 0.01    | 180                     | 0.01    | 217           | 0.02    |
| Adjusted operating income, before tax   | \$ 7,337                  | \$ 0.61 | \$ 8,736      | \$ 0.72 | \$ 13,755               | \$ 1.14 | \$ 16,221     | \$ 1.33 |

**After-tax return on average common equity** is derived by subtracting preferred share dividends accrued from net income and dividing by average common equity. Common equity is total shareholders' equity less preferred shares and cumulative preferred share dividends accrued. Average common equity is the average of common equity at the beginning and the ending of the reporting period.

## Reconciliation of U.S. GAAP Shareholders' Equity to Common Equity (\$ in '000s)

| As of:                                      | June 30, 2018 | March 31, 2018 | December 31, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 |
|---|---------------|----------------|-------------------|---------------|----------------|-------------------|
| Total shareholders' equity                  | \$ 96,222     | \$ 91,390      | \$ 90,645         | \$ 138,857    | \$ 132,682     | \$ 127,342        |
| Less: accrued dividends on preferred shares | —             | (333)          | (333)             | (333)         | (333)          | (333)             |
| Total common equity                         | \$ 96,222     | \$ 91,057      | \$ 90,312         | \$ 138,524    | \$ 132,349     | \$ 127,009        |

## Reconciliation of U.S. GAAP Return on Equity to Return on Common Equity (\$ in '000s)

|  | Three Month Periods Ended |               | Six Month Periods Ended |               |
|--|---------------------------|---------------|-------------------------|---------------|
|  | June 30, 2018             | June 30, 2017 | June 30, 2018           | June 30, 2017 |
| Net income                                     | \$ 5,576                  | \$ 5,510      | \$ 11,105               | \$ 10,362     |
| Average equity                                 | 93,806                    | 135,769       | 93,434                  | 133,099       |
| Return on equity                               | 23.8%                     | 16.2%         | 23.8%                   | 15.6%         |
| Net income                                     | \$ 5,576                  | \$ 5,510      | \$ 11,105               | \$ 10,362     |
| Preferred share dividends accrued              | —                         | —             | —                       | —             |
| Net income attributable to common shareholders | \$ 5,576                  | \$ 5,510      | \$ 11,105               | \$ 10,362     |
| Average common equity                          | 93,640                    | 135,436       | 93,267                  | 132,765.5     |
| Return on average common equity                | 23.8%                     | 16.3%         | 23.8%                   | 15.6%         |