

ATLAS

FINANCIAL HOLDINGS, INC.

NASDAQ: AFH



Third Quarter 2018
Conference Call
November 6, 2018



Safe Harbor: Atlas by the Numbers

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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 (Chicago Suburb)	
Core Target Markets	Limo/Livery/Paratransit/Taxi	
NASDAQ: AFH	At 9/30/2018	At 12/31/2017
Cash and Investments	\$217.5 million	\$243.5 million
Total Assets	\$501.2 million	\$482.5 million
Total Atlas Shareholders' Equity	\$101.9 million	\$90.6 million
Common Shares Outstanding (includes Restricted Share Units)	11,944,378	12,178,857
Book Value Per Common Share Outstanding	\$8.53	\$7.42

Q3 2018 Financial and Underwriting Results



Premium Results

Gross premiums written were \$75.9 million in Q3 2018 compared to \$65.9 million in Q3 2017. Challenged taxi accounts less likely to absorb rate increases than other segments.

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

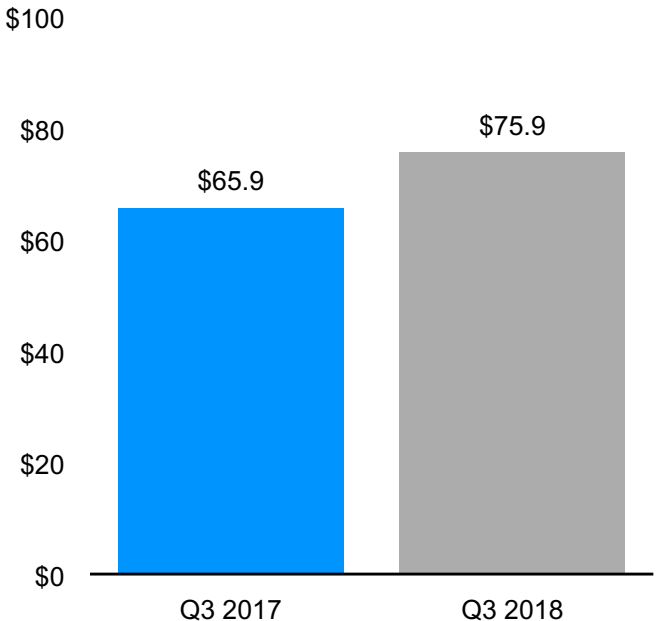
Underwriting Results

Combined ratio was 88.5% as compared to 87.9% for the prior year period.

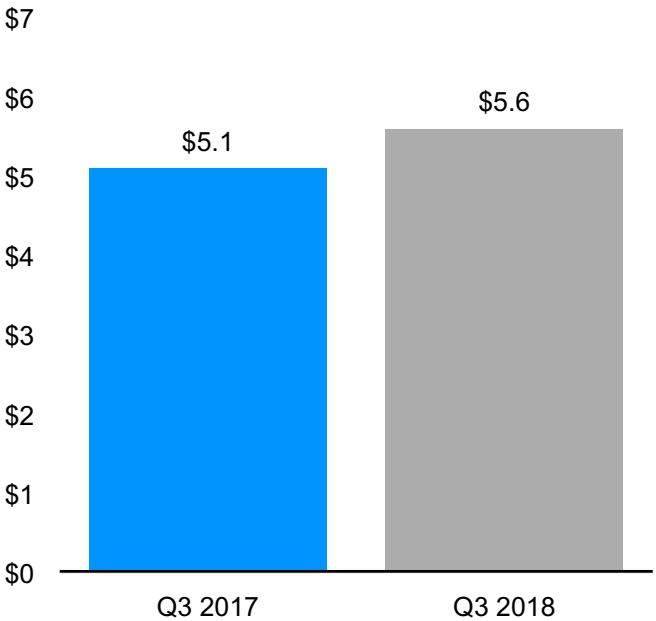
Book Value

Atlas' book value increased to \$8.53 at September 30, 2018 from \$7.42 at December 31, 2017

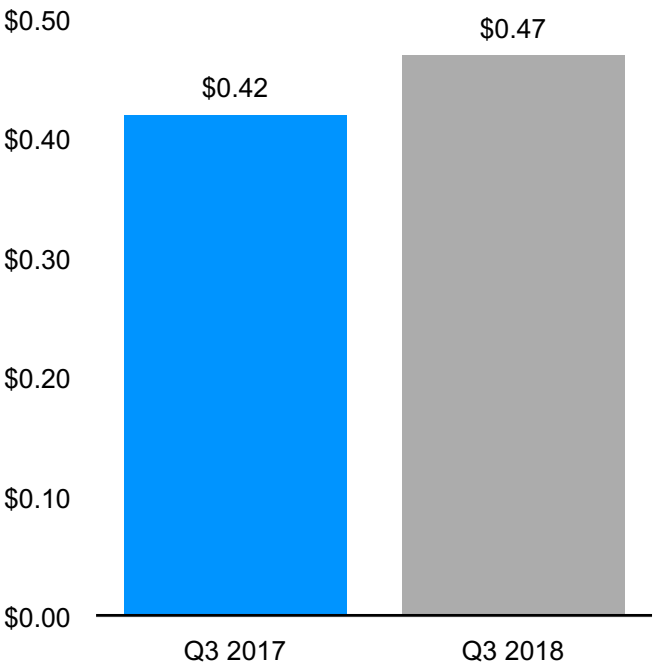
Gross Premiums Written (in millions)



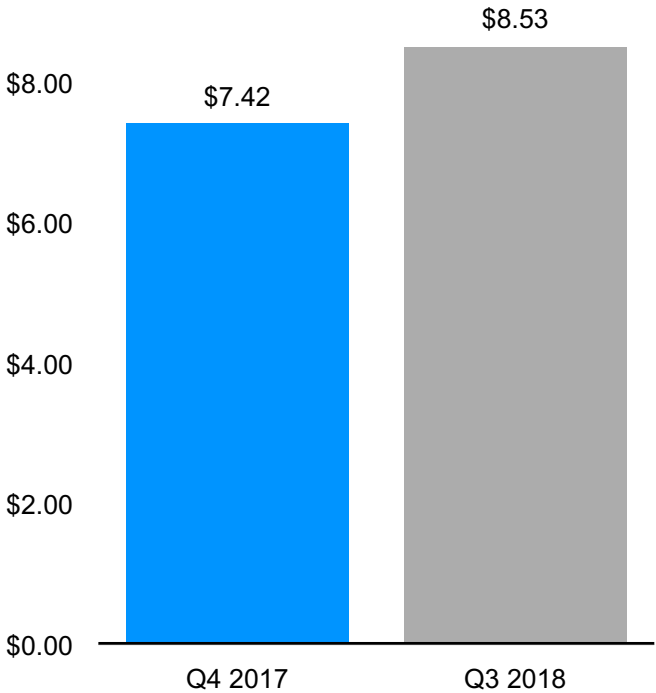
Net Income (in millions)



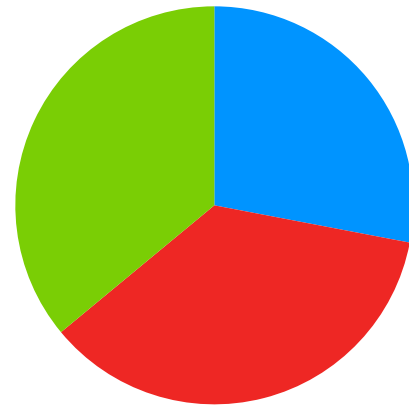
Earnings per Common Share Diluted



Book Value per Common Share



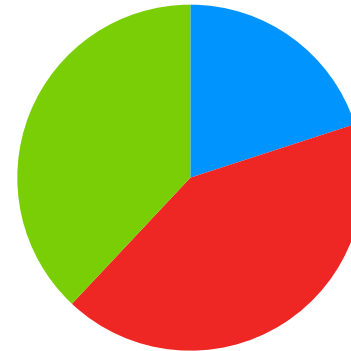
2016 Full Year



■ Taxi
 ■ Limo/Livery
 ■ Para-transit

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

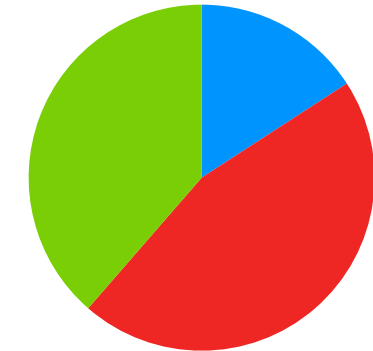
2017 Full Year



■ Taxi
 ■ Limo/Livery/TNC
 ■ Para-transit

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

YTD Q3 2018

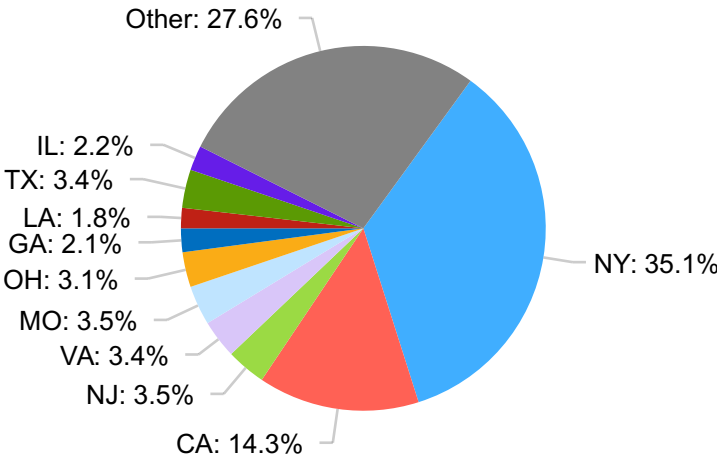
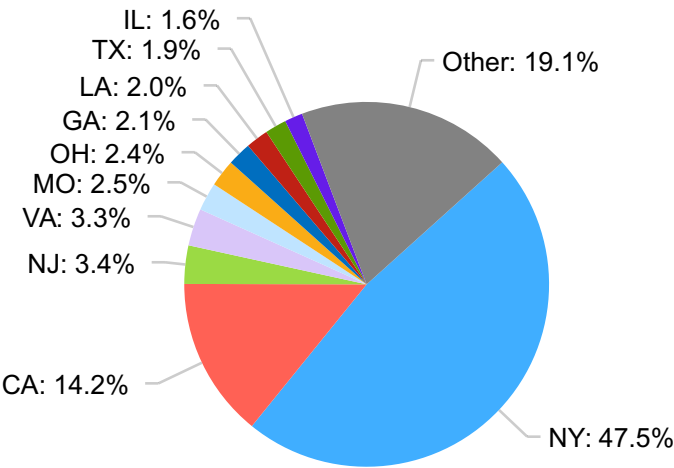


■ Taxi
 ■ Limo/Livery/TNC
 ■ Para-transit

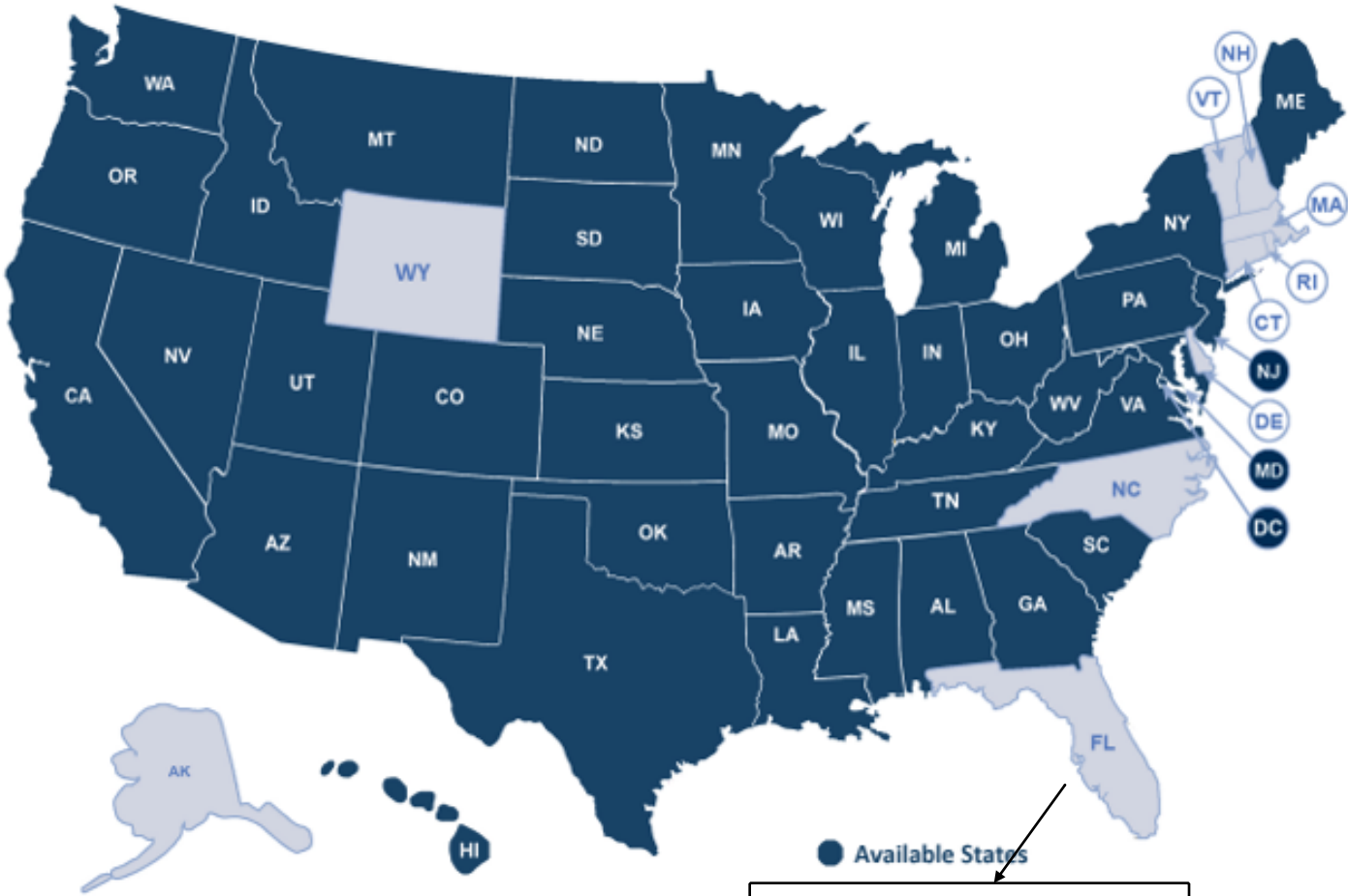
Average Vehicles Per Policy	
Taxi	2.4
Limo/Livery	1.7
Para-transit	3.2

Gross premiums written by state (in \$000)

Three months ended September 30,				
2018			2017	
New York	\$	36,082	47.5%	\$ 23,136 35.1%
California		10,805	14.2%	9,446 14.3%
New Jersey		2,572	3.4%	2,327 3.5%
Virginia		2,473	3.3%	2,265 3.4%
Missouri		1,933	2.5%	2,296 3.5%
Ohio		1,799	2.4%	2,028 3.1%
Georgia		1,567	2.1%	1,360 2.1%
Louisiana		1,483	2.0%	1,211 1.8%
Texas		1,448	1.9%	2,271 3.4%
Illinois		1,248	1.6%	1,476 2.2%
Other		14,507	19.1%	18,082 27.6%
Total	\$	75,917	100.0%	\$ 65,898 100.0%

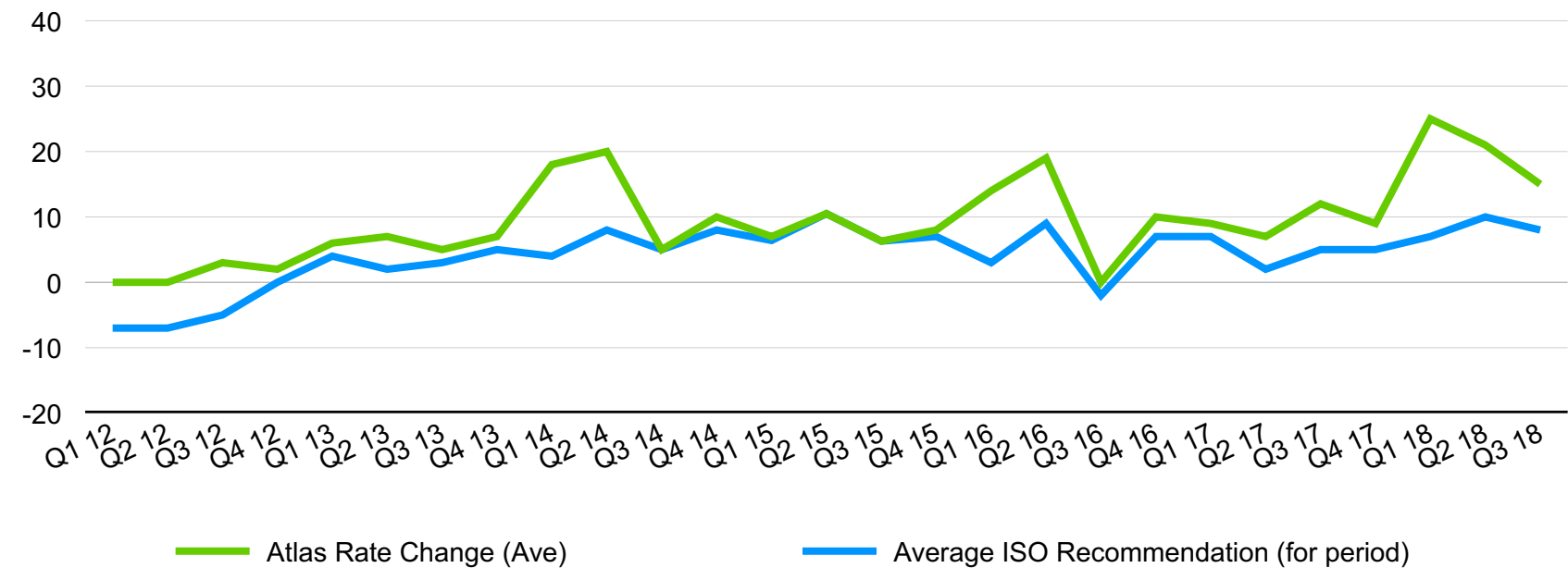


Nationwide market share is estimated at approximately 12% to 13%, with proportionate share forecast at 20%

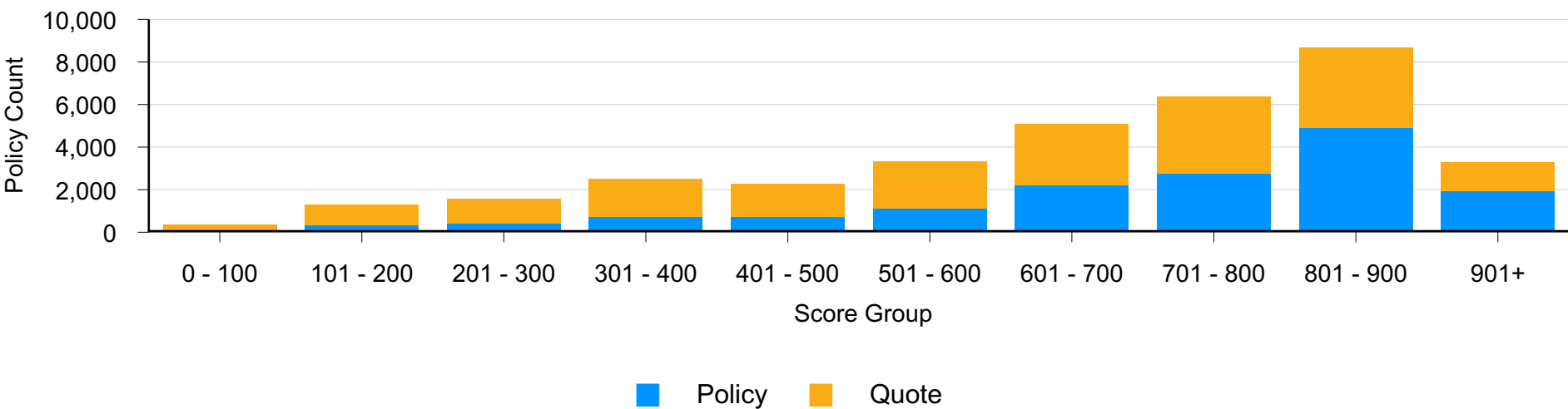


Limited volume of business in-force in FL to evaluate market conditions

Pricing Relative to ISO



Predictive Model Policy Counts
6/1/2016 - 9/30/2018



Market Conditions

Price Elasticity

Deterministic View of Price Elasticity

Renewal Perspective Commercial Auto Policies

Scored and Effective 7/14/2016 thru 9/30/2018

Band	Average* Increase	Policy Count up for Renewal	Policy Renewed	Persistency Ratio
MIN to -25%	-39%	300	284	0.95
-24% to -10%	-17%	470	443	0.94
-9% to 9%	1%	2144	1960	0.91
10% to 14%	12%	538	447	0.83
15% to 19%	17%	393	299	0.76
20% to 24%	22%	370	251	0.68
25% to 29%	27%	311	230	0.74
30% to 34%	32%	279	165	0.59
35% to 39%	38%	349	136	0.39
40% to 44%	42%	244	107	0.44
45% to 49%	47%	215	93	0.43
50% to 59%	54%	337	129	0.38
60% to 69%	64%	294	87	0.30
70% to 79%	74%	259	65	0.25
80% to 89%	84%	205	37	0.18
90% to 99%	95%	162	21	0.13
100% to MAX	297%	1154	212	0.18
TOTAL		8024	4966	0.62

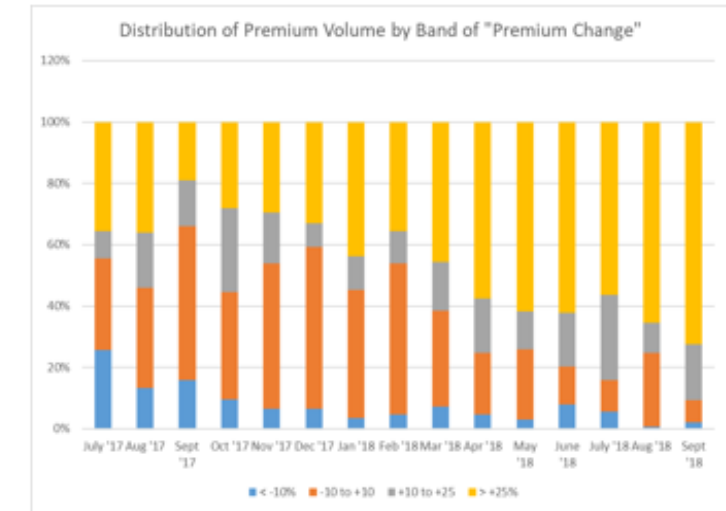
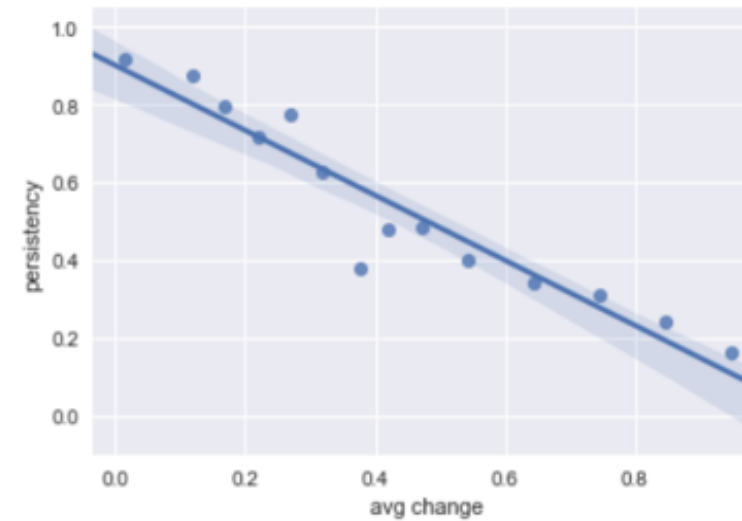
Notes

Straight average not weighted.

simple regression: persistency = 0.90 - 0.84 X increase

Only gray shaded cells are graphed

Graph shaded cells show prediction of Persistency fit with R-squared = 0.95



Policies Scored and Originally New to Atlas Effective 7/1/2016 - 9/30/2018

New Business Score Range	Written Prem. New & Scored (1)	Written Prem. Persisting to 1st Renewal (2)	Persistency Ratio (3)	Distribution (1) (4)	Distribution (5)
1 to 400	25,031,025	15,373,183	61%	37%	29%
401 to 700	20,255,155	16,920,200	84%	30%	32%
701 to 999	21,681,701	20,556,812	95%	32%	39%
Total	66,967,881	52,850,195	79%	100%	100%

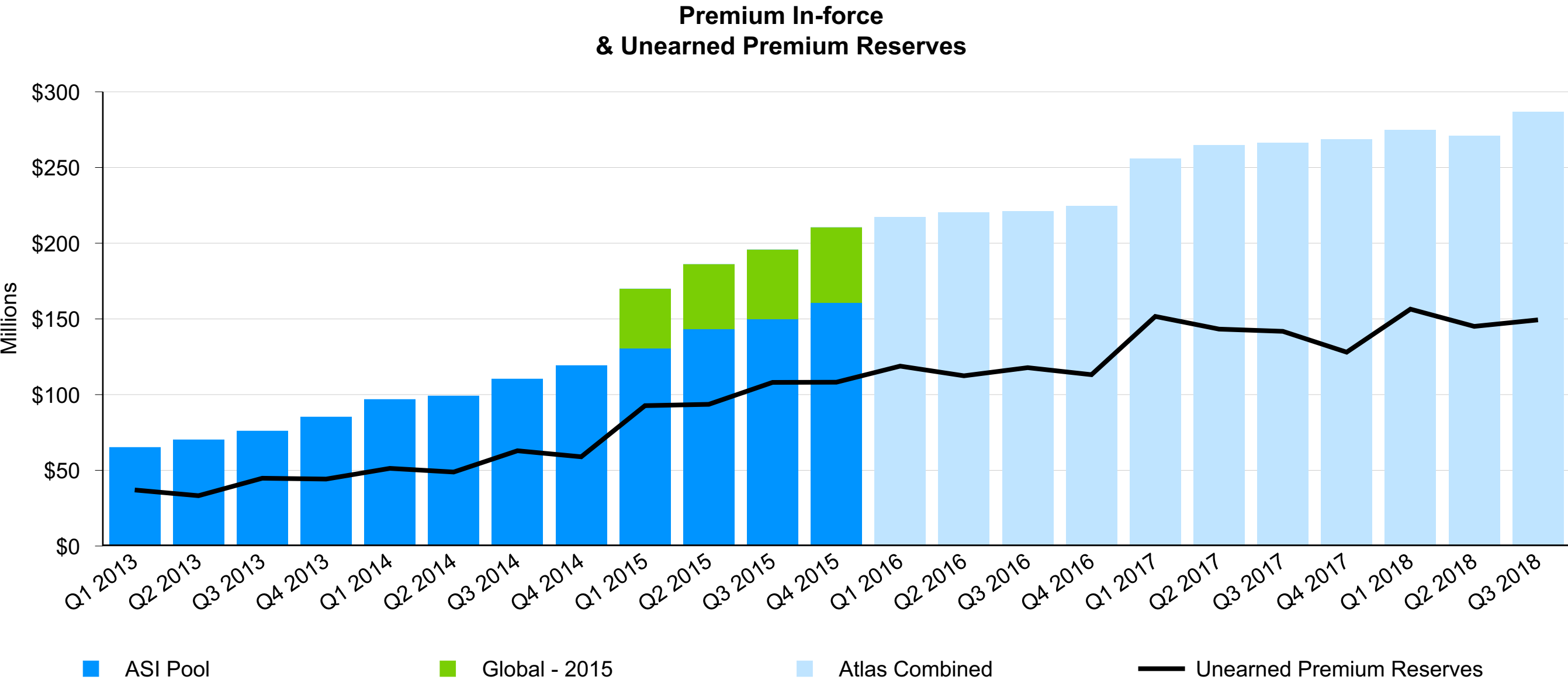
Notes

(1) are policies written and originally scored through UW profit model effective 7/1/2016 thru 9/30/2018.

(3) = (2) / (1)

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

At September 30, 2018, in-force premium was \$286.7 million and the Company’s gross unearned premium reserves were \$149.4 million.



Financial Highlights



Third Quarter 2018 Financial and Operating Information

Quarterly Premiums Affected by Rate Decisions / Shift in Market Dynamics

- Gross premiums written generated by the Company were \$75.9 million at September 30, 2018 compared to \$65.9 million at September 30, 2017
- In-force premium at September 30, 2018 increased 6.8% to \$286.7 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 third quarter of 2018 was \$6.3 million, compared to underwriting income of \$6.8 million in the prior year period
- Atlas' underwriting expense ratio⁽¹⁾⁽²⁾ for the quarter ended September 30, 2018 was 26.4%
- Combined Ratio⁽¹⁾ ("CR") was 88.5%
- 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 \$8.53 (increased \$1.11 compared to prior year end)
- Return on equity was 22.6% in the third quarter of 2018 compared to 14.5% in the prior year period

2018 Financial Expectations

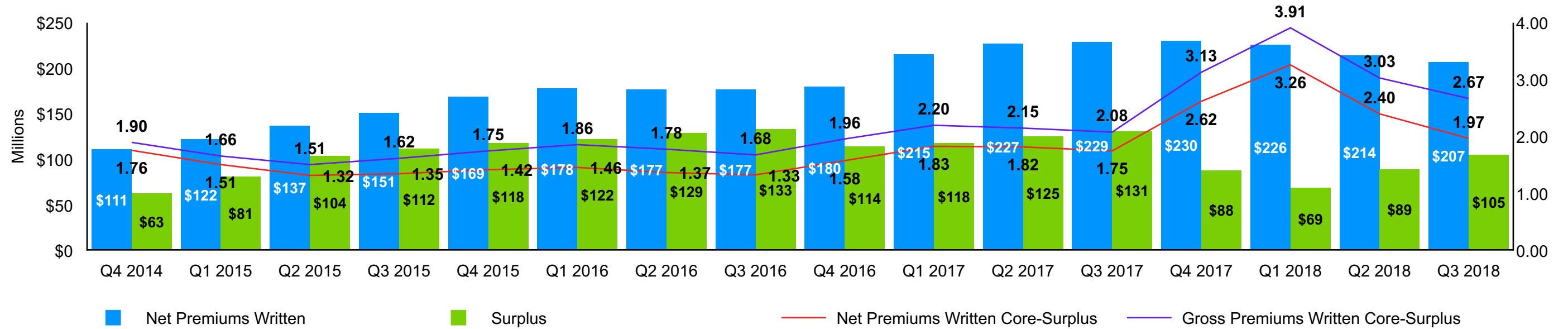
- ✓ Relative stability regarding target market with continued growth
- ✓ Emphasis remains on underwriting profit as priority
- ✓ Expense ratio at or below current levels
- ✓ Exceed P&C industry Return on Equity ("ROE") by 500 - 1,000 bps

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

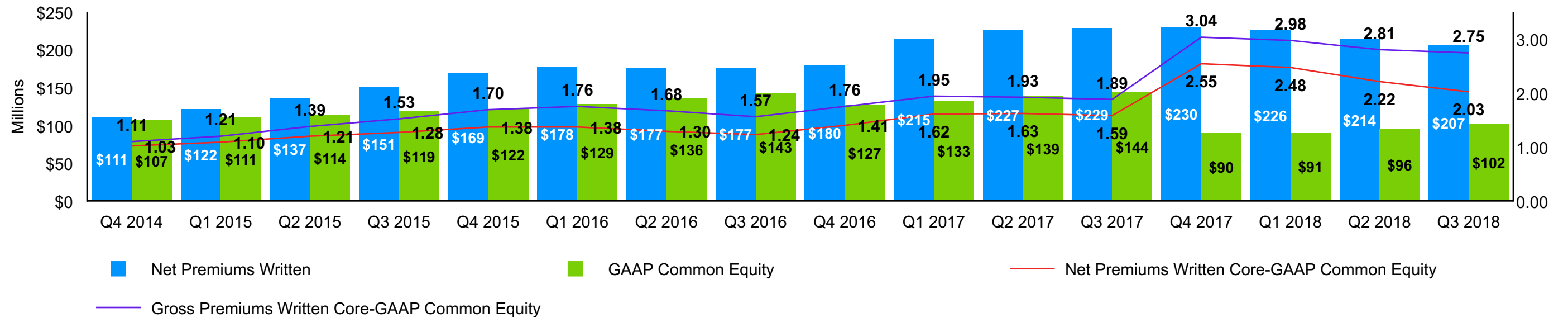
Operating Leverage (Actual through Q3 2018)

Controlling leverage through the use of quota share:

Statutory



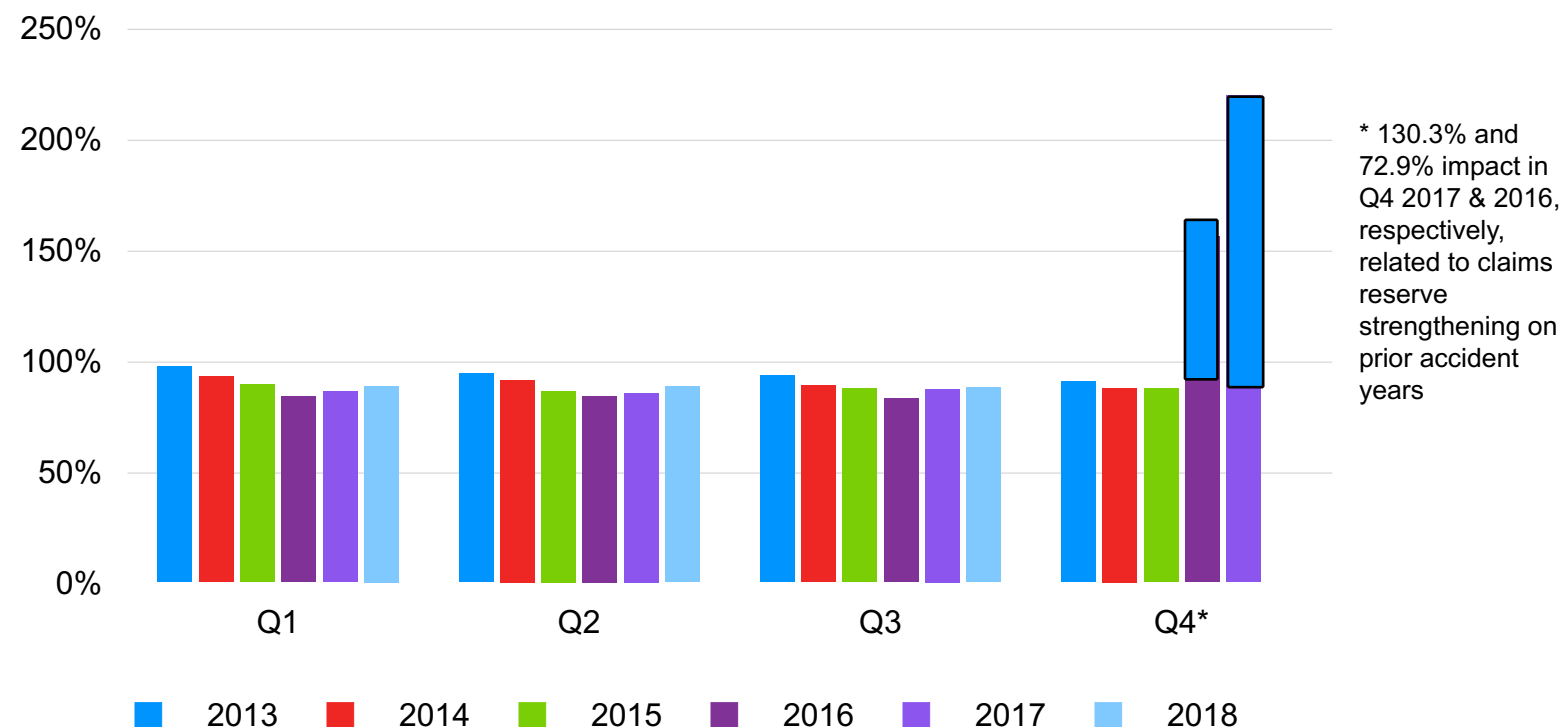
GAAP



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):

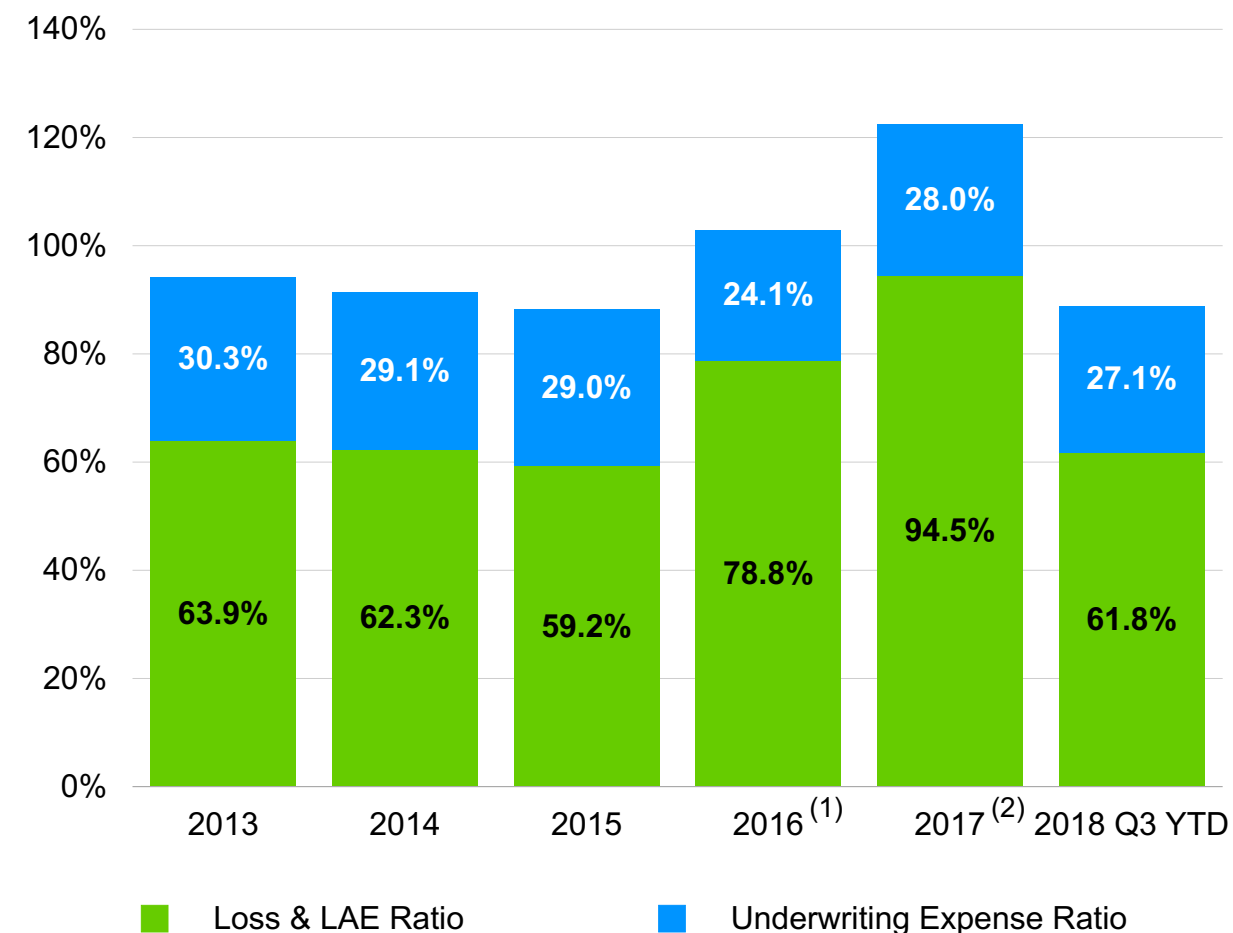
	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Loss Ratio:				
Current accident year	61.7 %	59.3%	61.0 %	59.6%
Prior accident years	(0.1)%	0.2%	0.8 %	0.4%
Loss Ratio	61.6 %	59.5%	61.8 %	60.0%
Underwriting Expense Ratio:				
Acquisition cost ratio	10.5 %	14.0%	11.1 %	12.4%
Other underwriting expense ratio	16.0 %	13.3%	16.0 %	13.7%
Deferred policy acquisition costs amortization ratio	(0.1)%	0.6%	(0.2)%	0.3%
Underwriting expense ratio before expenses related to stock purchase agreements and share-based compensation expenses	26.4 %	27.9%	26.9 %	26.4%
Expenses recovered related to stock purchase agreement ratio	— %	—%	(0.3)%	—%
Share-based compensation expense ratio	0.5 %	0.5%	0.5 %	0.6%
Underwriting expense ratio	26.9 %	28.4%	27.1 %	27.0%
Total combined ratio	88.5 %	87.9%	88.9 %	87.0%

Combined Ratio by Quarter



	Three months ended September 30,	
	2018	2017
Loss ratio	61.6%	59.5%
Underwriting expense ratio	26.9%	28.4%
Combined Ratio	88.5%	87.9%

Combined 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

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

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

(\$ in millions)	September 30, 2018	December 31, 2017
Cash and Investments	\$217.5	\$243.5
Total Assets	\$501.2	\$482.5
Claims Liabilities (gross of Reinsurance Recoverable)	\$187.0	\$211.6
Unearned Premium Reserves	\$149.4	\$128.0
Atlas Shareholders' Equity	\$101.9	\$90.6

Conservative Investment Approach

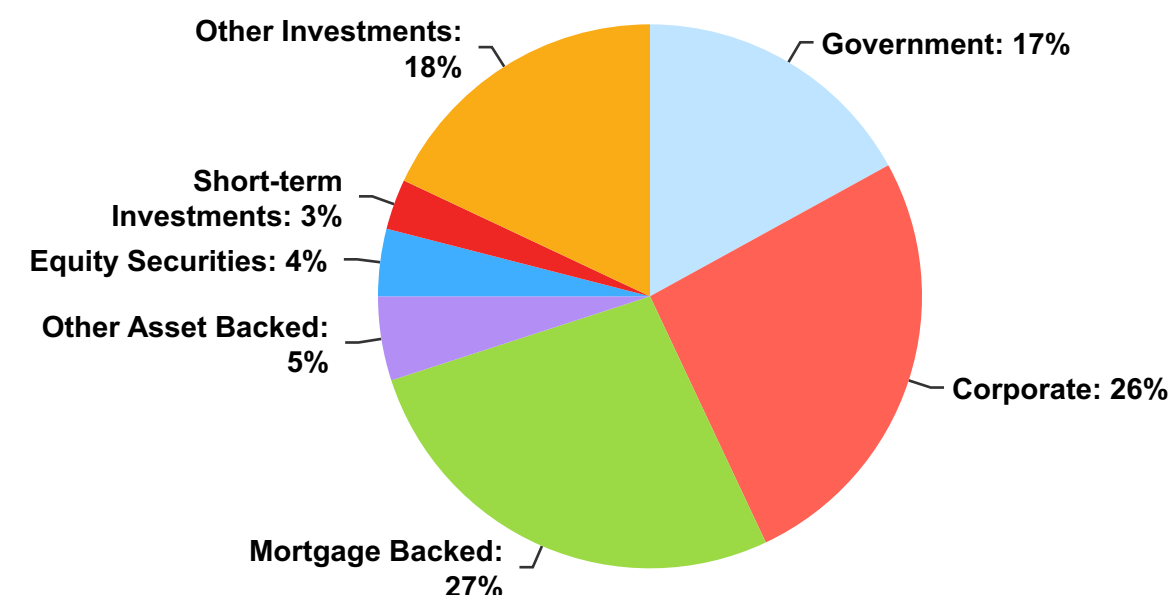
- Emphasize preservation of capital, market liquidity to support payment of liabilities and diversification of risk
- Investment duration re-positioned to match core commercial auto reserve liabilities (3.8 years)

Investment Portfolio

- As of September 30, 2018, total cash and invested assets were \$217.5 million, of which fixed income consisted of 58.8%
- Predominantly corporate and government bonds
- Average S&P rating of AA
- 27.6% AAA
- 83.3% A or better

	September 30, 2018		December 31, 2017	
	Amount	% of Total	Amount	% of Total
AAA/Aaa	\$ 35,286	27.6%	\$ 42,978	27.2%
AA/Aa	49,278	38.5	58,173	36.8
A/A	21,994	17.2	27,384	17.3
BBB/Baa	20,591	16.1	28,348	18.0
BB	569	0.4	875	0.6
B	219	0.2	226	0.1
Total Fixed Income Securities	\$ 127,937	100.0%	\$ 157,984	100.0%

Investment Portfolio (9/30/2018)

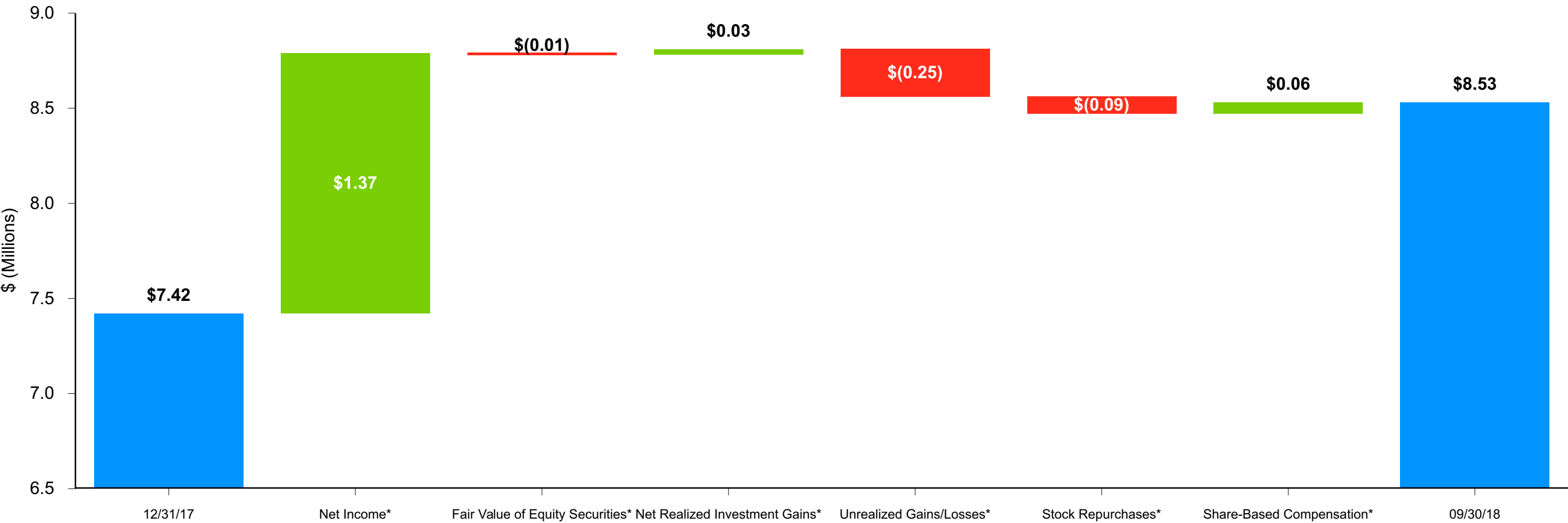


Other than fixed income securities will be reduced as a percentage of overall investments during 2018

Detailed Impact of Changes to Book Value per Common Share



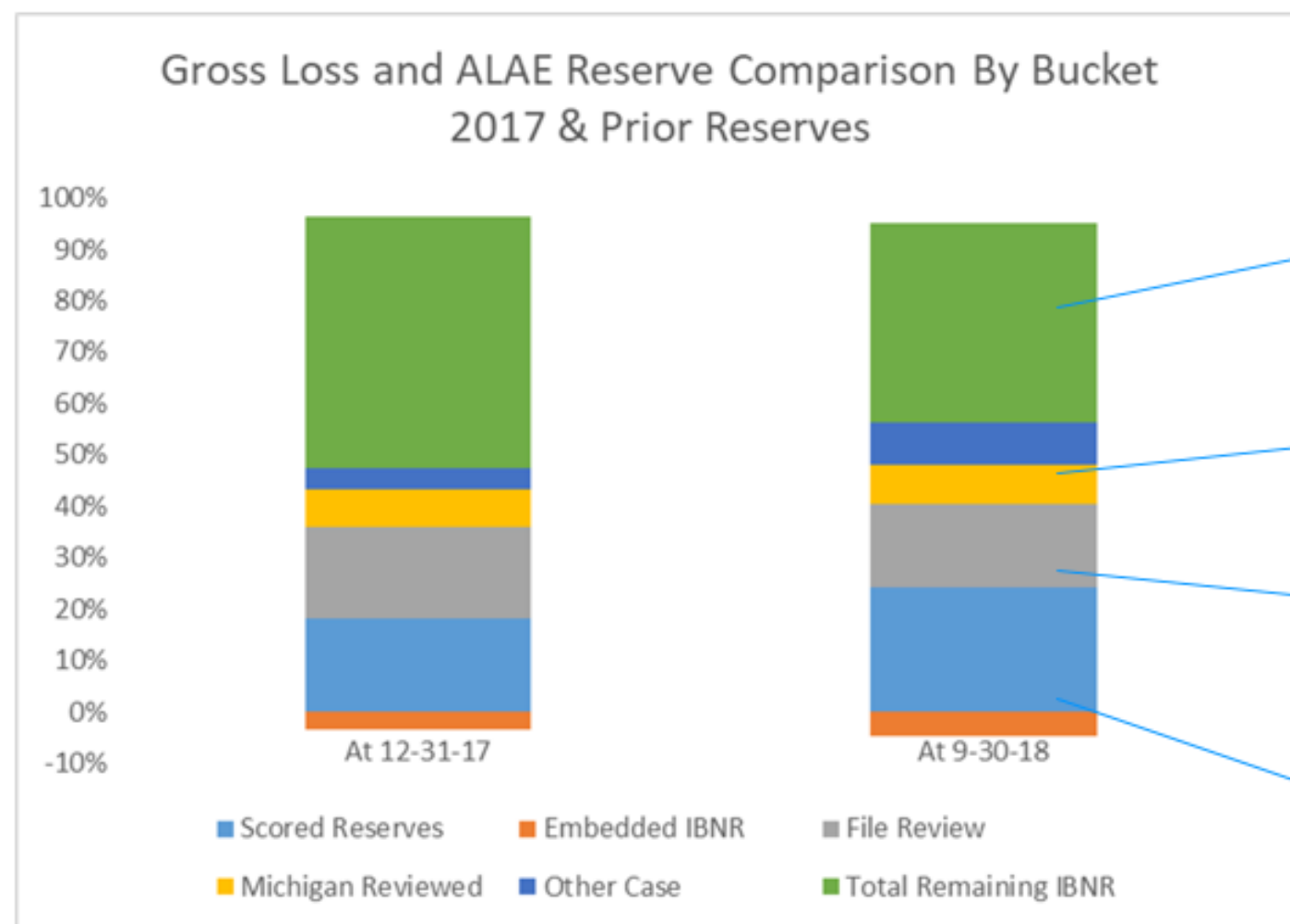
Book value per common share of \$8.53 increased by \$1.11 relative to December 31, 2017 as follows:



*after-tax

Operating Conclusions





Remaining IBNR
(expect approximately 580 new claims that will ultimately be paid)

Michigan Claims
(running off)

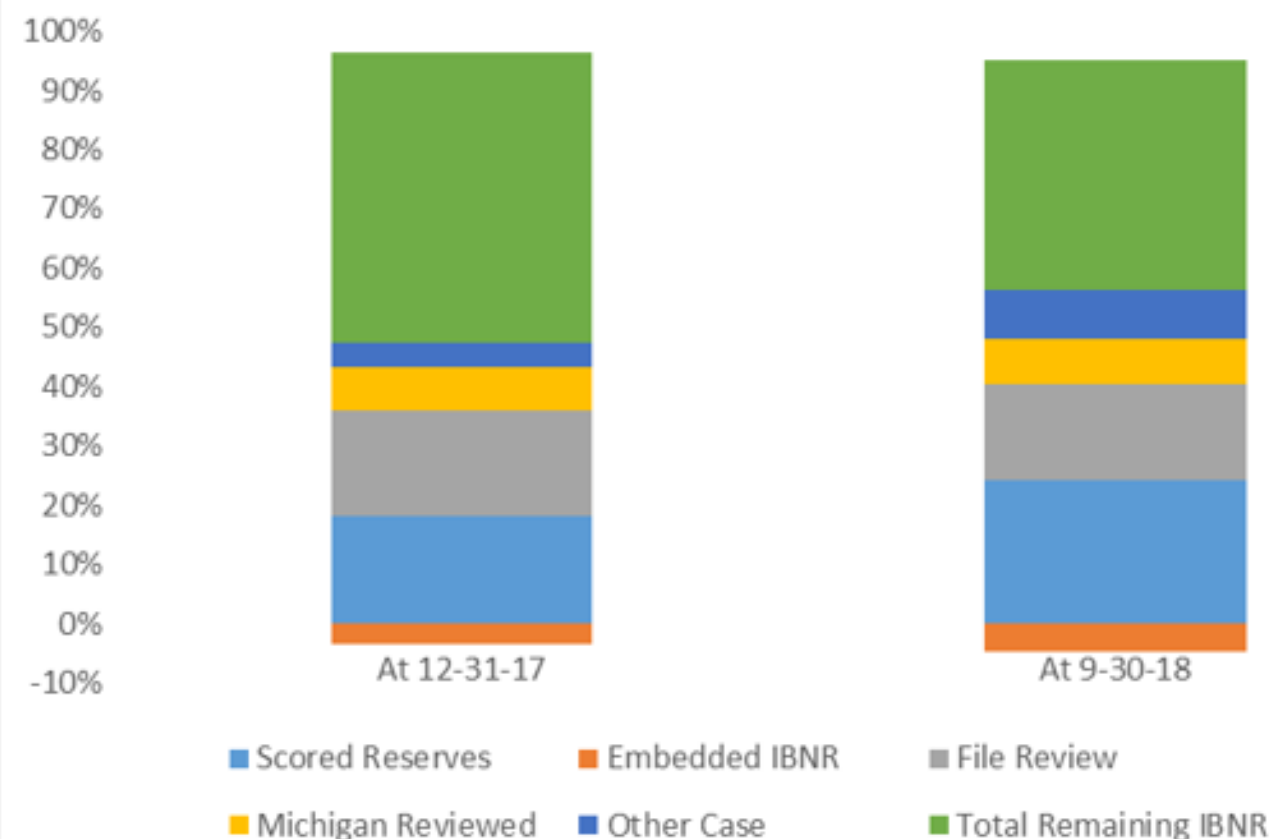
Non-Modeled Claims
(will be reduced to zero)

Predictive Model Based Case Reserves
(2016 forward)

**Gross Loss & ALAE reserves (AY '17 and prior) decreased by 41.1%,
while claim counts decrease by 66.0%.**

Incremental Benefit of Predictive Analytics Claim Activity - ASI POOL Reserves

Gross Loss and ALAE Reserve Comparison By Bucket
2017 & Prior Reserves



Accident Year 2017 and Prior Claim Count

- Overall claim pending reduced by more than 66% since year end
 - Includes new claims presented in Q3 '18 as well as re-opens
- Scored reserves represent majority of open count

Michigan

- Pending claim count of 310 as of September 30, 2018 (includes new reported for 2018). 73.5% of these Michigan open claims have been Scored.

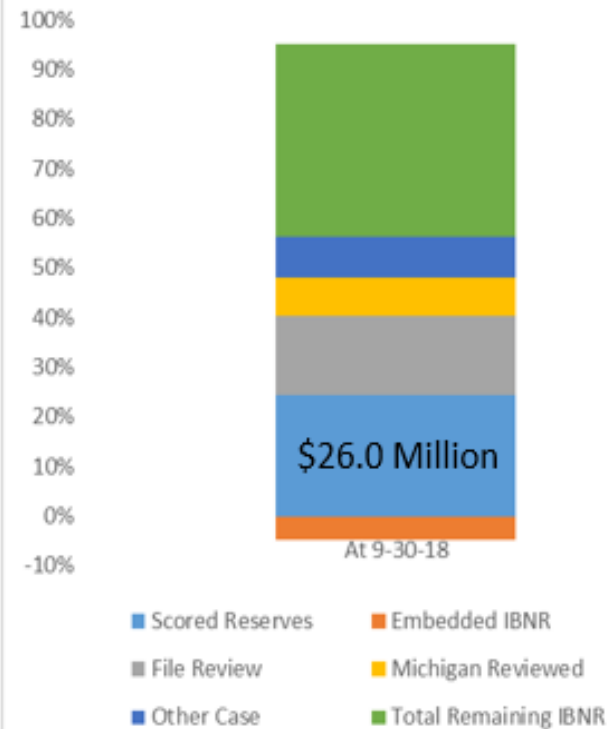
Accident Year 2017 and Prior Loss Reserves

- Gross Loss reserves (case plus IBNR) for the ASI Pool decreased 41.1% since year end
- File review expectation plus modeled case plus physical damage reserves total \$54.6 million
- Additional IBNR of \$43.4 million

Reserve Analysis

Predictive Model Based Case

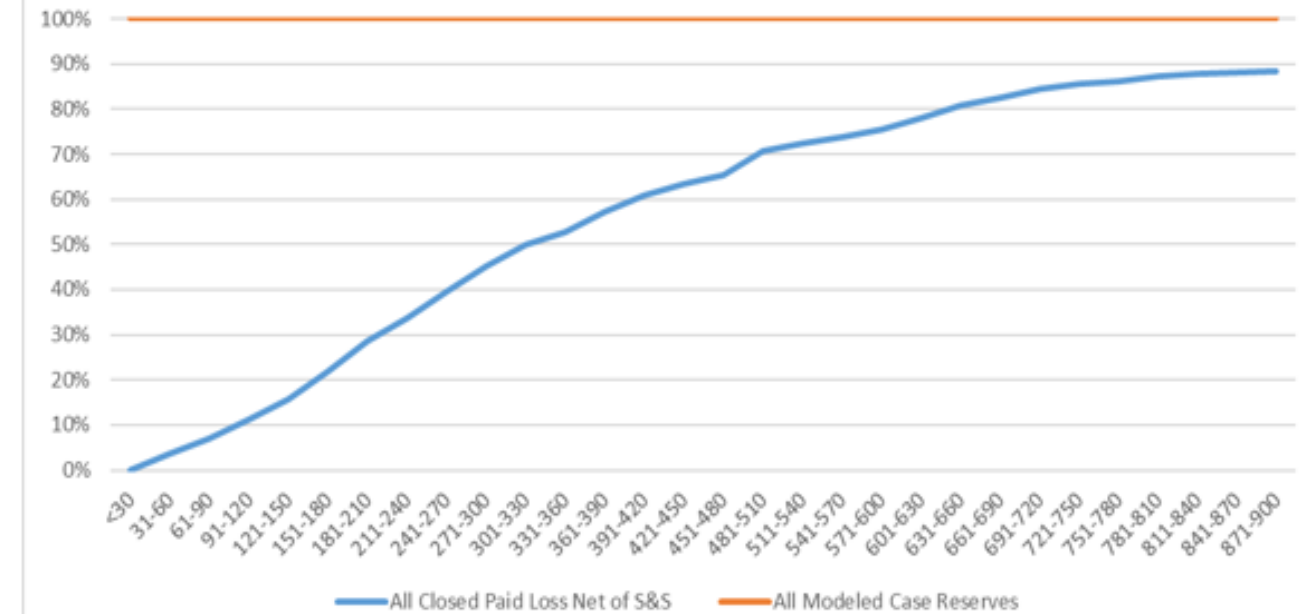
Gross Loss and ALAE Reserve
Comparison By Bucket
2017 & Prior Reserves



Since launching modeling in claims, 8,521 scored claims have been closed

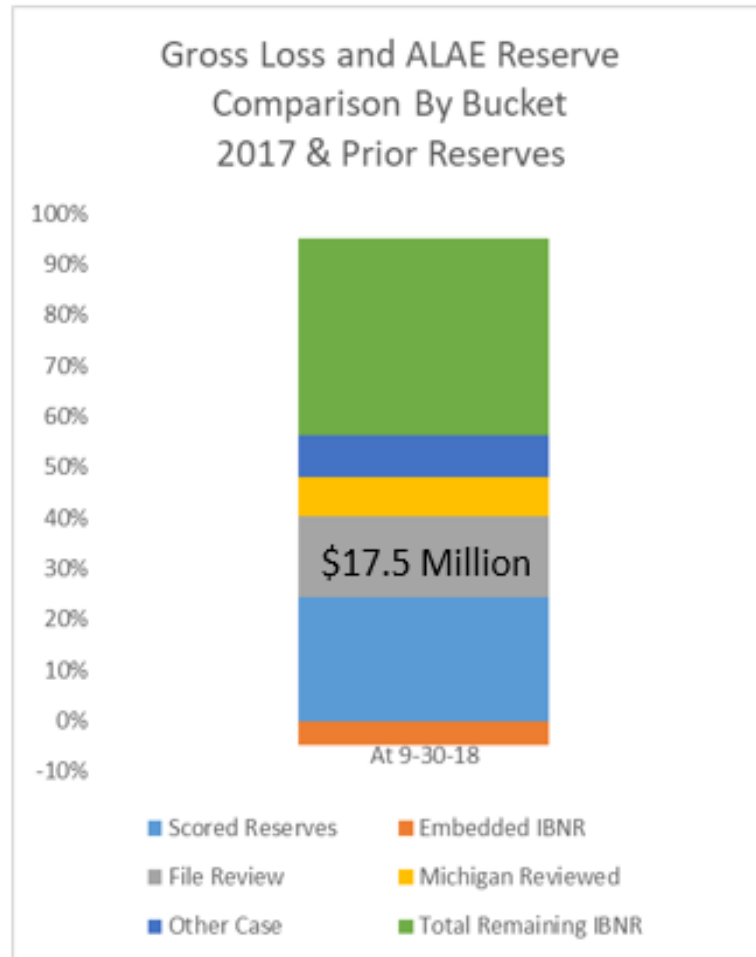
- Aggregate case reserve of \$70.6 million
- Amount paid on closure (including CWOP) totaled \$62.4 million
- Predictive model based case reserves represent the majority of pending third party liability claims (AY 2017 & prior)
- Average case reserve is \$9.1 Thousand

Modeled Case Sufficiency Analysis
% of All Closed Paid Loss Net of S&S Compared to All Modeled Case Reserves
From Q2 2016 through Q3 2018



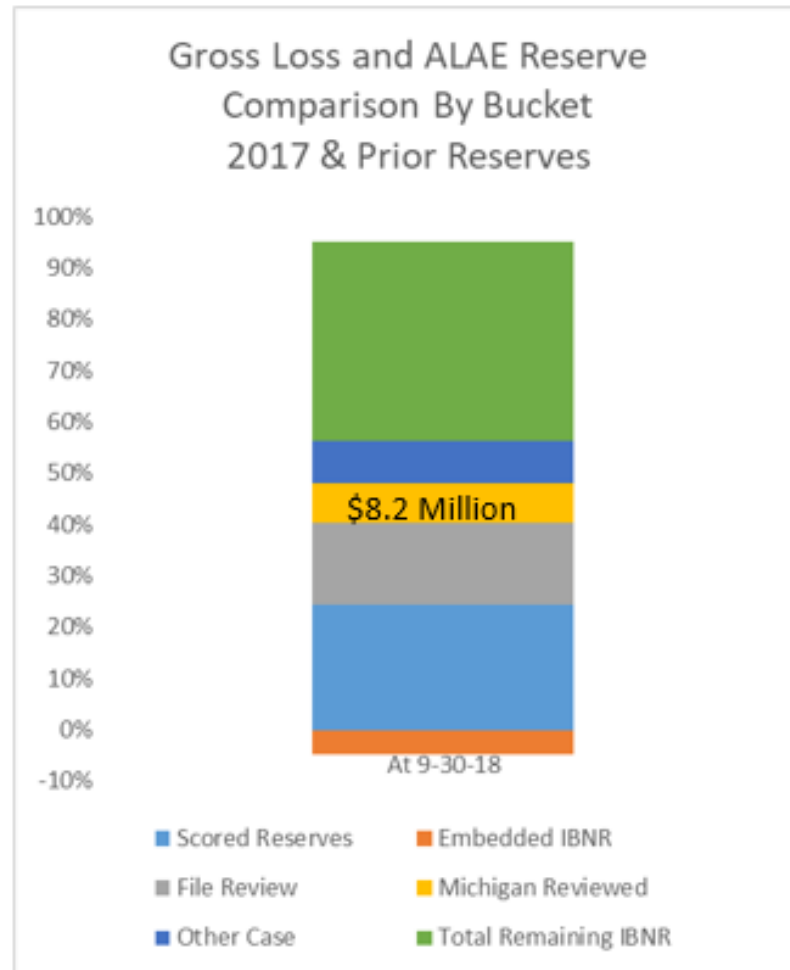
Reserve Analysis

Older Non-Modelled Claims



YTD 2018, 486 older claims, which were not scored by predictive model and not Michigan Claims, were closed

- Aggregate paid was \$14.3 million compared to the expected range of \$9.2 - \$20.7 million
- Remaining count of non-scored claims is 495
- Average allocated case/IBNR per feature of approximately \$35.4 thousand

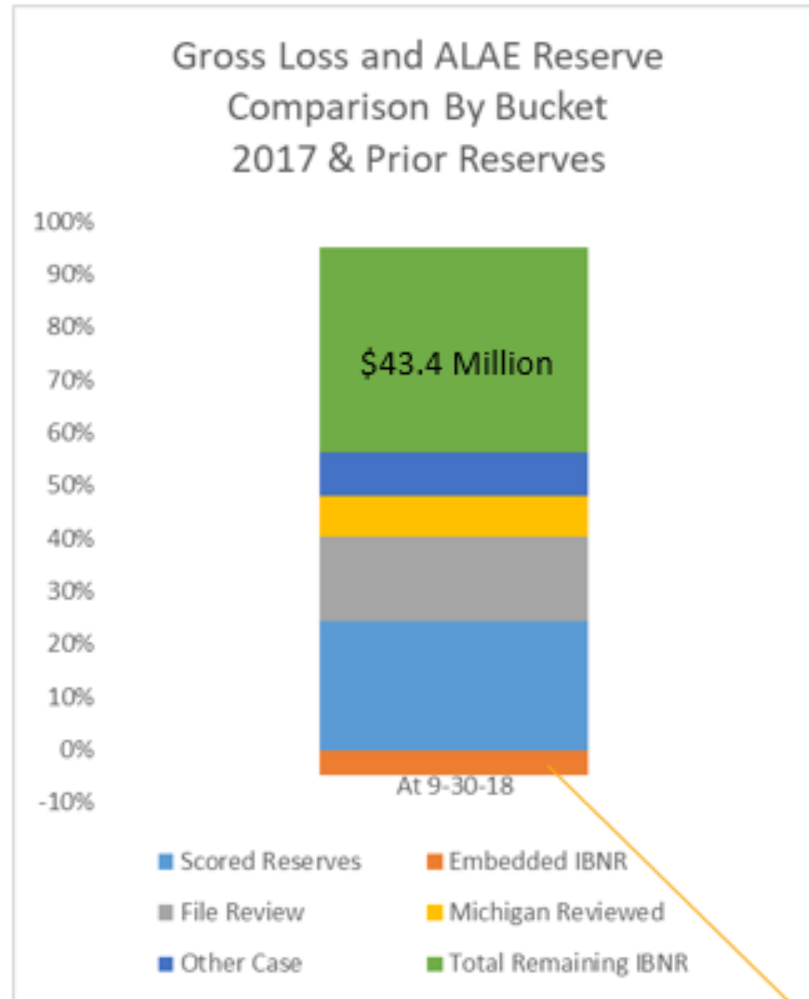


Status 2	O	
Settle Year	(All)	
policy_state	MI	

Count of Claim Claimant		Column Labels	
Row Labels	N	Y	Grand Total
2011	1	1	1
2012	1	1	1
2013	4	4	4
2014	22	2	24
2015	22	9	31
2016	12	96	108
2017	6	92	98
2018	14	29	43
Grand Total	82	228	310

Continued progress winding down business

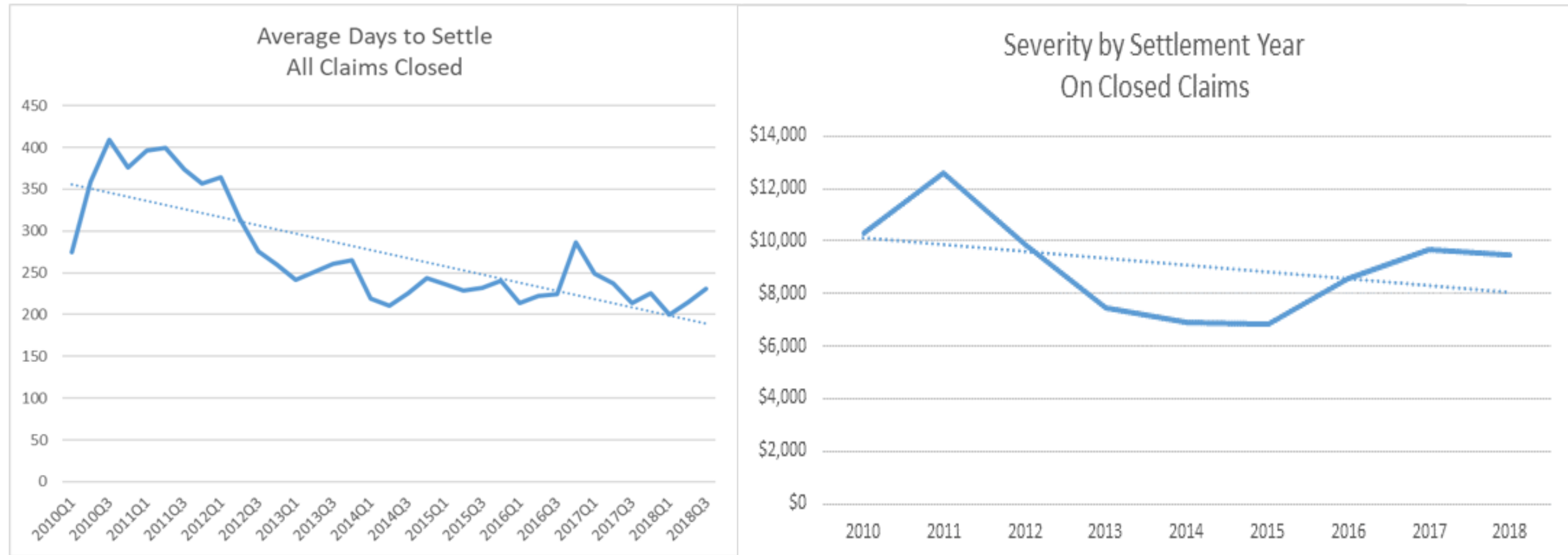
- In force below 1%
- 73.5% of open Michigan claims have been scored
- Average case reserve is \$65.7 thousand



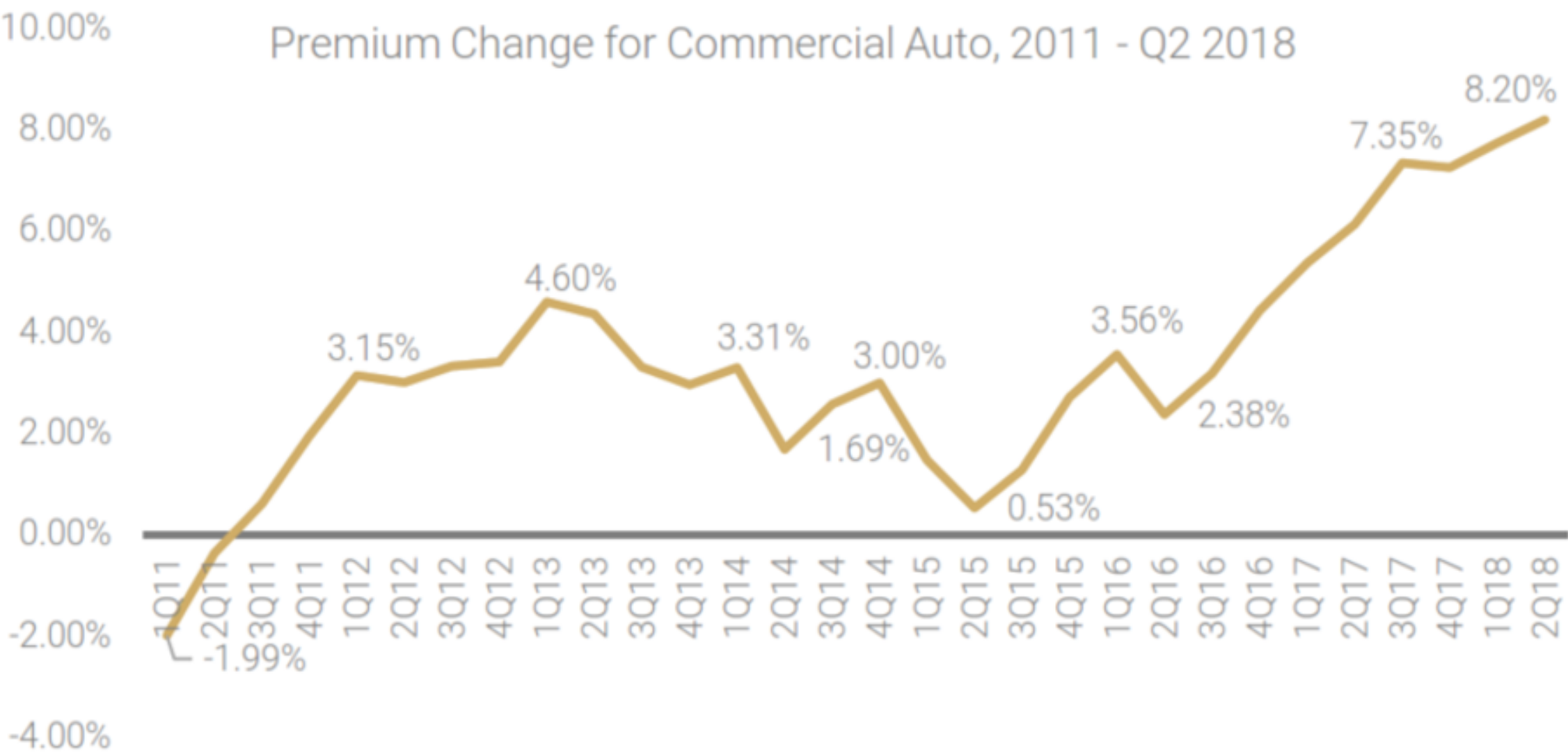
- Approximately 580 additional claims are expected to be received and paid for AY 2017 and prior
- Average IBNR per expected new claim is approximately \$74.7 thousand

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

Closures by Settle Year Displays



Continued overall compression in settlement days,
but flattening out in recent quarters suggesting
“run rate” on post-model implementation basis.



Overall “buoyancy”
expected in Atlas’
niche market based
on broader
commercial auto
hardening

Market Conditions Pricing Trend

Commercial Auto is the large P&C segment with highest positive rate activity; and, it is increasing

	COMM'L AUTO	WORKERS' COMP	COMM'L PROPERTY	GEN'L LIABILITY	UMBRELLA	AVERAGE
Second Quarter 2018	8.2%	-2.9%	2.2%	0.8%	1.5%	2.0%
First Quarter 2018	7.7%	-2.0%	3.4%	0.6%	1.0%	2.2%
Forth Quarter 2017	7.3%	-2.0%	2.4%	0.1%	0.6%	1.7%
Third Quarter 2017	7.3%	-2.3%	0.9%	-0.8%	-0.4%	1.0%
Second Quarter 2017	6.1%	-2.7%	-3.6%	-2.7%	-1.4%	-0.9%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-11.6%	-12.3%	-15.0%	-13.6%	-13.5%	-13.2%

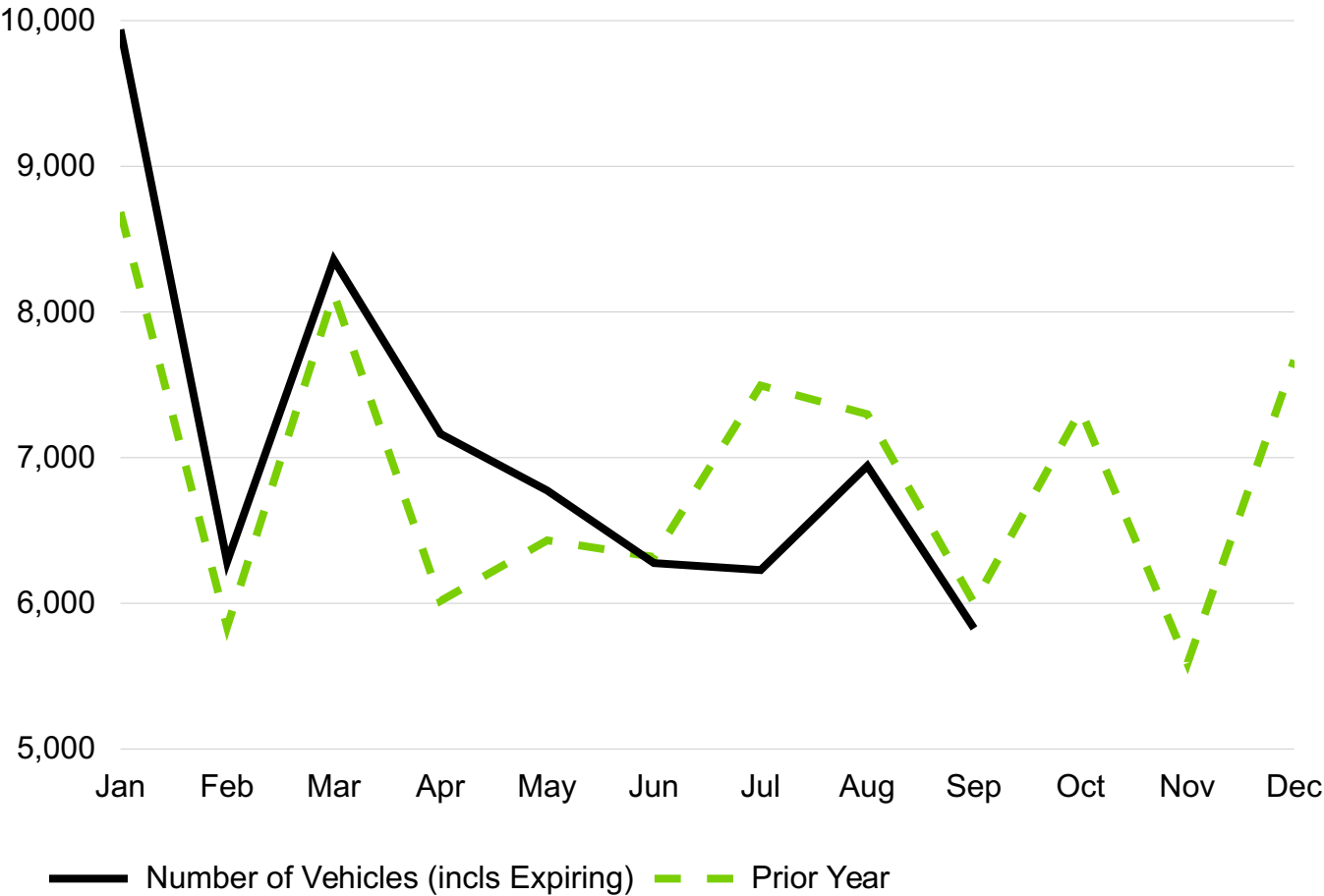
Source:

The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.

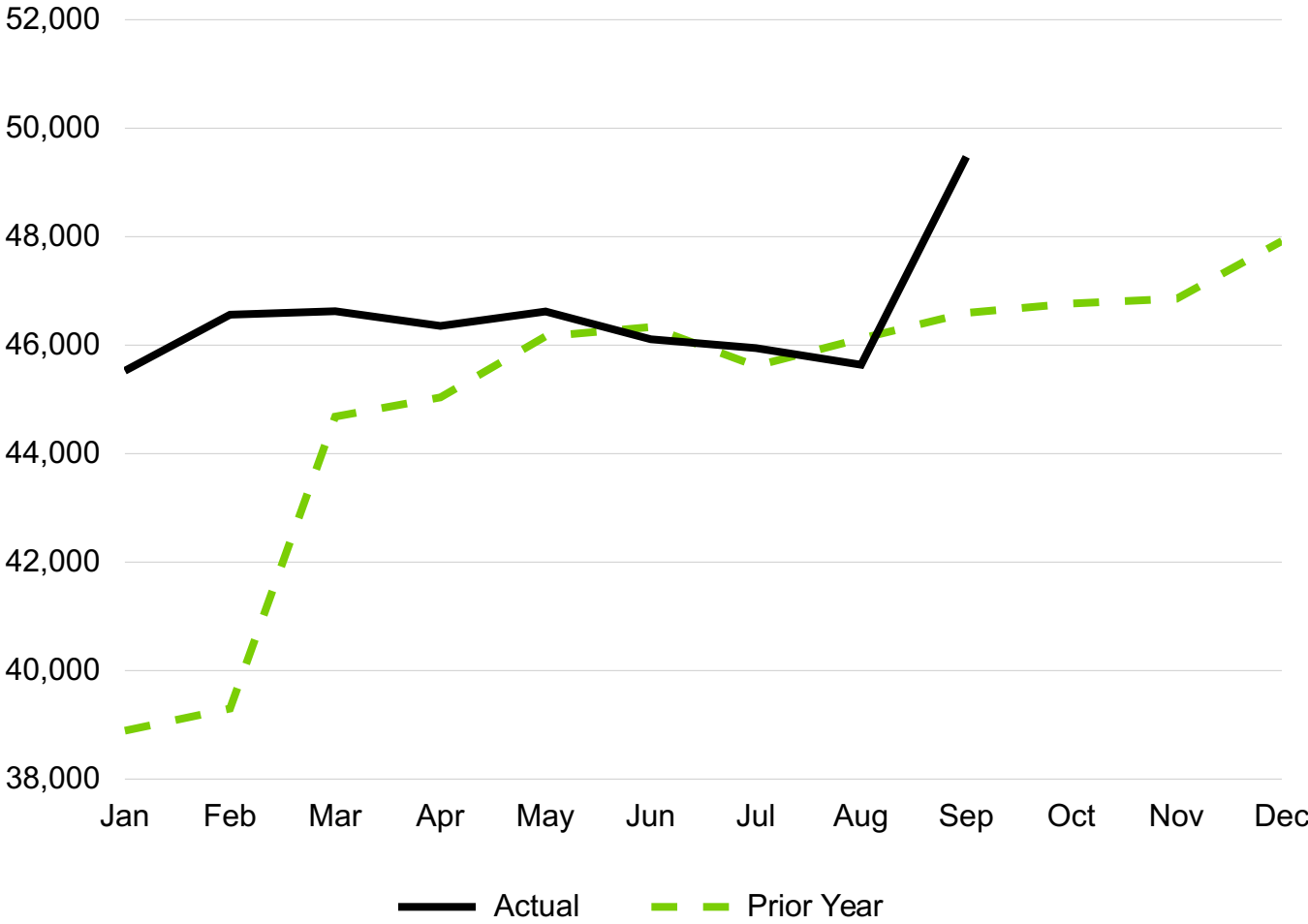
Market Notes:

Competitors in Atlas' niche are primarily local, often "non-standard", insurance carriers. MGA programs continue to have limited capacity in the public auto space. At this point, there are no signs of significant new market entrant. Continuing incremental increases in broader commercial auto rates should further this benefit.

New and Renewal Business Submissions
(Monthly Vehicles Submitted)

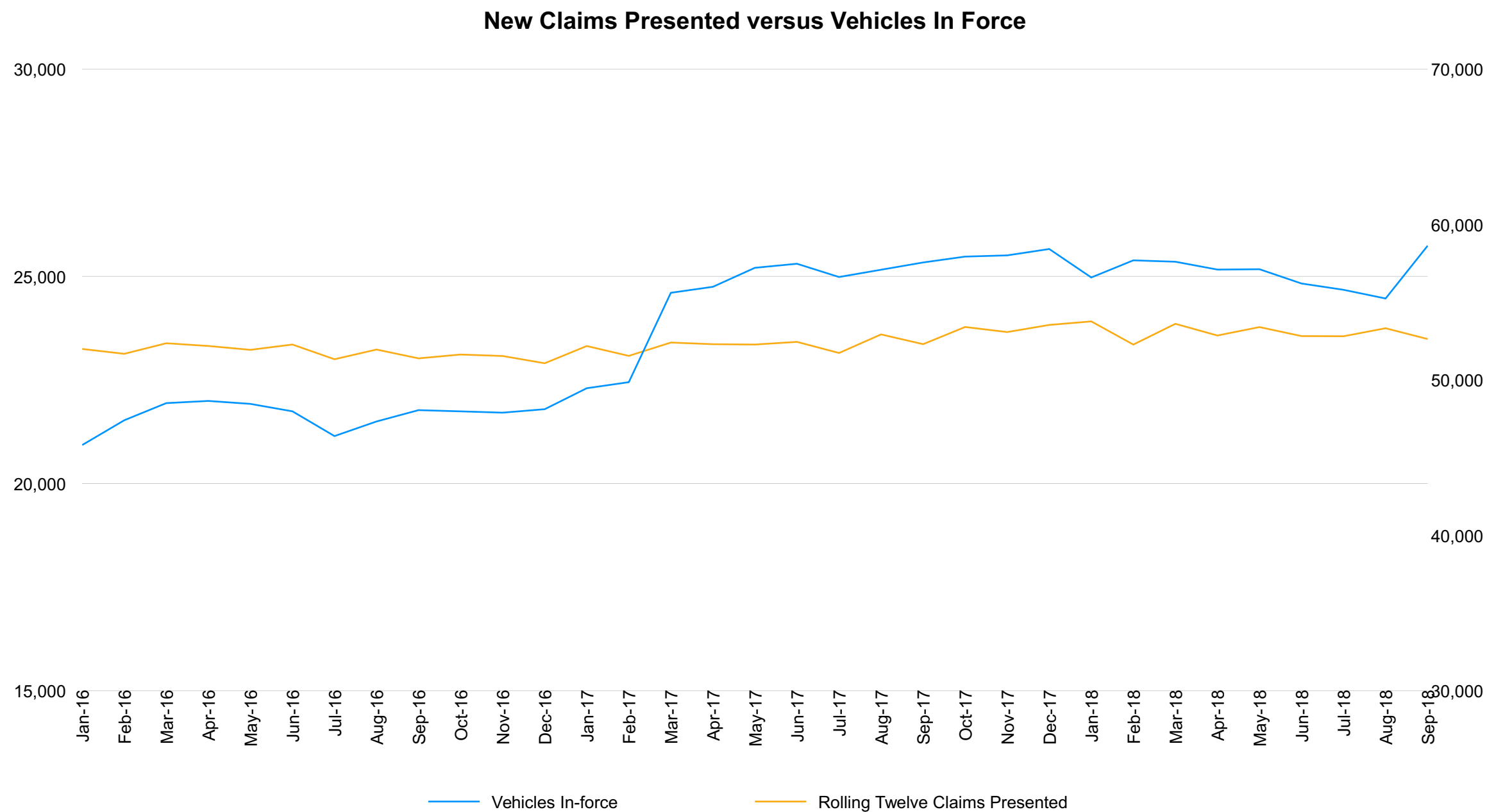


Vehicles In-Force



Incremental Benefit of Predictive Analytics

Claim Activity



Usage Based Insurance

Innovative Fintech Initiative focusing on “Part Time” TNC drivers



<https://www.getopton.com/>

Premium Growth

- Priority on margin over top line growth
- Expect local competitors to follow price leadership exhibited in first half of year
- Modest impact of A.M. Best rating on quality or quantity of business
- Significant opportunities in TNC related space
- Building on partnership opportunities that may accelerate expansion in the TNC space

Operating Margin

- Continued focus on increasing rate relative to 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

- Company has been conservatively carrying a loss ratio above prior years despite putting a significant amount of rate into the market
- Previously announced \$2.00 net earnings per share target predicated on full year 2018 loss ratio similar to or better than 2017 as determined at year end 2018
- ROAE > 20%



For Additional Information

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Investor Relations:
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Adam Prior
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212-836-9606

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 months ended September 30,				Nine months ended September 30,			
	2018		2017		2018		2017	
Net income	\$ 5,605	\$ 0.47	\$ 5,125	\$ 0.42	\$ 16,710	\$ 1.39	\$ 15,487	\$ 1.27
Add: income tax expense	1,518	0.13	2,760	0.23	4,304	0.36	8,342	0.69
Add: expenses recovered pursuant to stock purchase agreement	—	—	—	—	(520)	(0.04)	—	—
Add: interest expense	465	0.04	467	0.04	1,381	0.11	1,379	0.11
Less: loss from change in fair value of equity securities	(2)	—	—	—	(97)	(0.01)	—	—
Less: net realized investment gains	54	—	582	0.05	501	0.04	1,000	0.08
Less: other income	186	0.02	115	0.01	366	0.03	332	0.03
Adjusted operating income, before tax	\$ 7,350	\$ 0.62	\$ 7,655	\$ 0.63	\$ 21,105	\$ 1.76	\$ 23,876	\$ 1.96

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:	September 30, 2018	June 30, 2018	December 31, 2017	September 30, 2017	June 30, 2017	December 31, 2016
Total shareholders' equity	\$ 101,855	\$ 96,222	\$ 90,645	\$ 144,397	\$ 138,857	\$ 127,342
Accrued dividends on preferred shares	—	—	(333)	(333)	(333)	(333)
Total common equity	\$ 101,855	\$ 96,222	\$ 90,312	\$ 144,064	\$ 138,524	\$ 127,009

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income	\$ 5,605	\$ 5,125	\$ 16,710	\$ 15,487
Average equity	99,039	141,627	96,250	135,869
Return on average equity (annualized)	22.6%	14.5%	23.1%	15.2%
Net income attributable to common shareholders	\$ 5,605	\$ 5,125	\$ 16,710	\$ 15,487
Average common equity	99,039	141,294	96,084	135,537
Return on average common equity (annualized)	22.6%	14.5%	23.2%	15.2%