DT: November 9, 2021- FINAL

TO: Scott Wollney

CC: Paul Romano

FR: Adam Prior

RE: Script for Conference Call – Third Quarter 2021

OPERATOR

Begins by stating the title of the call ("Atlas Financial Holdings, Inc. 2021 Third Quarter Financial Results"), and turn the call over to Scott Wollney, Chief Executive Officer of Atlas Financial.

<u>Scott - Introduction</u>

Thank you very much Donna and good morning everyone. With me today is Paul Romano, our Vice President and CFO, as well as Adam Prior, our Investor Relations Manager.

Our third quarter represented solid progress towards recovery, as we continue to grow our managing general agency, or "MGA", operation through partnerships with external risk taking insurance and reinsurance partners. During our last call, I detailed our history and background, including the transition from a group of risk bearing insurance carriers to an MGA. I would encourage all parties to listen to our previous conference call for additional background on this, or review the investor relations presentation on our website.

Today we will provide an update to the market about Atlas' current business activities, financial results, as well as answer questions sent to us in advance.

I'll now turn it over to Adam Prior to provide details about our quarterly materials and review our policy regarding forward looking statements.

Adam – Forward Looking Statement

Thank you Scott. And good morning everyone.

Yesterday, after market close, Atlas issued its 2021 Third Quarter Financial Results. Copies of this press release are available at the "Investor Relations" section at the Company's website at www.atlas-fin.com.

On this call, Atlas may make forward-looking statements regarding the Company, its subsidiaries and businesses. Such statements are based on the current expectations of the management of each entity. The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or similar words are used to identify such forward looking information. The forward-looking events and circumstances discussed on this call may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting the companies, including risks regarding the insurance industry, economic factors and the equity markets generally, and the risk factors discussed in the "Risk Factors" section of its Form 10K for the year ended December 31, 2020. No forward-looking statement can be guaranteed.

Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and the Company and its subsidiaries undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

We have also made a revised investor presentation available prior to this call, which we hope provides additional data as well as information on the Company's technology, operations, and market. Though we may address a few slides specifically as Scott noted earlier, in general we will use this as an accompaniment. Feel free to follow along, as we will follow the basic structure of the document. This presentation is available on our website's "Investor Relations". For those of you following along with our presentation, we'll begin on slide three. With that, I'd now like to turn the call back over to Scott.

Scott Wollney - Quarterly Overview

Thanks Adam. Prior to our strategic repositioning as an MGA, Atlas wrote approximately $285 million in premium in 2018 as a group of risk taking insurance carriers and estimated that this represented less than 15% market penetration in our niche. Our expectation was, and is, that as a market leader, capturing 20% market share would be reasonable over time.

As summarized on slide 3, we continue to believe that focusing as a nationwide middle market insurance provider specializing in "light" commercial auto uniquely positions us to offer comparative advantages in the niche segments on which we focus.

We have experienced, and learned from, a disruptive paradigm shift with respect to our target market as well as dramatic challenges that impacted the commercial auto insurance industry overall. As noted on slide 4, we've made a significant strategic change with the goal of rebuilding value for our stakeholders following a clear Vision and Mission as set out on slide 5.

Our team has worked hard to successfully transition from a long-standing history as a group of traditional insurance carriers to a technology and analytics focused managing general agency with the goal of EBITDA growth through strategic relationships with risk taking partners who have larger balance sheets and a lower cost of capital. Slide 6, 7 and 8 provide some key details in terms of the value drivers and business model behind this strategic shift.

As set out on slide 9, our primary focus is providing commercial auto insurance to livery, limo, taxi and full-time transportation network (or "TNC") drivers. We were fortunate that during the pandemic the paratransit focused underwriting agreement we established with National Interstate Insurance Company enabled us to generate revenue at a time when what had been our larger public auto market segment was dramatically depressed due to the effect of COVID-19.

Overall, we view this relationship as being a positive from both sides and the timing worked out extremely well. During the pandemic, we were able to support our paratransit customers, whose business was reduced by approximately 30% as opposed to the 90% impact we saw with public auto, livery and TNC, with a quality carrier. Now, as we start to see recovery and growth in the public auto, livery and TNC sectors, we will be able to redeploy our resources and proceeds from the rights agreement to focus on growing our core MGA business around these larger growing segments. This will allow our Company to manage its growth without additional personnel in the near-term while providing necessary capital in the short term.

Our team has been working very effectively with the National Interstate team and will support the transition of this business over the next year. We believe that this multi-year strategic relationship confirms the core competency we've developed as a specialty commercial auto focused MGA. The transition of this business will free up existing resources to focus on our growing book of taxi, livery, limousine and TNC customers. Rebuilding our business with risk-taking partners is consistent with our emphasis being placed on generating EBITDA at the MGA level while endeavoring to reduce risk and capital requirements related to traditional primary insurance company operations. We further believe that National Interstate exercising renewal rights in connection with the Small Paratransit segment of our book of business demonstrates the quality of our underwriting and risk selection capabilities. In addition to growing our existing programs in these public auto segments, our team continues to pursue other specialty commercial auto programs as post COVID-19 recovery takes hold.

Over the past few months, we continued to see a substantial increase in new taxi, livery and TNC submissions and policies issued as a result of drivers re-entering the market in response to continued demand from passengers in the public auto and ride-sharing segments. More detail regarding impact and early signs of recovery are shown on slide 10. We have continued to focus closely on maintaining an effective infrastructure while we build toward our desired operating scale.

We are seeing distinct signs of recovery in several of our markets as business begins to return following the challenges created by the COVID-19 pandemic. The Chicago market serves as a good proxy for many other areas of the country. Taxi, livery and transportation network company rides were down 90% or more for much of the pandemic in virtually all major areas of the United States. As this data from the City of Chicago confirms, taxi trips are still down approximately 68% from pre-COVID levels, but a marked improvement over last year. There are some markets, like Las Vegas, that are actually experiencing higher than pre-COVID activity, but these are limited at this point in time.

The key element for recovery continues to be driver supply as opposed to passenger demand. Specifically, this refers to the return of active drivers for, or as, public auto and ride share operators. The demand for rides is considerably higher than it has been since the early days of the pandemic. Drivers who had parked their vehicles and/or found other lines of work have been slower to return into operation and lag the demand from passengers for rides. This is resulting in long wait times, higher than previously experienced fares for TNC rides, etc. However, as ride sharing platforms have noted in the press and on their earnings calls, this challenge is starting to abate and drivers are coming back.

On slide 11, we provide TNC and Taxi trip comparisons for New York City. As interesting observation you see on a side by side basis is that while TNC trips initially recovered faster than taxi, there has been a marginal reduction in TNC trips in recent months while taxi continues to recover fairly consistently.

We believe this is a leading indicator relative to our business. In fact, long wait times and high costs per rides should demonstrate to both TNC and public auto drivers that the time is right to put their vehicles back in service. It may also create a shift favoring taxi over TNCs on a relative basis. In addition, we believe that as we continue to transition out of the pandemic, at a macro level passengers are likely to utilize taxis and other forms of commercial car services to a greater extent as compared to mass transit than they did pre-pandemic for a number of reasons.

As illustrated on slide 12, our monthly quotes for taxi and livery policies are at the highest level seen since the pandemic began and we see this continuing for the foreseeable future. In the third quarter of 2021, our new business submissions were up 70% versus the prior quarter, and policies issued were up 147%. We expect this trend to accelerate as more drivers and vehicles come back into service. Paratransit levels remained relatively flat. In October 2021, we wrote more than six times more taxi, livery and TNC business than we did in October 2020. Please keep in mind that while these growth rates are strong, the premium base in the last year was relatively small given the impact of COVID-19. At this point, taxi, livery and TNC related premium is roughly one third of our approximately $30 million of in force premium and growing. It is also important to note that our payment terms are typically 20% down with 10 equal monthly installments. Commission is received on a cash basis as these installments are collected.

Slide 13 provides a monthly summary of our taxi and livery bind ratios. This is the relationship between quotes we issue and policies we write. While these ratios were in the single digits for most of 2020, they have been very strong in the mid to second half of 2021. As a point of reference, in a hard market environment we would expect these ratios to stabilize in the 40% to 50% range. In a softer market, a hit ratio in the neighborhood of 35% would be more typical. The fact that we are achieving better than normal hard market levels demonstrates that the products we offer are competitive and valued by our customer basis.

That said, full time drivers need to feel confident they can cover their costs before getting back on the road, both opportunity cost and actual expenses, which includes buying the type of insurance products Atlas provides as an MGA. With demand for rides increasing significantly in most areas of the county, our current expectation is that a meaningful pick up in full time drivers re-entering the market could result in greater demand for commercial auto insurance in the taxi and livery segments in particular.

Slide 12 provides a view as to the shift from survival during the pandemic to success as the virus abates. While we have an aspirational goal of disrupting number segments of the commercial auto space over time, the near term remains challenging. We have adjusted to a "new normal" and need time and continued commitment from our team, stakeholders and business partners to achieve that goal.

Last quarter, we noted our optimism about drivers returning vehicles into service following Labor Day, and this proved to be correct, largely due to unemployment benefits ceasing rather than any change in COVID related statistics. As has been highlighted in the press, there are other frictions causing commercial vehicles to return to operation more slowly, such as delays in obtaining inspections, etc. On the other hand, many large cities are working with the industry to facilitate an increase in owner operators, which is at the heart of our target market.

We are also evaluating incremental opportunities to expand the scope of our product offerings to other full-time drivers in the gig-economy space such as food and package delivery as well as other service providers. These longer term plans are intended to enable us to ultimately build a larger and more diversified organization than we had in 2018 prior to the challenges we faced and our subsequent change in strategic focus.

With that I'll turn it over to Paul for a brief review of our financials and then I'll return for a few closing comments; and to address questions

Paul Romano – Financials

Thanks Scott. As always, I encourage each of you to review our filings, our slide presentation, and to reach out to Scott or myself with any questions. Slides 15 and 16 summarize our financial results as detailed more fully in the Form 10Q for the quarter ended September 30, 2021 that was filed yesterday after market close.

As an MGA, our commission and fee income are primarily derived from premiums produced on behalf of our risk bearing insurance carrier partners. We earn commission from the sale of first year and renewal policies from these partners. We also generate other revenue mainly from professional fees in connection with service arrangements with our strategic partners.

During the third quarter, we reported commission income of $2.0 million for the three months ended September 30, 2021, an increase of 22.2% from $1.7 million for the three months ended September 30, 2020.

Other income for the third quarter of 2021 was $1.2 million compared to $367,000 for the third quarter of 2020. The increase resulted primarily from professional services income provided under our contract with Buckle, as well as, certain other non-recurring items.

Acquisition costs for the three months ended September 30, 2021 were $1.1 million compared to $862,000 for the three months ended September 30, 2020, and represent commissions paid to retail agents who sell insurance policies on our behalf.

Other underwriting expenses for the three months ended September 30, 2021 and 2020 were $4.1 million and $4.2 million, respectively. Approximately $2.6 million related to the continuing operations of AGMI, which included non-cash depreciation and amortization of $191,000. The remaining $1.5 million relates to the Company's headquarters building, which is classified as held for sale, and other holding company expenses.

During the past twenty-four months, the Company has taken significant steps to reduce operating costs while maintaining the key value drivers in our business. In addition to the core underwriting and customer service infrastructure, much of our expense relates to the people and systems that support our technology and analytics which is critical given the nature and focus of our business.

We believe that because a portion of our personnel and other expenses are relatively fixed in nature, changes in premium production may impact our operating scale and operating expense ratios.

Atlas reported a net loss of $4.1 million during the three months ended September 30, 2021 compared to net loss of $3.6 million during the three months ended September 30, 2020. Loss per common share was $0.28 for the three months ended September 30, 2021 compared to a net loss per common share of $0.30 during the three months ended September 30, 2020.

While our continuing operations are currently generating a loss, we believe that the scalable infrastructure we have in place is well positioned to generate positive EBIDTA in the future as our target customer segments continue to re-deploy their vehicles following the material reduction in their activity during the COVID-19 pandemic. As an MGA, we do not take balance sheet risk in connection with loss related to the insurance policies we issue. Therefore, we expect a strong risk adjusted return as we achieve efficient scale.

Finally, it's important to note that Atlas' ability to realize opportunities for growth and value creation coming out of a broader post-pandemic economic recovery will be dependent on its ability to refinance or otherwise satisfy the Corporation's senior debt obligation maturing in April 2022, as well as, other financial liabilities including obligations related to real estate and the anticipated forgiveness of our second PPP loan. Scott will provide a status update regarding activities related to the bond exchange in a moment. More details regarding the activities we have underway in terms of these obligations are described in detail in the current report on Form 8-K filed on September 1, 2021 and the most recent quarterly report on Form 10-Q.

With that, let me turn the call back to Scott for his concluding remarks.

Scott Wollney - Conclusion

Thanks Paul.

Slide 17 illustrates that our current book of business is only 6% of what we wrote in 2018. Our infrastructure is readily scalable and we have support from our risk taking partners which should enable us to recapture as much as 80% or more of this business over time. The Counsel of Insurance Agents and Brokers data provided on slide 18 demonstrates that the U.S. commercial auto insurance segment remains hard having experienced more than forty consecutive quarters of rate increases. This is favorable in terms of our competitive position. In addition to having a lot of opportunity to recapture a significant amount of business as the market recovers, rates (and therefore commissions) are also up. Our average rate per vehicle year to date is $4,769 as compared to $3,305 in 2018, an increase of 44%.

However, as Paul mentioned, Atlas' ability to realize opportunities for growth and value creation coming out of a broader post-pandemic economic recovery will be dependent on our ability to refinance or otherwise satisfy the Corporation's senior debt obligation maturing in April 2022. The Company has been working to address the upcoming maturity of these 6.625% Senior Notes. During the quarter, Atlas announced that we are pursuing a financial restructuring through an exchange of the Company's 6.625% Senior Unsecured Notes due April 26, 2022. On August 31, 2021, the Company entered into a Restructuring Support Agreement, or "RSA", with holders of approximately 48% of the Company's Notes. Subsequently, holders of an additional 6.59% of the Notes acceded to the RSA for a total of 54.59%.

The arrangement would allow Atlas to pursue an exchange of the Notes which, if successful, is expected to extend the maturity date and provide additional financial flexibility. We are very pleased to have the binding commitments from Supporting Noteholders representing the majority of our outstanding Notes. Restructuring this debt obligation is critical to allow sufficient time following COVID-19 to rebuild our book of business as an MGA.

Our next step is to file the necessary documents in the Cayman Island courts as part of the arrangement and will keep you all apprised of our progress in this regard.

On September 1, 2021, the Company also secured bridge financing via a convertible delayed draw credit facility. We may use the proceeds from this facility for payments of certain agreed upon permitted expenditures, which include expenses expected to be incurred in connection with the restructuring of the Company's Notes. The total funding available under this facility, subject to its terms and conditions, is $3 million. As noted in our Form 10Q filed after market yesterday, the Company has drawn $500,000 at this time. The funding available under the Credit Agreement is expected to enable us to defray costs related to these activities along with other near-term cash needs of the business at a time where commission revenue is still lower than we need to generate positive cash flow. Certain terms required to draw additional funds under this agreement are still being satisfied. We anticipate that, including potential additional draws against this facility, the Company will be able to meet its cash obligations through the bond exchange process.

Provided we are successful in overcoming near term obstacles, we plan to be a meaningful disrupter in the $43 billion U.S. commercial auto segment over time. Slide 19 highlights the key aspect of our business which will serve as the foundation for this activity.

As a traditional MGA, our first priority is to recapture historic business in our existing “legacy” niche and return to profitability and positive cash flow. In addition, we believe that optOn has significant applications as a digital platform designed to measure micro duration exposure to better underwrite a variety of light commercial auto risks. More detail regarding our initial proof of concept of optOn can be found on pages 21 through 25 of this deck for reference after the call. We have substantially expanded the scope of this product concept and are excited to provide more information to the market in the future. As both insuretech businesses and investors become more aware of the value of not only technology solutions, but also our decades of data and real-world insurance knowledge, we believe this aspect of our business will have great potential. Slide 20 provides a glimpse of our view of the status quo, catalysts for change and vision for a more technology enabled future.

Overall, we continued to see a substantial growth rate in new submissions and policies issued as a result of drivers re-entering the market in response to continued demand from passengers in the public auto and ride-sharing segments. We have continued to focus closely on maintaining the expertise we developed over many years to leverage our infrastructure while we build to a desired operating scale.

With that, we’ll take several questions that investors have sent in. Adam?

Adam / Scott – Submitted Q&A

Thank you Scott. Let me take a moment to discuss the format for questions for this call. Following our scheduling announcement of the call, we accepted questions prior to the release of earnings from all parties who wish to submit prior to the call – either from calling in or email. Where possible, we worked these questions into our presentation where appropriate, but there are a couple that are fair to break out on their own.

This first question comes from Brendan Snow, a private investor, who requests an update on capital structure and debt terms.

A: As I noted earlier, we have binding support from more than 50% of our senior noteholders to pursue a Cayman Islands restructuring which would extend the maturity of these notes by five years and add a PIK feature for the first two. Par value of the notes will not be reduced. We believe this will provide the Company with the time we need to accomplish the business objectives we discussed to create value for all stakeholders in a way that is fair to existing noteholders given the alternatives which continue to be challenged as a result of COVID-19 among other things.

The next question is from Bob Farnam of Boenning and Scattergood, regarding the timing and voting thresholds related to the bond exchange.

A: Provided the Caymans Islands court authorizes a noteholder vote, the primary threshold is an affirmative vote from noteholders representing 75% of par value of those who vote. As I indicated earlier, noteholders representing 54.59% of the total outstanding par value of the notes have given their binding commitment to vote in favor under the RSA. Supportive noteholders include the largest institutional holders as well as individual holders. The court will consider numerocity of votes as well. Subject to timing set out by the court once documents are filed, we anticipate that voting materials will be distributed to noteholders in the fourth quarter of 2021. Following what we hope will be an affirmative vote, we will seek ratification in the Cayman Islands and recognized via a U.S. Chapter 15 filing. Our goal is to complete all of these activities in the first quarter of 2022.

The next question comes from Josh Horowitz of Palm Global Small Cap Master Fund regarding the annual carrying cost of the Company’s headquarters building in Schaumburg, IL which is held for sale.

A: First, please note that our second quarter 2021 results included a $1.5 million impairment charge related to a reduction in the asking price for our headquarters building. Setting that aside, the annual cost, including operating expenses, mortgage and taxes is approximately $2.6 million. These costs will be eliminated upon a sale of the building. At this point, we do not have an offer on the building. The building is currently listed for $11.5 million and the outstanding mortgage liability is $7.8 million. We hope that the reduced asking price will help expedite a sale.

The next question is from a private investor, and refers to whether Atlas MGA business has added any new carrier partners.

A: I discussed the renewal rights transaction with National Interstate earlier. Following that transaction, our largest risk taking partner is Buckle Corporation who acquired three of our insurance company entities out of liquidation. We are actively talking with other carriers as well and believe that, following a successful bond restructuring, there will be opportunities to enter into additional agreements that complement the relationship we have with Buckle, or enable us to write lines of business they would not consider to be aligned with their capital allocation objectives.

On a related note, another question was whether you added any new business lines, or have plans to.

A: We are actively working with Buckle to identify potential incremental programs in addition to the taxi, livery and full time TNC program we already have in place. We established a relationship with ITMA to provide complimentary cargo insurance and stand-alone physical damage coverage as well. There are a number of interesting adjacent target markets such as food and package delivery, car leasing businesses focusing on gig economy platforms, etc. While recapturing our historic business is our low hanging fruit, we are optimistic that we can leverage our data, expertise and capabilities to expand into other segments over time both with Buckle as well as other potential risk sharing partners.

That wraps up the questions received in advance of this call. Thank you to all individuals that submitted questions and please feel free to reach out to me or anyone on the team with additional questions. Scott, with that I'll turn it back to you.

Scott Wollney – Closing

Thank you everyone. Your questions and support are greatly appreciated and we look forward to speaking to you again in March after the issuance of our fourth quarter and full year 2021 financial results.