



First Quarter 2014 Conference Call  
May 8, 2014

## Safe Harbor / Atlas Snapshot

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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.

NASDAQ: AFH (at 3/31/2014)	
Corporate Headquarters	Elk Grove Village, IL (Chicago suburb)
Subsidiaries / Brands	American Country American Service Gateway (including Alano)
Core Target Markets	Taxi / Limo / Paratransit
Cash and Investments	\$142.8M
Total Assets	\$229.6M
Total Shareholders' Equity	\$67.4M
Common Shares Outstanding	9,610,586
Book Value Per Common Share	\$6.79



# 2014 First Quarter Underwriting Highlights

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## **Core Growth**

- Q1 gross premium written increased by 39.7% to \$31.2 million compared to Q1 2013
  - Included an increase of 46.1% in core commercial auto business

## **Continued Improvement in Underwriting Results**

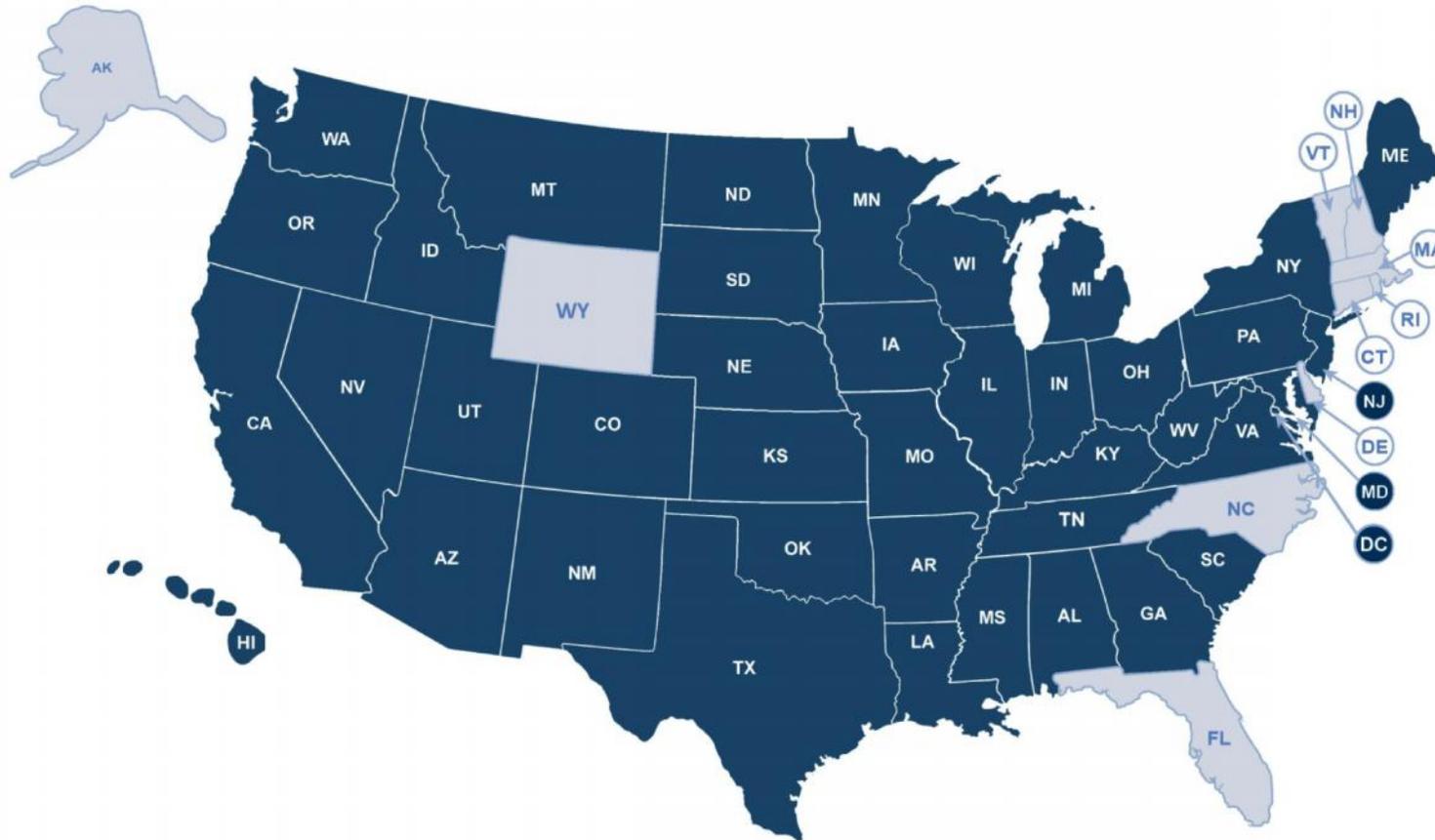
- Combined ratio improved by 4.6 percentage points year-over-year to 93.5%
  - 7<sup>th</sup> straight quarter of CR under 100%
- Quarterly underwriting results improved by \$1.1 million

## **Strength in Agent Network / Pricing**

- Continued return of business from independent agent network
- Pricing trends remain favorable

## Geographic Expansion

- Distributing products in 40 states plus Washington D.C.
- Licensed to write P&C insurance in 49 states and the District of Columbia
- Currently distributing in all states that meet established criteria (volume, competition and profit)



## Agent Trends / Geographic Diversification

### Q1 2014 Geographic Concentration \$31.2 Million in Gross Premium Written

#### Gross premium written by state (\$ in '000s)

Three Month Period Ended

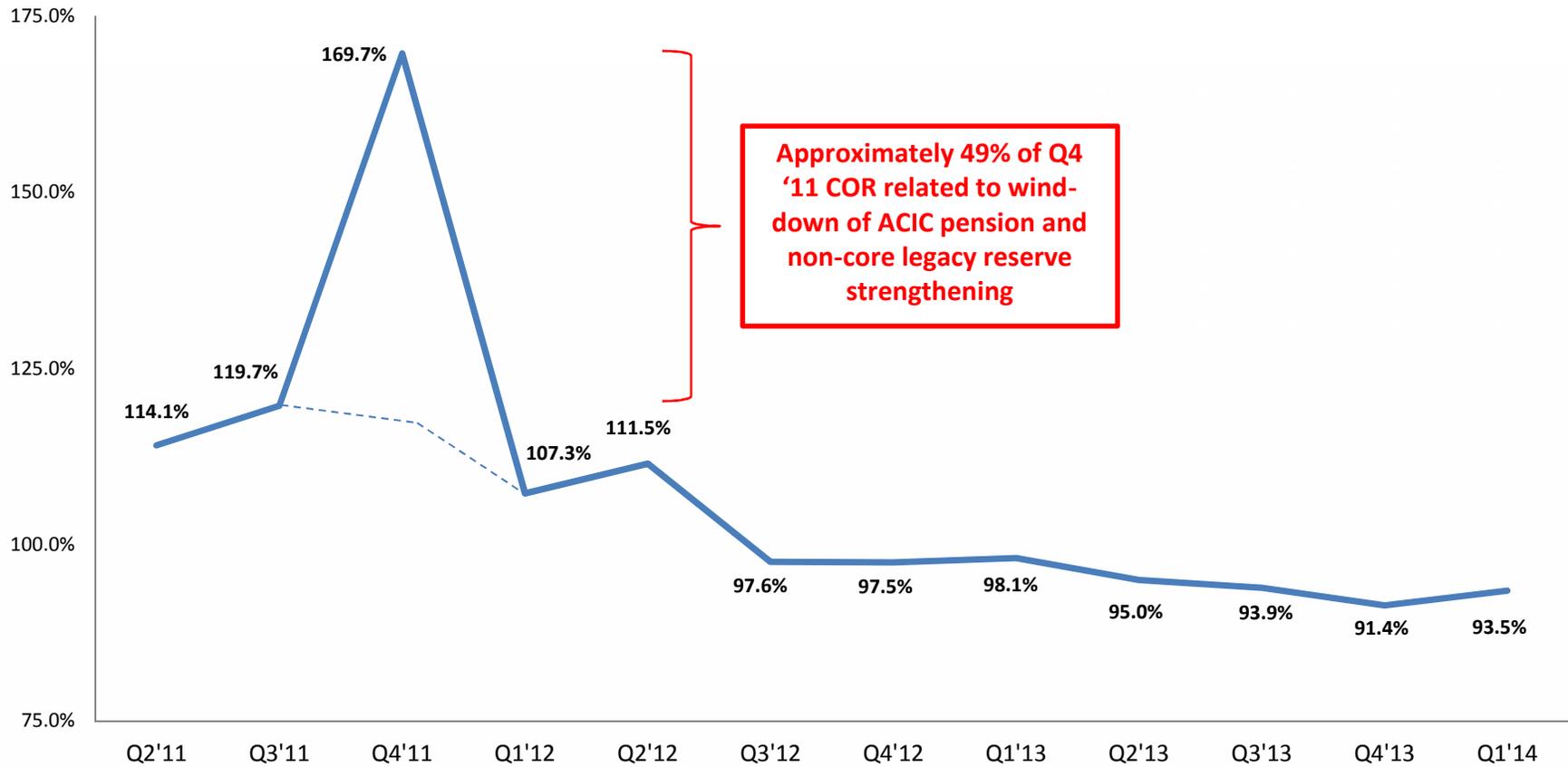
	<u>March 31, 2014</u>			<u>March 31, 2013</u>		
Illinois	\$	9,696	31.0 %	\$	6,822	30.5 %
New York		5,044	16.2 %		2,495	11.2 %
Michigan		2,934	9.4 %		2,060	9.2 %
Minnesota		1,503	4.8 %		832	3.7 %
Georgia		1,328	4.3 %		1,236	5.5 %
Texas		1,175	3.8 %		819	3.7 %
Ohio		1,134	3.6 %		658	2.9 %
California		947	3.0 %		1,022	4.6 %
Virginia		779	2.5 %		522	2.3 %
Louisiana		739	2.4 %		622	2.8 %
Other		5,943	19.0 %		5,266	23.6 %
<b>Total</b>	<b>\$</b>	<b>31,224</b>	<b>100.0 %</b>	<b>\$</b>	<b>22,354</b>	<b>100.0 %</b>

\* Includes excess taxi program renewal

- Illinois had the most gross premium written during the three month period ended March 31, 2014, and is our most mature market. All Chicago taxicab insurance renews on January 1<sup>st</sup>.
- We experienced growth in gross premium written in 39 states in the three month period ended March 31, 2014.
- In 14 of those 39 states, we experienced quarter over quarter growth of greater than 100% due to our continued marketing and underwriting efforts.

# Considerable Financial Improvement Since 2010 Realignment – Focus on Core

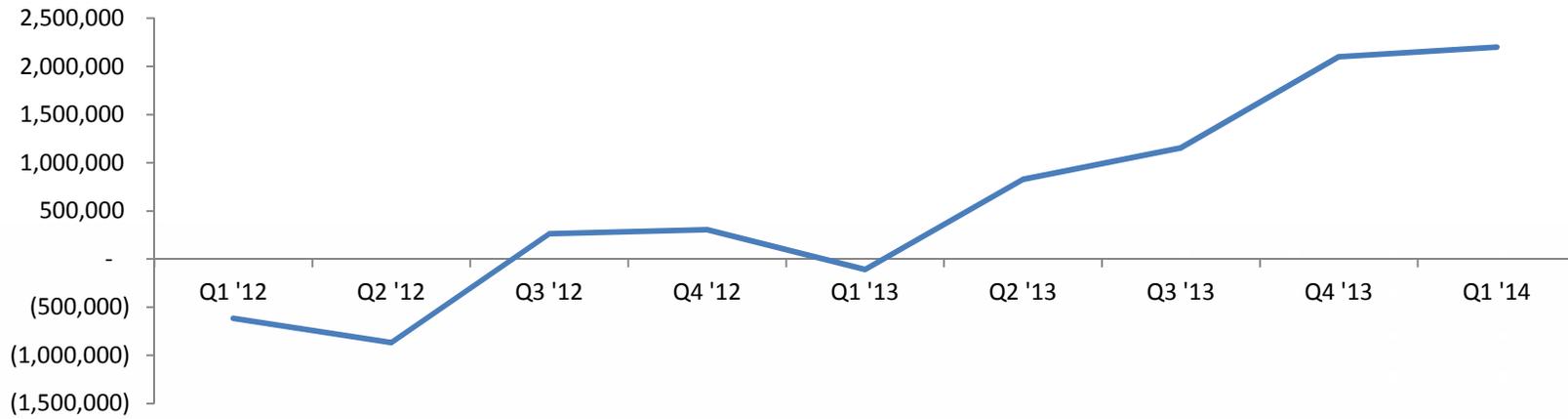
## Combined Operating Ratio (“COR”) *(in %)*



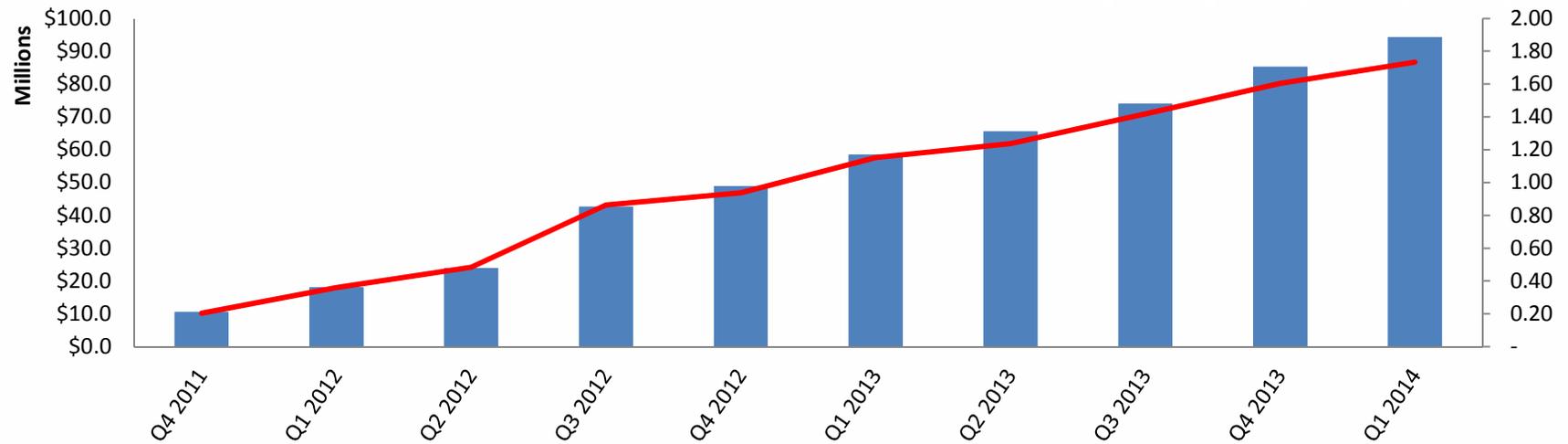
# Focus on Core Underwriting

Increased profit margin and operating leverage

## Underwriting Profit



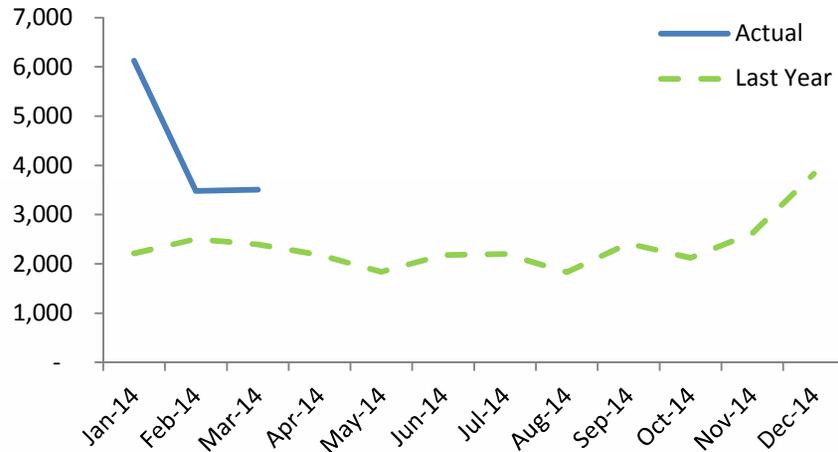
## Operating Leverage



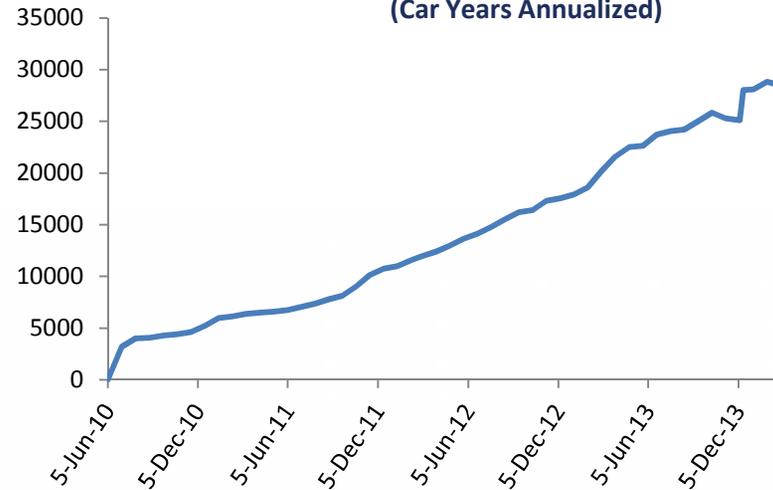
# Operating Activities: Underwriting

(commercial business only)

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



**New Business Submissions  
(Car Years Annualized)**



**Renewal Retention  
(Policy Count)**

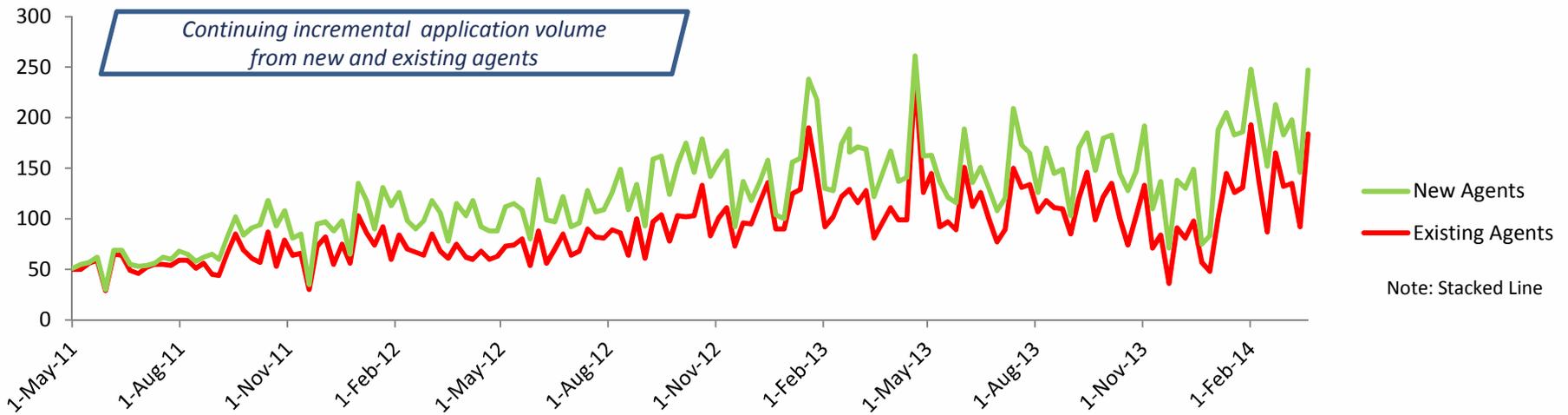
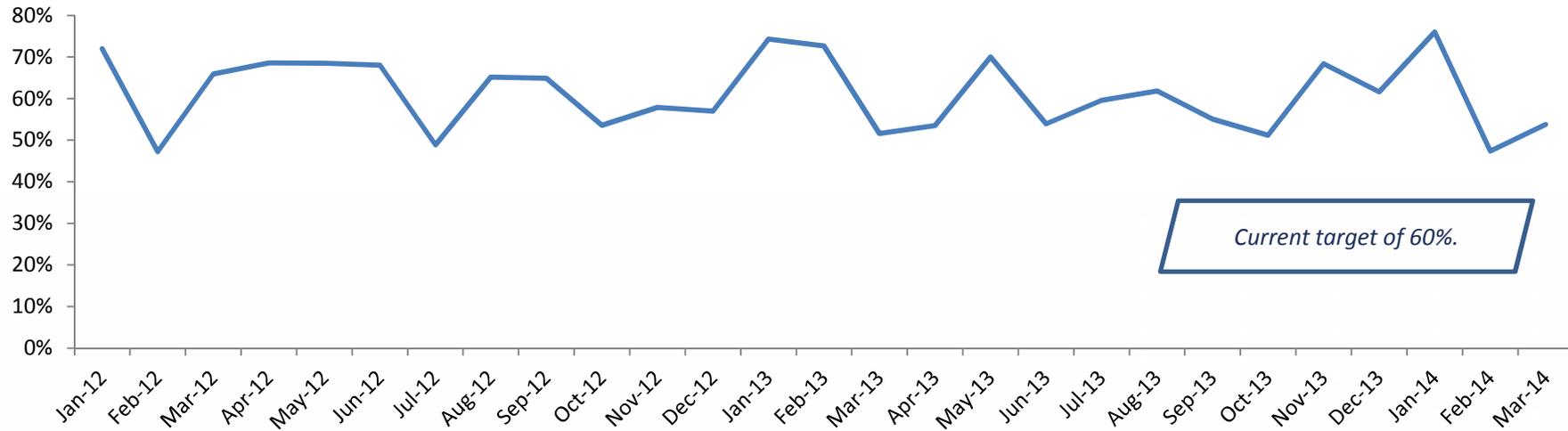


Target of 85% based on current market conditions

# Operating Activities: Underwriting

(commercial business only)

### Bound/Application Ratio



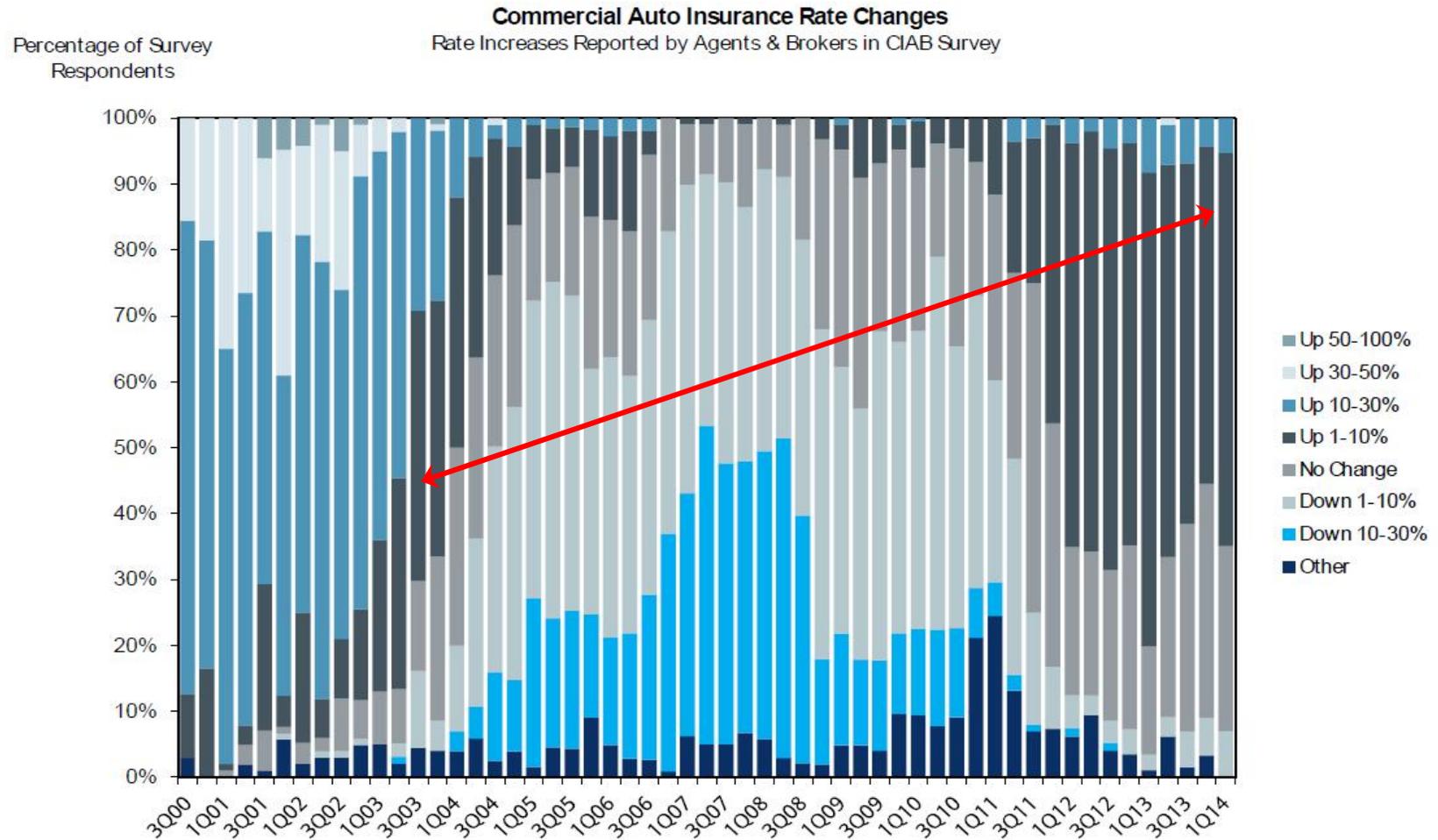
## Steady Rate Increases In Commercial Auto

	Small Accounts	Medium Accounts	Large Accounts	Average
First Quarter 2014	3.0%	1.6%	-0.1%	1.5%
Fourth Quarter 2013	2.6%	2.4%	1.4%	2.1%
Third Quarter 2013	3.8%	3.7%	2.6%	3.4%
Second Quarter 2013	4.6%	4.7%	3.8%	4.3%
First Quarter 2013	5.2%	5.3%	4.9%	5.2%
Fourth Quarter 2012	5.5%	5.1%	4.4%	5.0%
Fourth Quarter 2011	3.1%	3.5%	1.6%	2.7%
High (2001,Q4)	20.8%	31.7%	33%	28.5%
Low (2007,Q3)	-10% (2008, Q1)	-15%	-15.9%	-13.3%

Source: The Council of Insurance Agents & Brokers

Majority of Atlas' Target Market are Individual Entrepreneurs and Small Fleet Operators

# Market Cycle



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

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*Financial Highlights*



## 2014 Q1 Financial Highlights

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### First Quarter

- Gross premium written increased by 39.7% to \$31.2 million (41.6% for core commercial lines)
- Underwriting results improved by \$1.1 million
- Net income was up to \$2.2 million from \$602,000
- Diluted earnings per common share were \$0.22, compared to \$0.05
- Eliminating the impact of the discretionary management incentive compensation expenses in excess of amounts accrued in the first quarter of 2014, on a pro-forma Non-GAAP basis, Atlas generated \$0.27 of diluted earnings per share for the three month period ended March 31, 2014.

	Three Month Period Ended		
	March 31, 2014	March 31, 2013	December 31, 2013
Loss ratio	63.4 %	64.6 %	63.4 %
Acquisition cost ratio	14.1 %	14.3 %	14.7 %
Other underwriting expense ratio	16.0 %	19.2 %	13.4 %
<b>Combined ratio</b>	<b>93.5 %</b>	<b>98.1 %</b>	<b>91.5 %</b>

## Detailed Impact of Changes to Book Value per Common Share

<b>Book Value per Common Share</b>		
(in '000s, except for shares and per share data)	<b>March 31, 2014</b>	<b>December 31, 2013</b>
<b>Shareholders' equity</b>	\$67,395	\$63,698
<b>Preferred stock in equity</b>	2,000	2,000
<b>Accumulated dividends on preferred stock</b>	114	90
<b>Common equity</b>	\$65,281	\$61,608
<b>Shares outstanding</b>	9,610,586	9,424,734
<b>Book value per common share outstanding</b>	\$6.79	\$6.54

### **Q1 2014 Book Value Impacted by:**

- \$0.14 Increase in net income after tax
- 0.08 Increase related to change in DTA valuation allowance
- 0.09 Increase related to net realized gains/losses after tax
- (0.06) Reduction due share-based compensation
  
- \$0.25 Total Change From December 31, 2013 Book Value per Common Share**

## Strong Balance Sheet

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- **Attractive investment leverage**
- **Long Term Debt-free balance sheet**
- **Acquisitions with adverse development protection**

(\$ in thousands)	March 31, 2014	December 31, 2013
Cash and Investments	\$142,804	\$139,888
Total Assets	\$229,571	\$219,278
Claim Reserves (Gross of Reinsurance) <sup>(1) (2)</sup>	\$100,179	\$101,385
Total Shareholders' Equity	\$67,395	\$63,698

*(1) Atlas' purchase of American Country and American Service included \$10 million limit of adverse development protection (90% quota share after \$1 million) based on reserves as of September 30, 2010, which has not been utilized.*

*(2) Gateway Acquisition included \$2 million of adverse development protection*

# Investment Portfolio

## 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

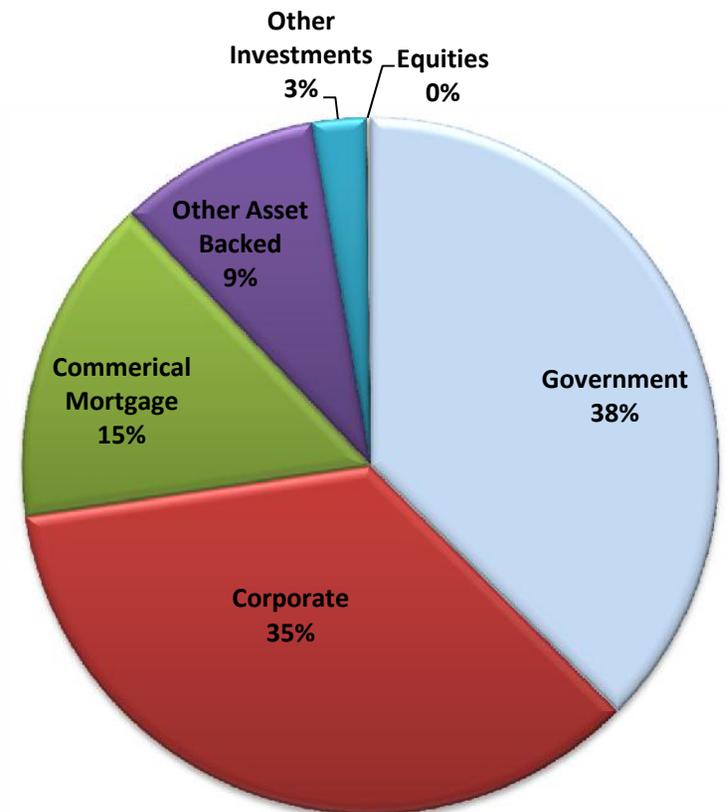
## Substantial Investment Portfolio

- As of March 31, 2014, total investments equaled \$132.5 million, of which \$130.8 million are fixed income
- Predominantly corporate and government bonds
- Average duration of 3.9 years
- Average S&P rating of AA

Credit ratings of fixed income securities portfolio (in '000s)

As of:	March 31, 2014		December 31, 2013	
	Amount	% of Total	Amount	% of Total
AAA/Aaa	\$ 73,812	57.6 %	\$ 76,616	59.9 %
AA/Aa	14,622	11.4 %	12,733	10.0 %
A/A	23,435	18.3 %	23,624	18.5 %
BBB/Baa	16,204	12.7 %	14,995	11.7 %
<b>Total Securities</b>	<b>\$ 128,072</b>	<b>100.0 %</b>	<b>\$ 127,968</b>	<b>100.0 %</b>

Investment Portfolio (3/31/2014) <sup>(1)</sup>



(1) American Country Insurance Company, American Service Insurance Company, Inc. and Gateway Insurance Company



**Nasdaq: AFH**

**For Additional Information**

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