

# ATLAS

FINANCIAL HOLDINGS, INC.

NASDAQ: AFH



2017 Third Quarter  
Conference Call  
November 7, 2017



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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	Taxi/Limo/Livery/Paratransit	
<b>NASDAQ: AFH</b>	<b>At 9/30/2017</b>	<b>At 12/31/2016</b>
Cash and Investments	\$247.7 million	\$224.8 million
Total Assets	\$450.4 million	\$423.6 million
Total Atlas Shareholders’ Equity	\$144.4 million	\$127.3 million
Common Shares Outstanding (includes Restricted Share Units)	12,045,519	12,045,519
Book Value Per Outstanding Common Share	\$11.96	\$10.54

# 2017 Q3 Financial and Underwriting Results

## Premium Results

GWP increased 8.5% to \$65.9 million

- Overall premium shifted toward limo / livery / paratransit during period

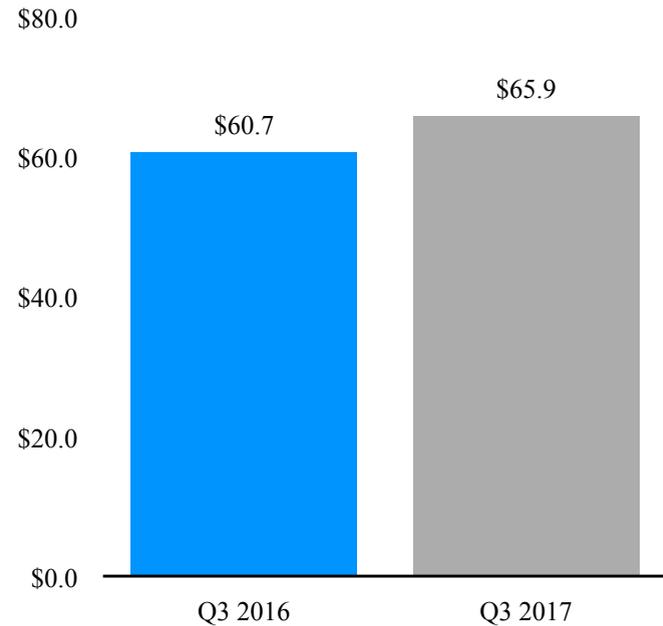
## Underwriting Results

Combined ratio was 87.9% as compared to 83.5% for the prior year period (prior year period included a \$1.9 million benefit related to expenses recovered from stock purchase agreement which lowered Q3 '16 combined ratio by 4.4 percentage points)

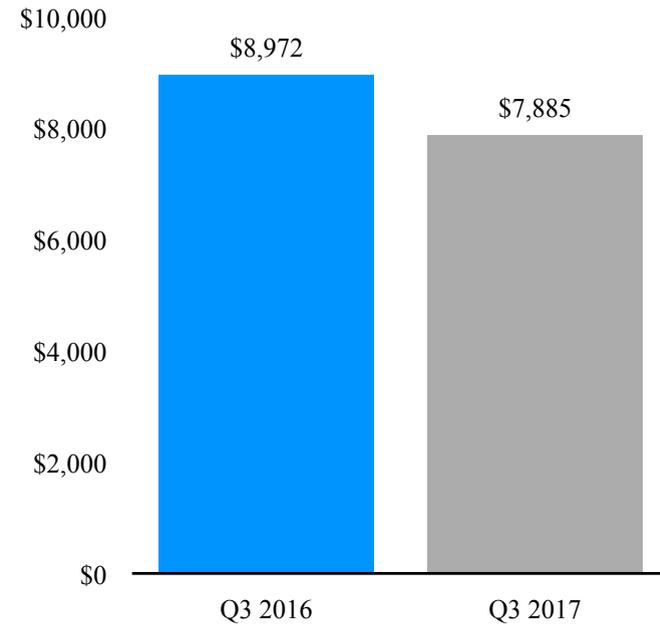
## Book Value Growth

Atlas increased book value to \$11.96 at 9/30/2017, \$10.54 at 12/31/2016, and \$11.81 at 9/30/2016

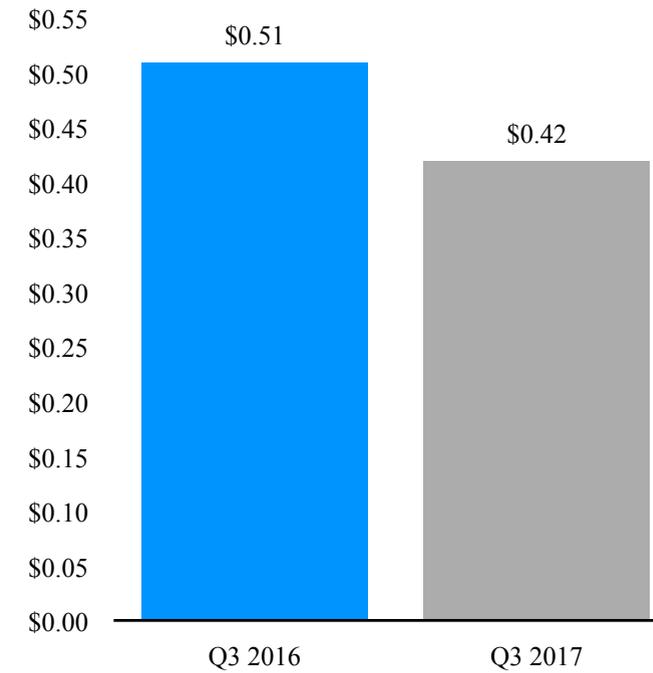
**Gross Written Premium (in millions)**



**Income Before Tax (in thousands)**



**Earnings per Common Share Diluted**



**Book Value per Common Share**



## Limo/Livery and Paratransit continue to show strong growth

- Average premium per vehicle increased quarter over quarter
- Growth in both premium and vehicles in-force
- Continued focus on growing market share in traditional niche and pursuing TNC related business nationwide
- Consistent claims and underwriting discipline

## Taxi premium down slightly

- Continue to see positive sights of stability in the segment
- Average premium per vehicle decreased as a result of the continued focus on predictive analytics
- Accounts reporting fewer vehicles being taken out of service, with modest return of some drivers
- Current livery drivers who were on a taxi policy one year ago remains at approximately 10%

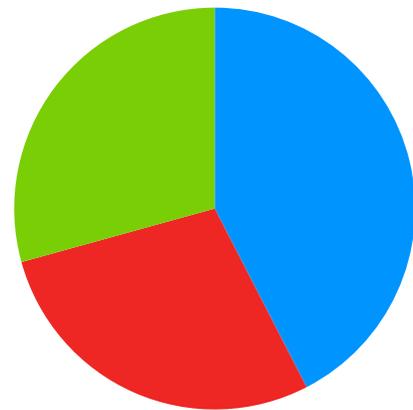
## Expectations:

Taxi growth will be flat

Commercial drivers who migrated to TNCs will pursue commercial insurance

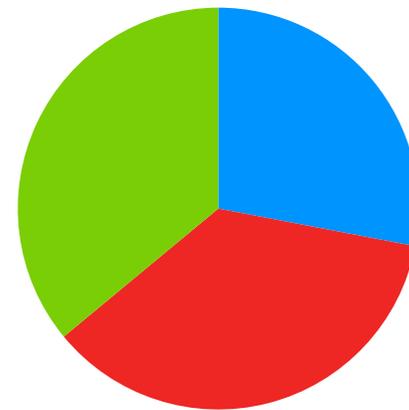
Hit ratio for new and renewal business will increase as a result of implementation of targeted predictive analytics and competitive dynamic

2015



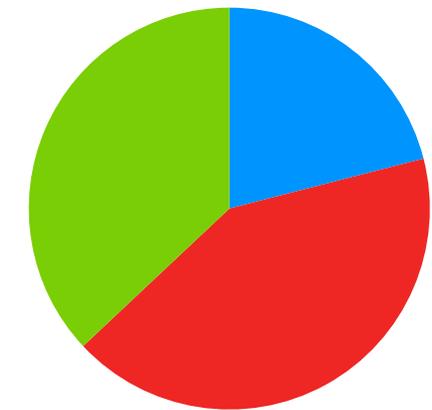
■ Taxi ■ Limo/Livery ■ Paratransit

2016



■ Taxi ■ Limo/Livery ■ Paratransit

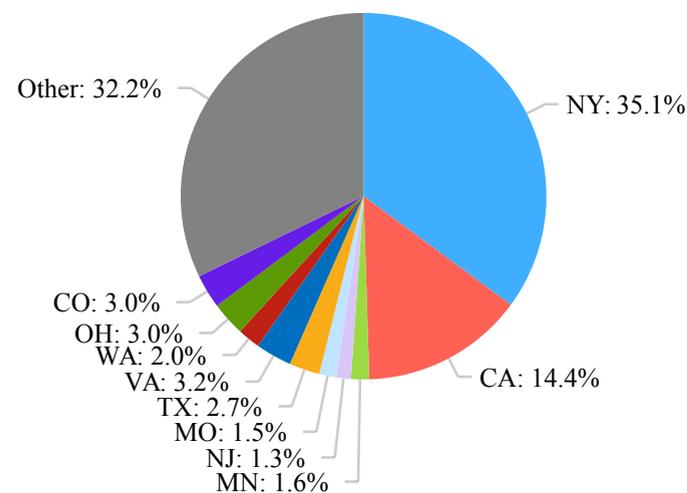
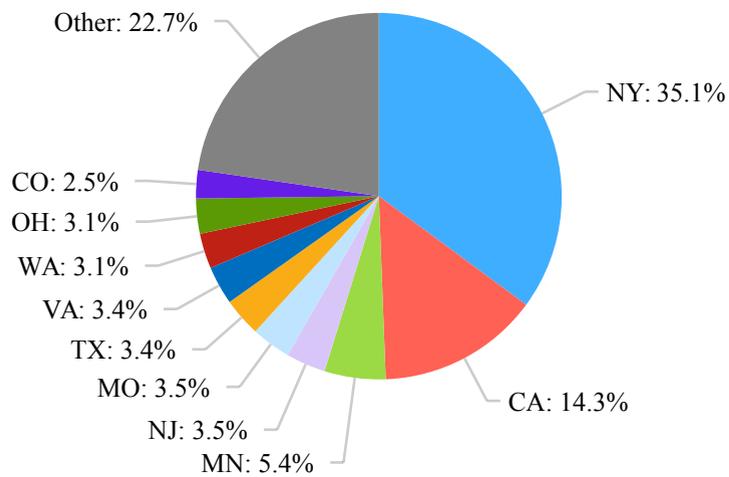
YTD September 2017



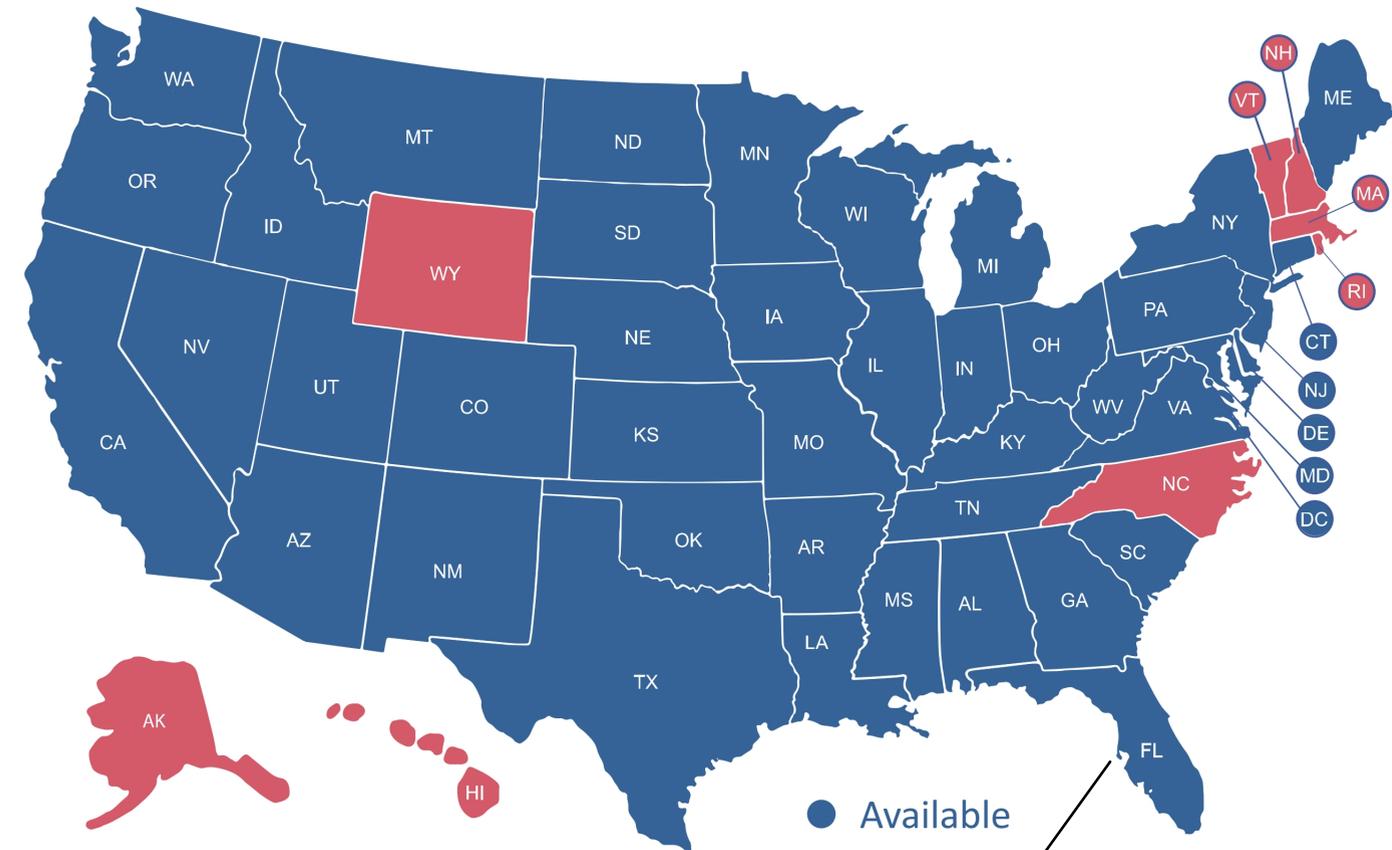
■ Taxi ■ Limo/Livery ■ Paratransit

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

	September 30, 2017		September 30, 2016	
	\$	%	\$	%
New York	23,136	35.1%	21,340	35.1%
California	9,446	14.3%	8,761	14.4%
Minnesota	3,570	5.4%	950	1.6%
New Jersey	2,327	3.5%	816	1.3%
Missouri	2,296	3.5%	927	1.5%
Texas	2,271	3.4%	1,652	2.7%
Virginia	2,265	3.4%	1,913	3.2%
Washington	2,041	3.1%	1,206	2.0%
Ohio	2,028	3.1%	1,838	3.0%
Colorado	1,639	2.5%	1,843	3.0%
Other	14,879	22.7%	19,487	32.2%
<b>Total</b>	<b>\$ 65,898</b>	<b>100.0%</b>	<b>\$ 60,733</b>	<b>100.0%</b>



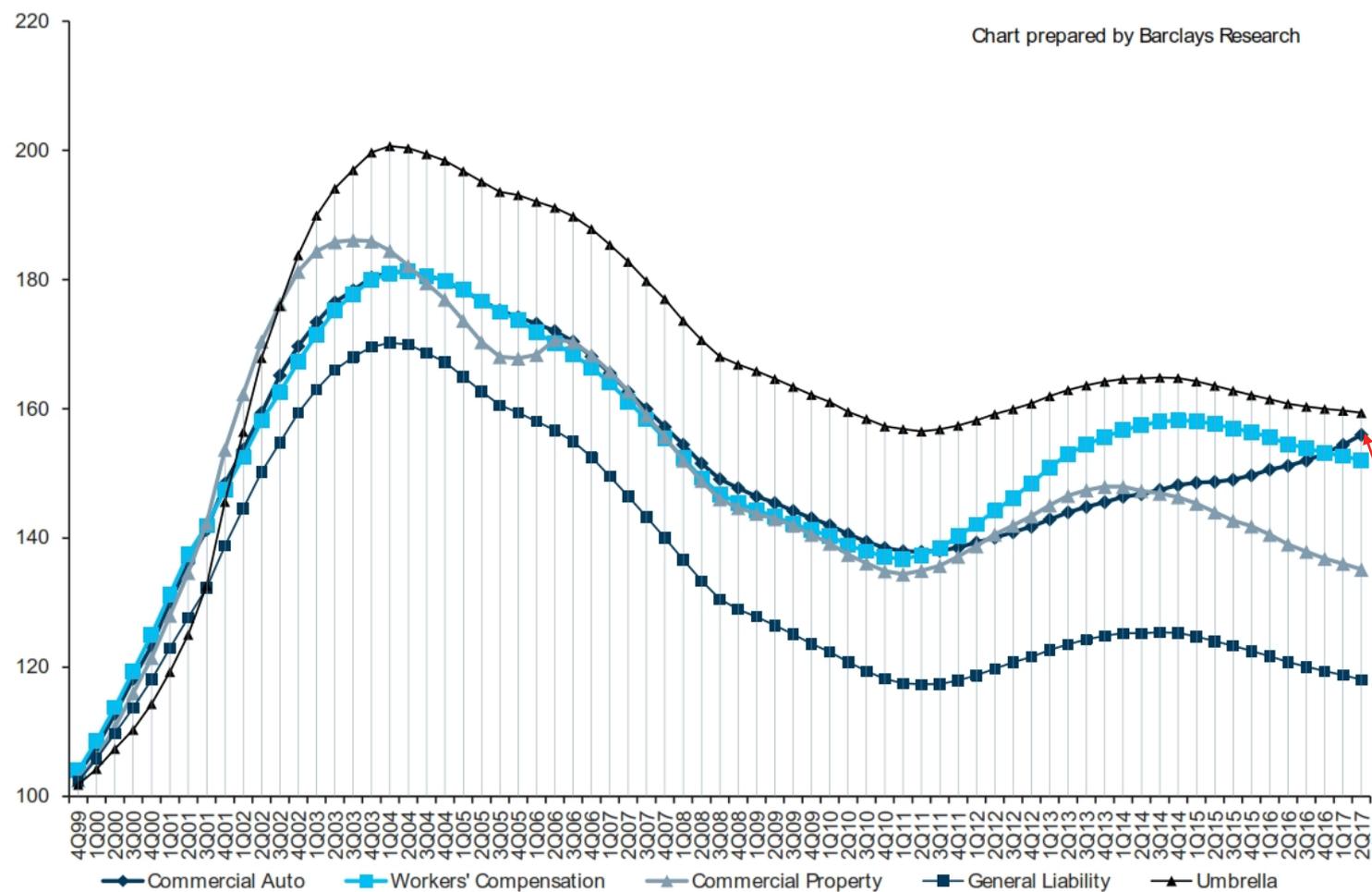
Nationwide market share is estimated at approximately 10%, with proportionate share forecast at 20%



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

## Cumulative Quarterly Rate Increases by Line

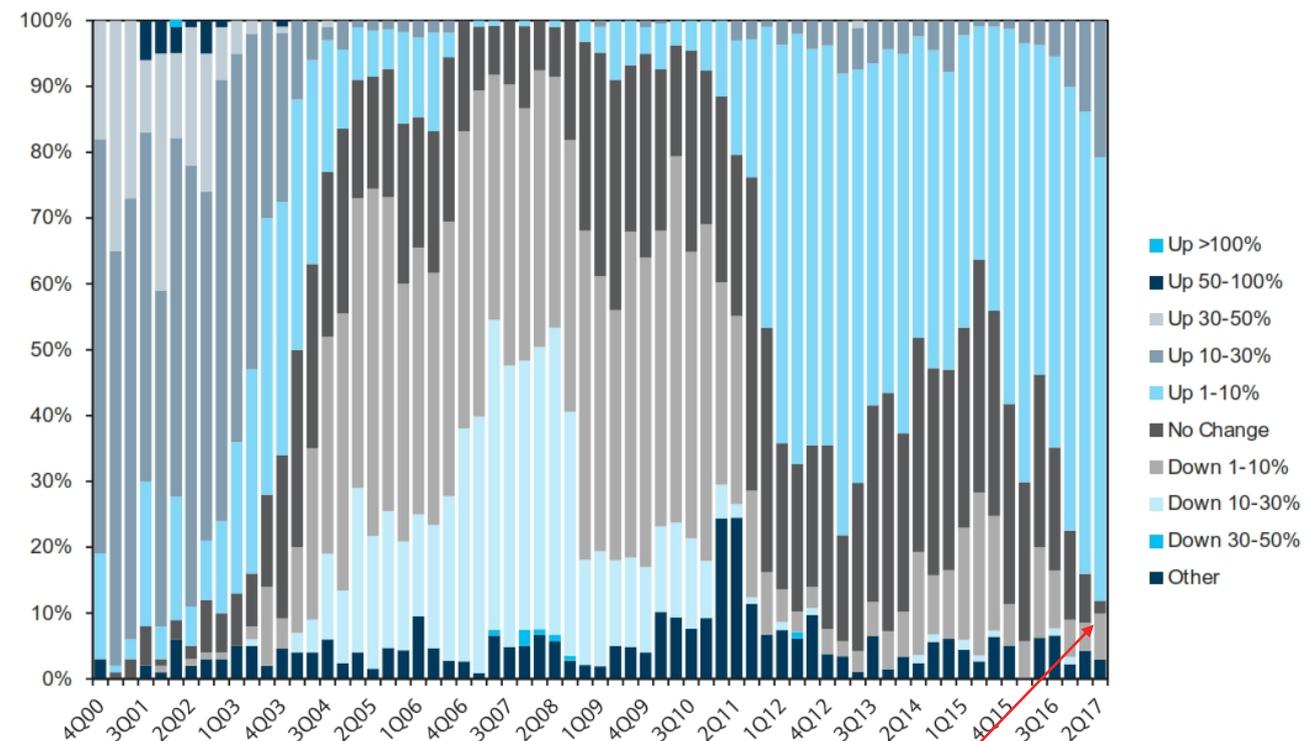
Chart prepared by Barclays Research



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

## Commercial Auto Insurance Rate Changes Rate Increases Reported by Agents & Brokers in CIAB Survey

Percentage of Survey Respondents



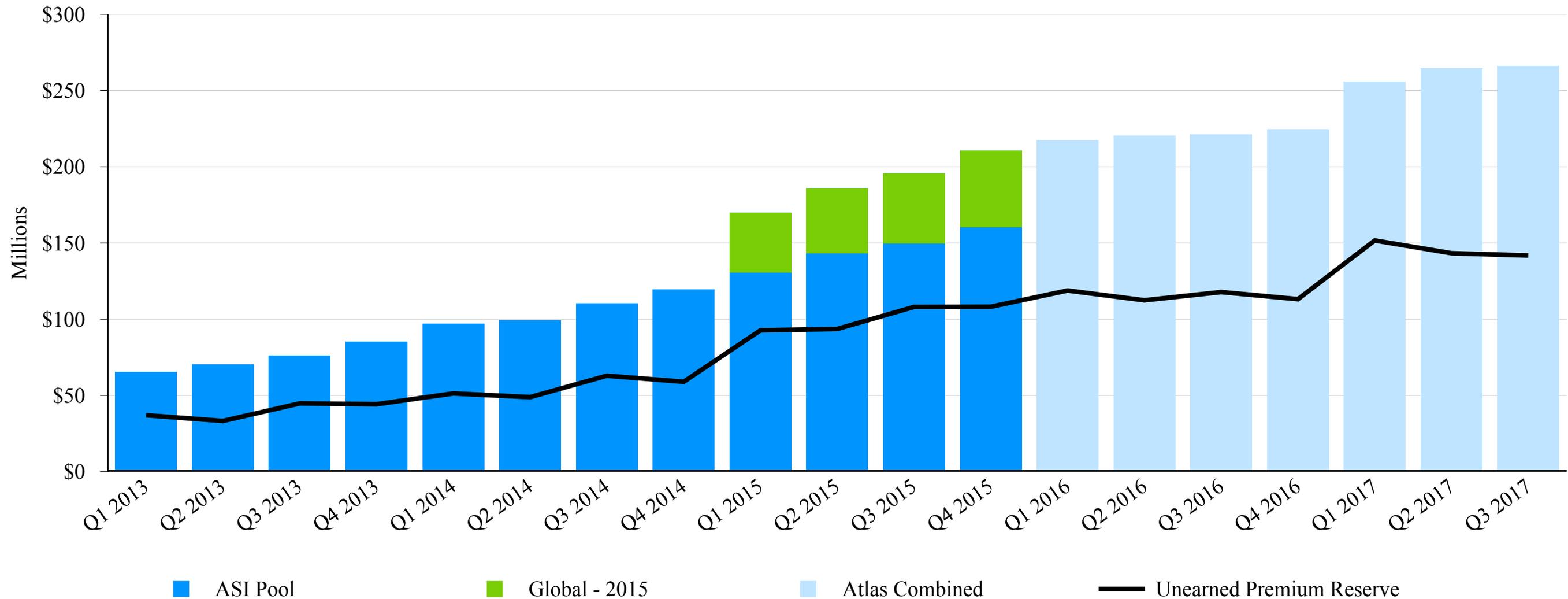
Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.

Commercial Auto is the only large segment with rate changes trending up

Rate increases "retrenching" as result of industry reserve strengthening

At September 30, 2017, in-force premium was \$266.3 million and the Company's gross unearned premium reserve was \$141.8 million.

**Premium Inforce (Bars)**  
**Unearned Premium (Line)**



*Technological  
Advancements*

**ATLAS**  
**FINANCIAL HOLDINGS, INC.**

## Initial Formation

Utilize decades of data as a tangible advantage while leveraging a centralized operating system

## Integrate Advancements in Technology to Specifically Apply to Atlas' Niche Market Needs

Telematics, Machine Learning, Predictive Analytics  
~ All with positive impacts on ability to detect fraud, defend clients, and price effectively.

## Create First Mover Advantage in Changing Light Commercial Auto Market

Implementation of programs such as Usage Based Insurance product to adjust to changing dynamics within light commercial auto

**Core Goal:  
LEVERAGE STRONG  
VALUE PROPOSITION  
& LEADING EDGE  
FINTECH**

**Across market cycles, our  
objective is to exceed industry ROE  
by 500 to 1,000 bps**

## Specialty Niche Operator



Atlas' Use of Predictive Analytics and Telematics have been specifically focused on the Company's light commercial auto book of business.

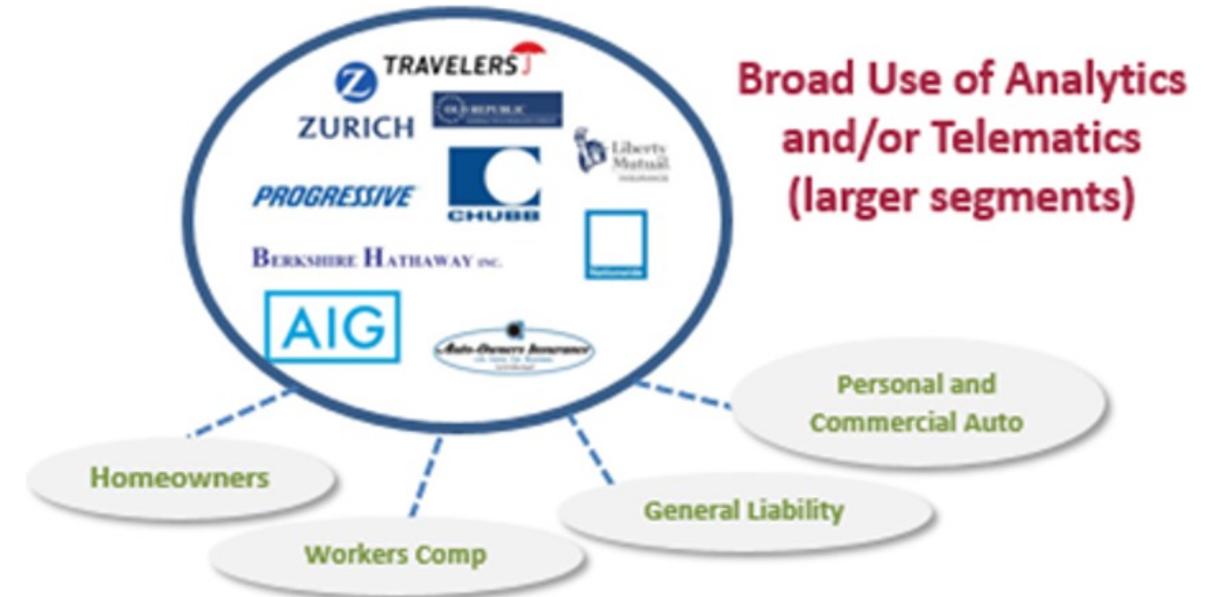
"Overinvesting" Relative to Competitors in This Area Has Been a Multi-Year Initiative.



Niche Data

Machine Learning Based Predictive Analytics  
In-Vehicle Tech Partnerships

## Larger P&C Industry



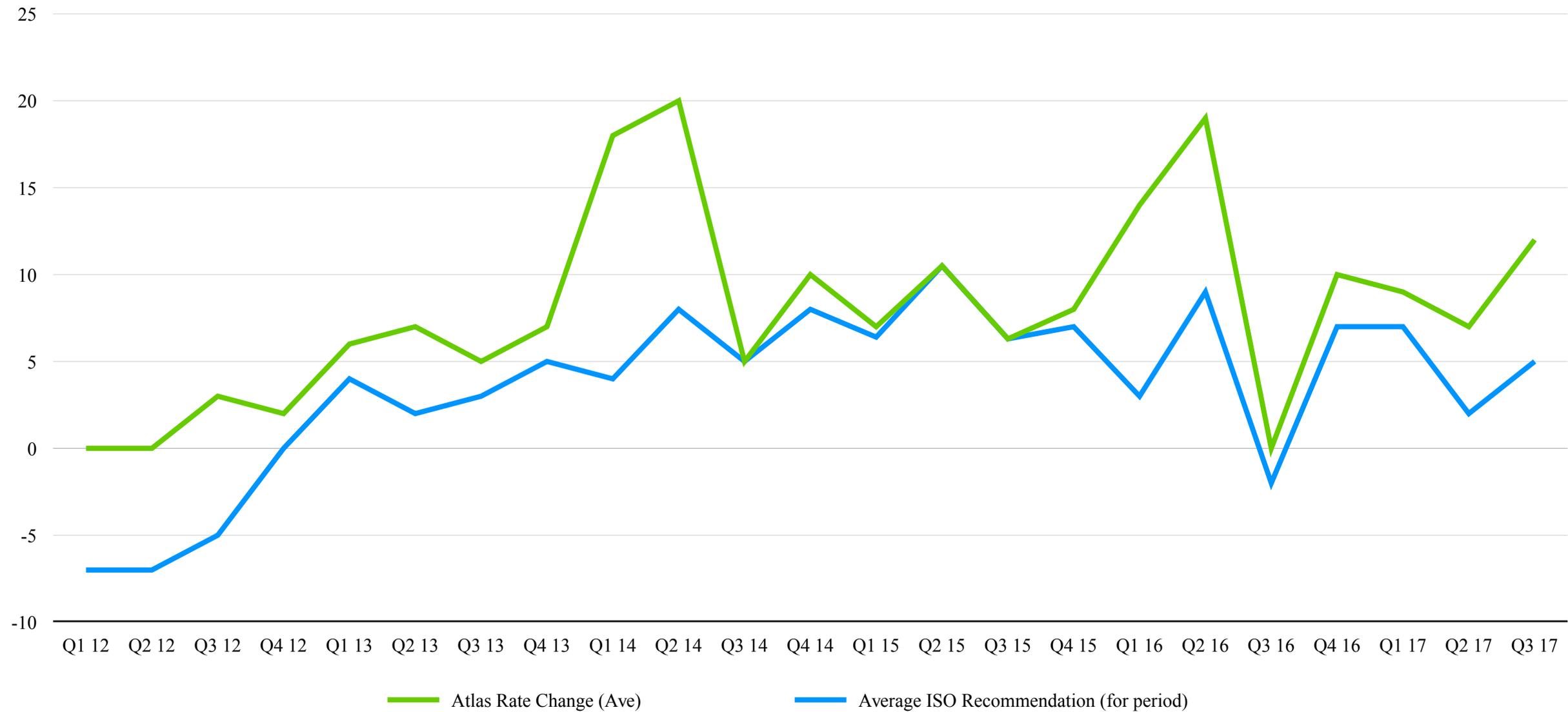
Broad Use of Analytics and/or Telematics (larger segments)

## Smaller Carriers / Self Insureds



Lesser Capitalized = Price to Industry Standards

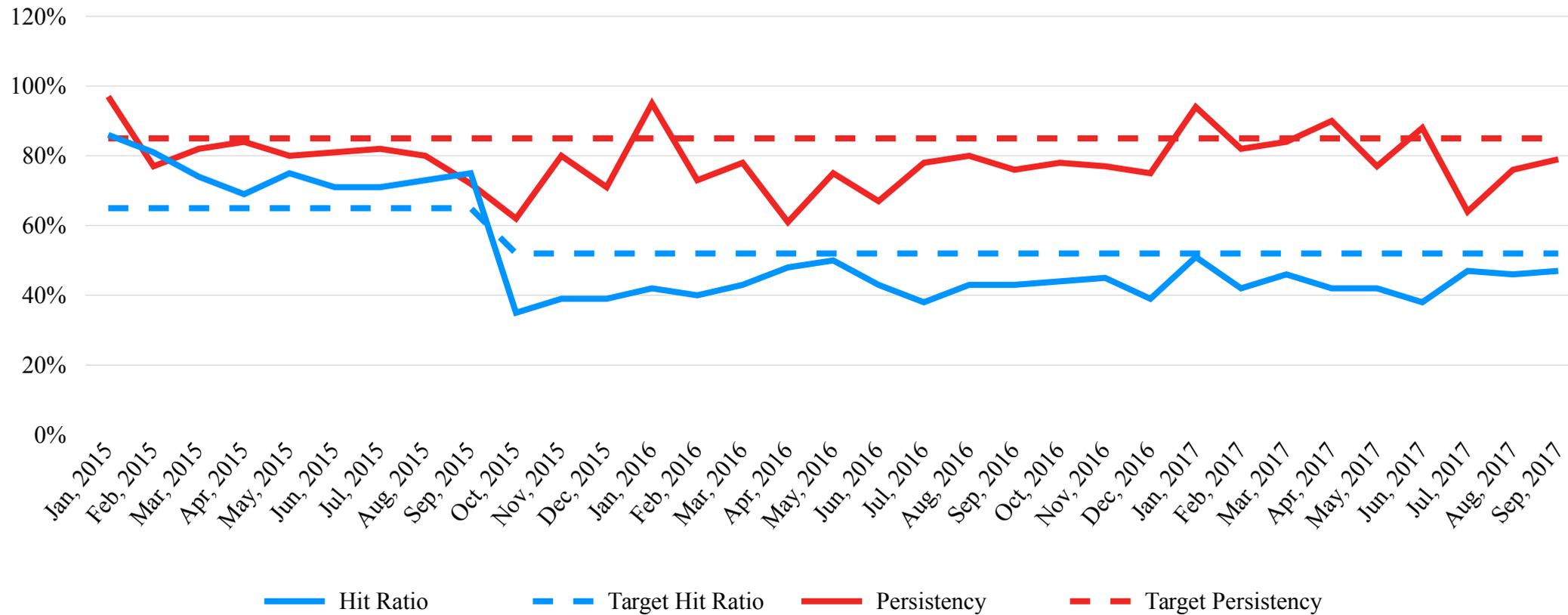
Pricing Relative to ISO



# Operating Activities: Underwriting

(commercial business only: excludes Global Liberty)

**Mid single digit rate increases are now being pursued for profitable renewals and desirable new accounts. Less deviation from predictive model (1-4 unit accounts quoted directly via POS using predictive analytics). Hit ratios are strongest in most desired score bands.**



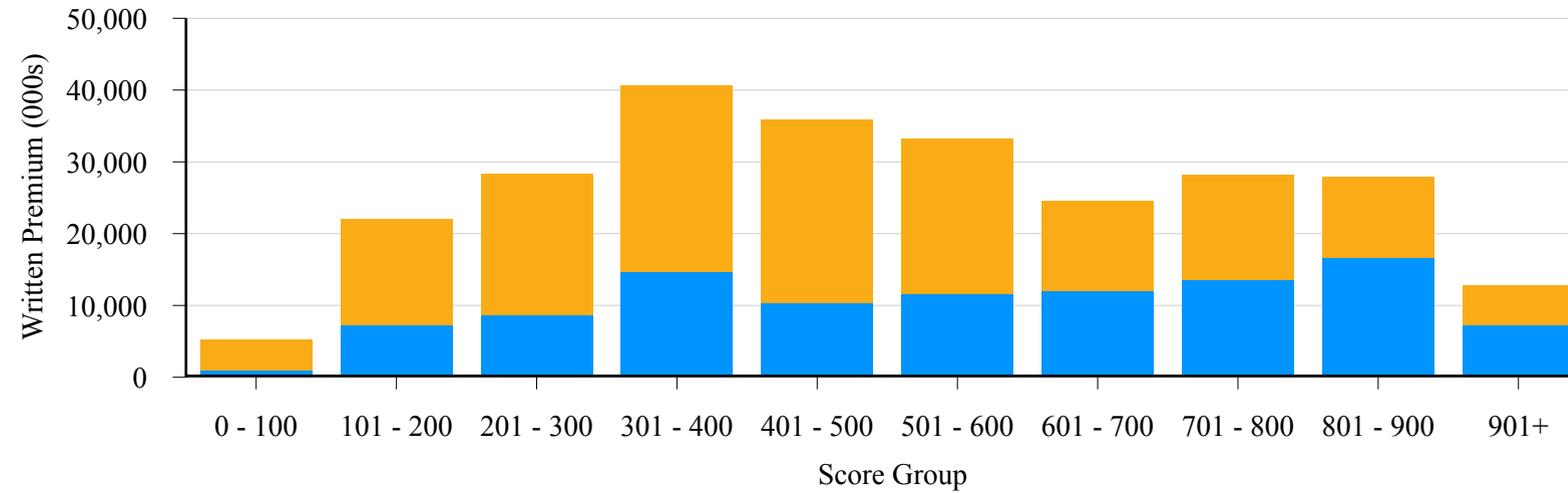
**Target of 85% based on current market conditions.**

**Current target of 52%. Market conditions continue to show support for mid single digit rate increases (magnitude varies by geography).**

**Note: From Q4 '15 forward, data is compiled from the newly launched Atlas Xpress (Duck Creek) policy system. The basis for hit ratio now includes additional submission information (not just commercial auto accounts that are quoted)**

# Incremental Benefit of Predictive Analytics Pricing & Underwriting

**Predictive Model Written Premium  
6/1/2016 - 9/30/2017**

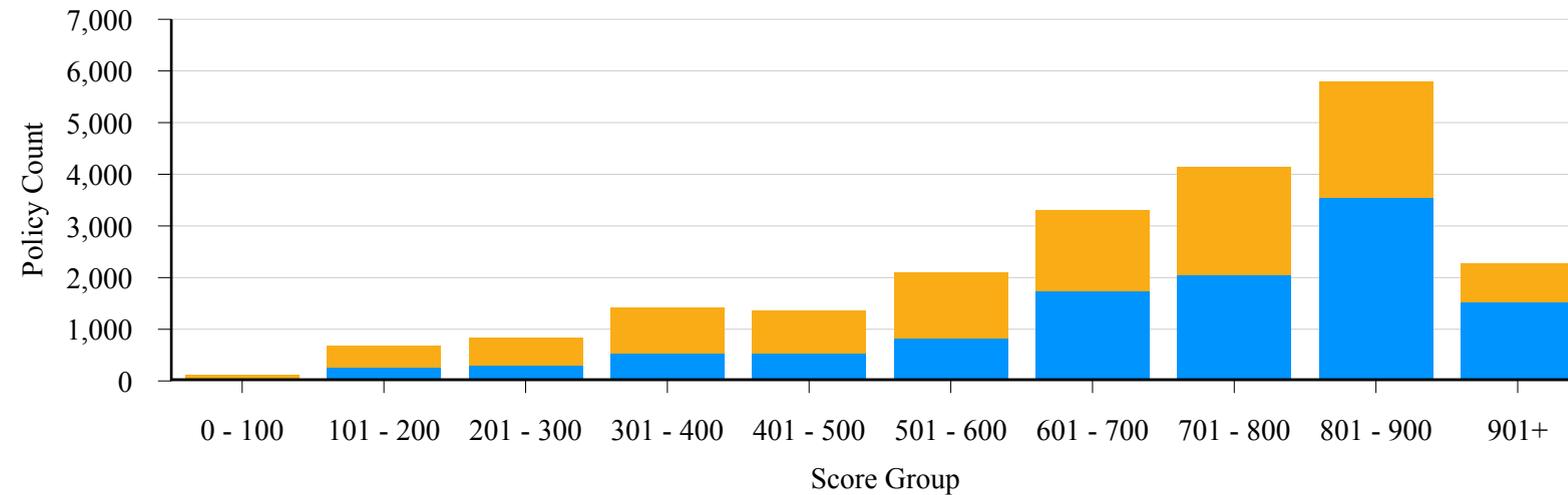


**Key Reasons for Quotes "More" than Model**

- *Limit on POS external credit use*
- *Association accounts*
- *Underwriting considerations*

■ Policy  
■ Quote

**Predictive Model Policy Counts  
6/1/2016 - 9/30/2017**



*Continued desired bias towards better predicted L/R accounts with higher hit ratio on "right" end of scale.*

■ Policy  
■ Quote



## Moving from Research and Development to Implementation in 2018

- **Sophisticated pricing method**
- **Tailored to public auto drivers**
- **Targets new, incremental driver market**
- **Measured approach**
- **Expensed through P&L over several periods**
- **Provides unique lateral growth capabilities**

*Financial Highlights*



## 2017 Third Quarter Financial and Operating Information

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

- Gross Written Premium generated by the Company for the third quarter ended September 30, 2017 grew by 8.5% to \$65.9 million
- In-force premium at September 30, 2017 increased 20.8% to \$266.3 million, compared to \$220.4 million

### Underwriting Performance

- Underwriting income for the third quarter of 2017 was \$6.8 million, compared to \$7.1 million
- Atlas' underwriting expense ratio<sup>(1)(2)</sup> for the nine months ended September 30, 2017 was 26.4% and is in the annual target range of 24.5% to 26.5%
- Combined Ratio<sup>(1)</sup> ("CR") was 87.9%
- Net income was \$5.1 million or \$0.42 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 share of \$11.96 (increased 1.2% year over year and 13.5% compared to prior year end)
- Annualized return on equity was 14.5% in the third quarter 2017 compared to 17.9% in the prior year period

#### 2017 Financial Expectations

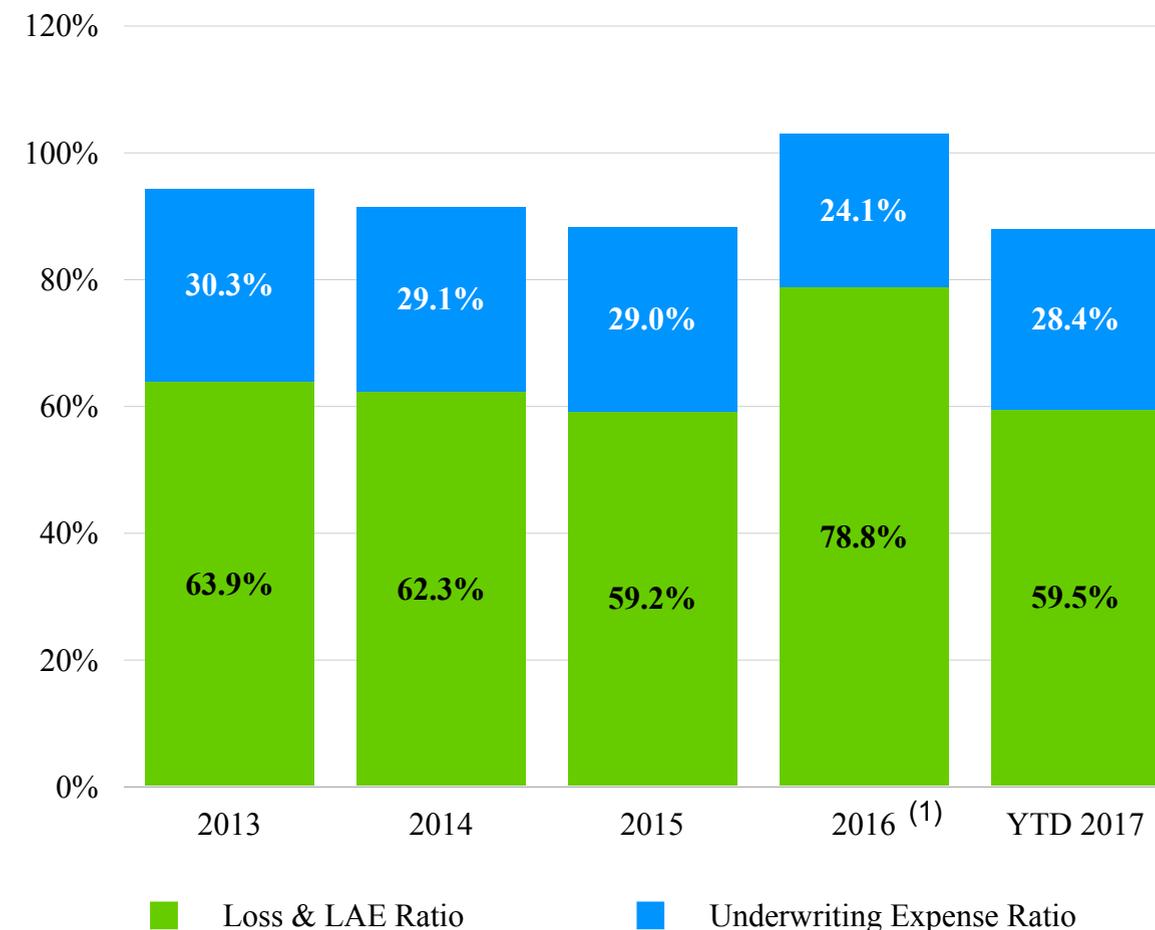
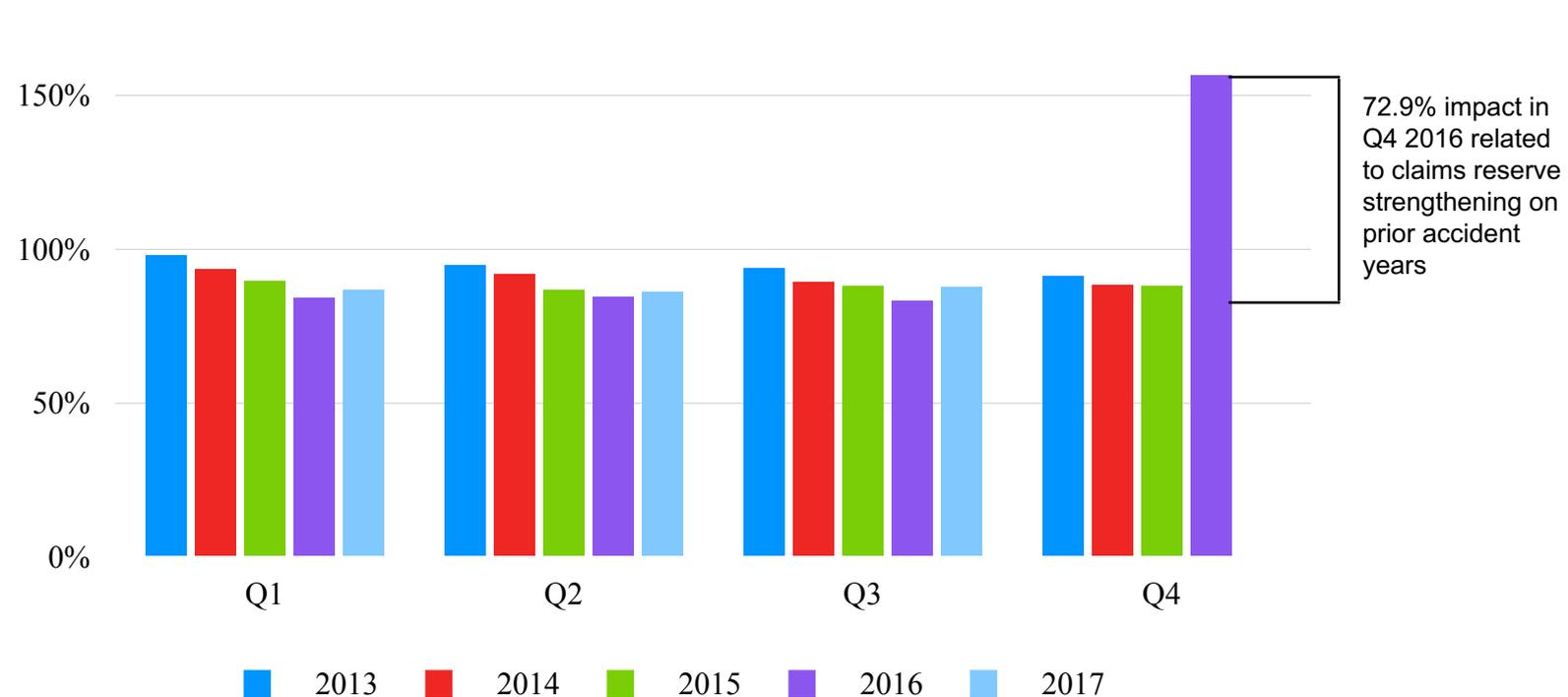
- ✓ Relative stability regarding target market with continued growth
- ✓ Emphasis remains on underwriting profit as priority
- ✓ Expense ratio at or below current levels
- ✓ Exceed P&C industry Return on Equity ("ROE") by 500 - 1,000 bps

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

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	
	September 30, 2017	September 30, 2016
<b>Loss Ratio</b>	<b>59.5%</b>	<b>58.2 %</b>
Underwriting Expense Ratio:		
Acquisition cost ratio	14.0 %	11.6 %
Other underwriting expense ratio	13.3 %	17.6 %
Deferred acquisition cost general expenses ratio	0.6 %	(0.4)%
Underwriting expense ratio before expenses related to stock purchase agreements and share-based compensation expenses	27.9 %	28.8 %
Expenses recovered related to stock purchase agreement ratio	— %	(4.4)%
Share-based compensation expense ratio	0.5 %	0.9 %
<b>Underwriting expense ratio</b>	<b>28.4%</b>	<b>25.3 %</b>
<b>Total combined ratio</b>	<b>87.9%</b>	<b>83.5 %</b>

## Combined Operating Ratio



	Three Month Periods Ended	
	September 30, 2017	September 30, 2016
Loss Ratio	59.5 %	58.2 %
Underwriting expense ratio <sup>(2)</sup>	28.4 %	25.3 %
<b>Combined Operating Ratio</b>	<b>87.9%</b>	<b>83.5%</b>

(1) Includes 19.1% impact for the full year related to claims reserves strengthening related to prior accident years  
 (2) Three Month Period Ended September 30, 2016 includes a \$1.9 million expense recovery from stock purchase agreements which reduced the Q3 2016 underwriting expense ratio by 4.4 percentage points.

## Strong Balance Sheet with Availability of Capital to Support Growth

- Attractive investment leverage, Company has \$25 million outstanding of Senior Unsecured Notes at September 30, 2017

(\$ in millions)	September 30, 2017	December 31, 2016
Cash and Investments	\$247.7	\$224.8
Total Assets	\$450.4	\$423.6
Claim Reserves (gross of Reinsurance)	\$114.5	\$139.0
Unearned Premiums	\$141.8	\$113.2
Atlas Shareholders' Equity	\$144.4	\$127.3

## Conservative Investment Approach

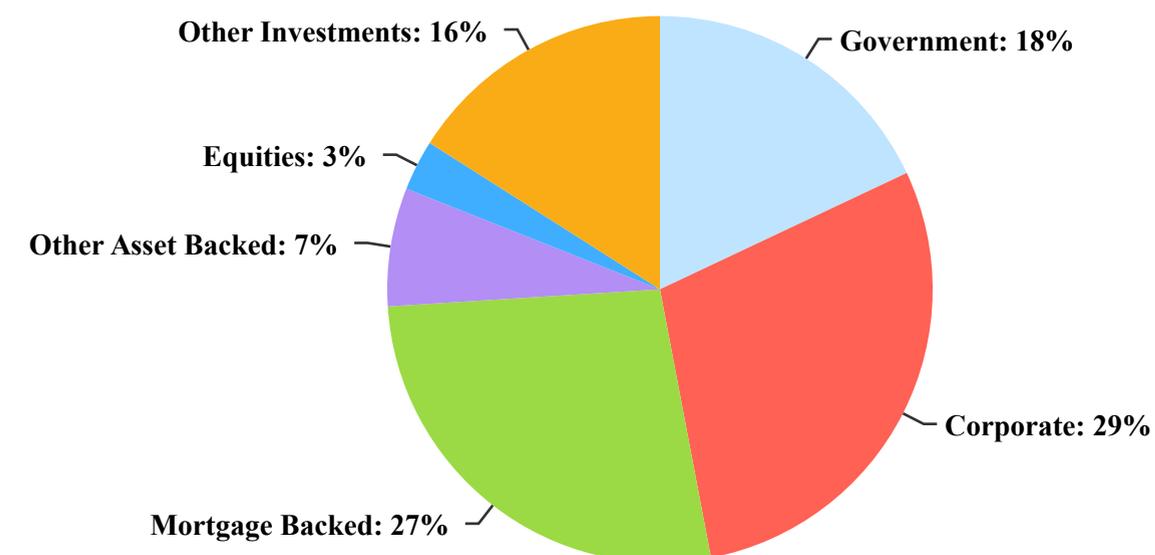
- Emphasize preservation of capital, market liquidity to support payment of liabilities and diversification of risk
- Investment duration re-positioned to match core commercial auto reserve liabilities (3.9 years)

## Investment Portfolio

- As of September 30, 2017, total cash and invested assets were \$247.7 million, of which fixed income consisted of 68.3%
- Predominantly corporate and government bonds
- Average S&P rating of AA
- 28.7% AAA
- 82.2% A or better

	September 30, 2017		December 31, 2016	
	Amount	% of Total	Amount	% of Total
AAA/Aaa	\$ 48,475	28.7%	\$ 44,521	28.5%
AA/Aa	61,638	36.4%	64,324	41.1%
A/A	28,956	17.1%	23,427	15.0%
BBB/Baa	29,122	17.2%	22,886	14.6%
BB	873	0.5%	1,114	0.7%
B	232	0.1%	215	0.1%
<b>Total Fixed Income Securities</b>	<b>\$ 169,296</b>	<b>100.0%</b>	<b>\$ 156,487</b>	<b>100.0%</b>

## Investment Portfolio (9/30/2017)



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

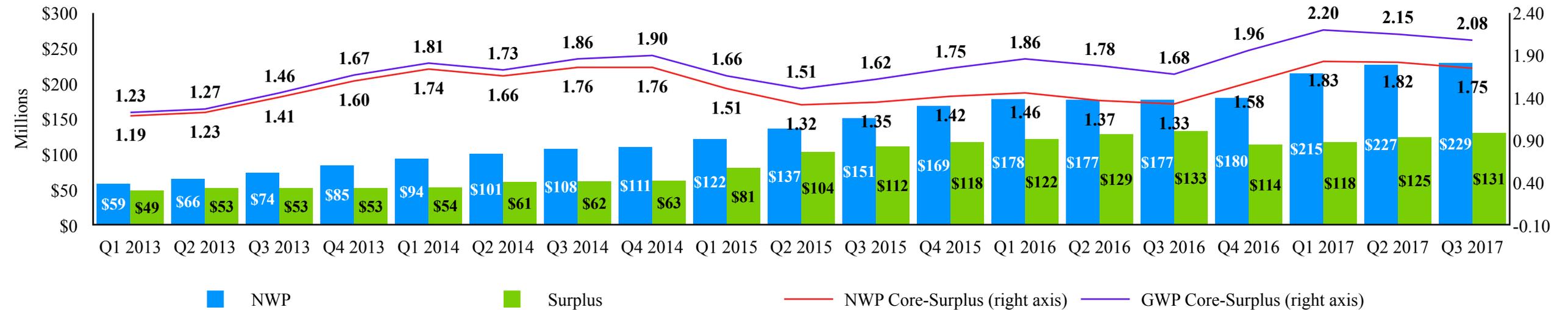
**Book value per common share of \$11.96 increased by \$1.42 relative to December 31, 2016 as follows:**

\$ 1.24	increase related to net income after tax and before items indicated below;
0.05	increase related to the change in net realized investment gains after tax;
0.06	increase related to the change in unrealized gains/losses after tax; and
0.07	increase related to share-based compensation
<hr/>	
<b>\$ 1.42</b>	<b>total increase from December 31, 2016 book value per common share</b>

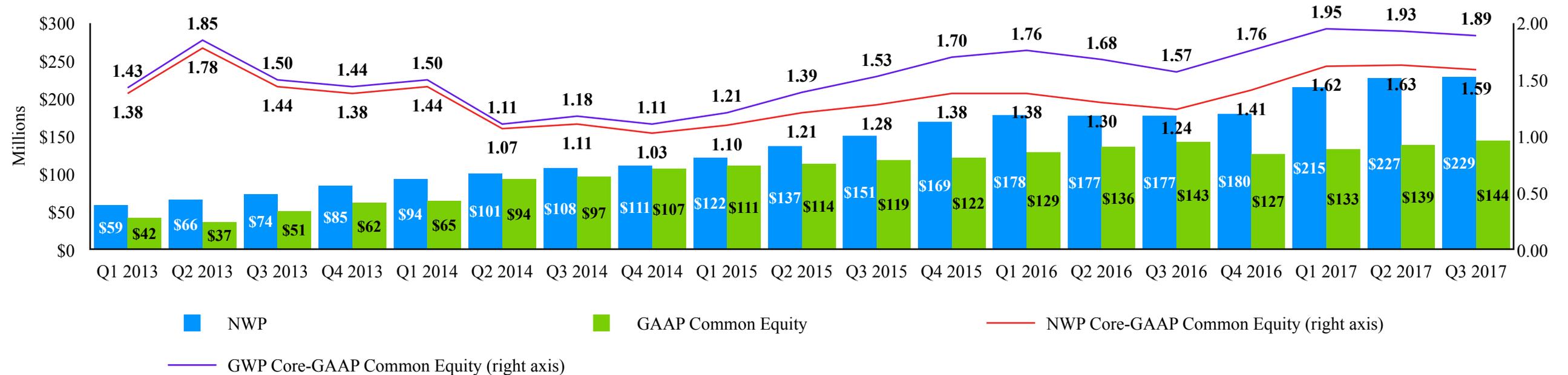
# Operating Leverage (Actual through Q3 2017)

Continue to hold sufficient capital on hand to self-fund profitable growth in the foreseeable future

Statutory Version



GAAP Version



## **Senior Notes Offering (NASDAQ: AFHBL)**

- Closed April 26, 2017
- 6.625% Senior Notes due 2022, at a price equal to 100% of the aggregate principal amount of the Senior Notes
- Net proceeds of approximately \$23.9 million
- Company used a portion of the proceeds in combination with cash on hand, for the repayment of \$19.4 million in outstanding indebtedness under its secured credit facility (which was then terminated) and intends to utilize the balance for general corporate purposes including, but not limited to, repurchasing common stock, supporting organic growth, and funding potential acquisitions

## **Share Repurchase Program**

- Announced March 21, 2017
- Over the next 12 months, the Company may purchase up to 650,000 shares of common stock
- The Company established a 10b5 plan following the latest blackout period
- Pricing algorithm based on cost and expected return on capital deployed



For Additional Information

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Adam Prior  
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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 tax** includes both underwriting income and loss and net investment income, but excludes net realized capital 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 losses and loss adjustment expenses incurred, policy acquisition costs and general operating expenses.

Reconciliation of U.S. GAAP Net Income to Adjusted Operating Income, Before Tax (\$ in '000s, except per share data)	Three Month Periods Ended				Nine Month Periods Ended			
	September 30, 2017		September 30, 2016		September 30, 2017		September 30, 2016	
Net Income	\$ 5,125	\$ 0.42	\$ 6,496	\$ 0.51	\$ 15,487	\$ 1.27	\$ 16,207	\$ 1.27
Add: income tax expense	2,760	0.23	2,476	0.19	8,342	0.69	7,525	0.59
Add: expenses recovered pursuant to stock purchase agreement	—	—	(1,895)	(0.15)	—	—	(2,297)	(0.18)
Add: interest expense	467	0.04	257	0.02	1,379	0.11	756	0.06
Less: net realized investment gains	582	0.05	630	0.05	1,000	0.08	1,024	0.08
Less: other income	115	0.01	51	—	332	0.03	280	0.02
Adjusted operating income, before tax	\$ 7,655	\$ 0.63	\$ 6,653	\$ 0.52	\$ 23,876	\$ 1.96	\$ 20,887	\$ 1.64

**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, 2017	June 30, 2017	December 31, 2016	September 30, 2016	June 30, 2016	December 31, 2015
Total shareholders' equity	\$ 144,397	\$ 138,857	\$ 127,342	\$ 146,592	\$ 142,956	\$ 129,622
Less: preferred shares	—	—	—	(4,000)	(6,539)	(6,941)
Less: accrued dividends on preferred shares	(333)	(333)	(333)	(286)	(622)	(460)
Total common equity	\$ 144,064	\$ 138,524	\$ 127,009	\$ 142,306	\$ 135,795	\$ 122,221

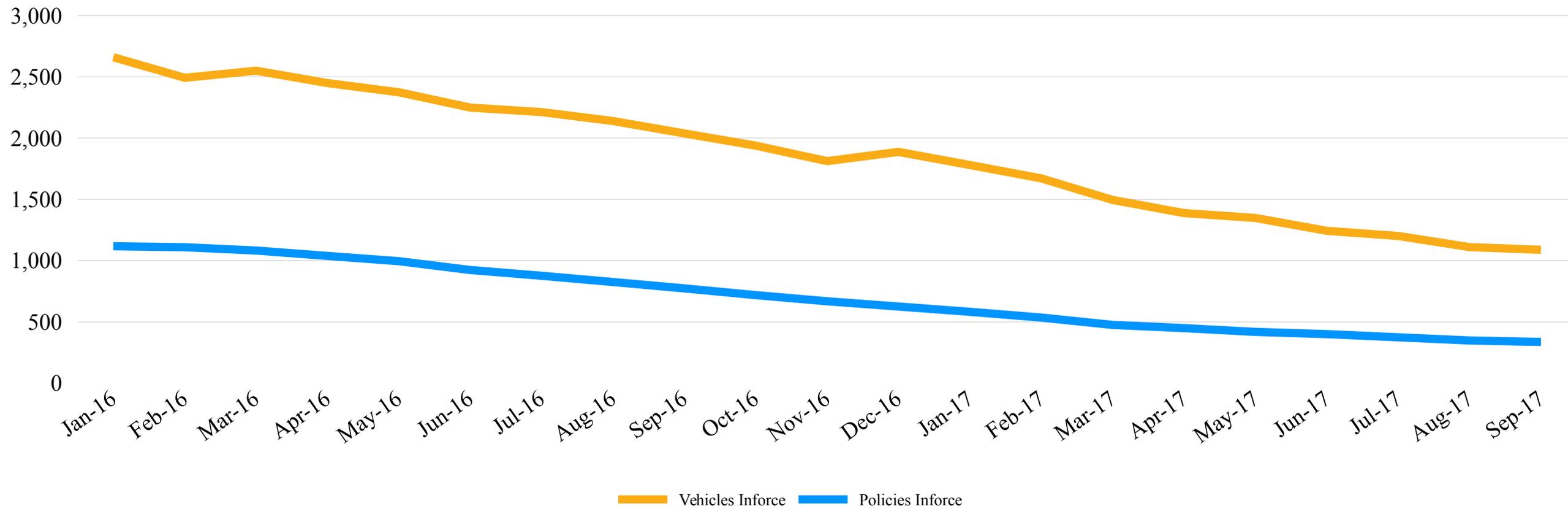
## Reconciliation of U.S. GAAP Return on Equity to Return on Common Equity (\$ in '000s)

	Three Month Periods Ended		Nine Month Periods Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net income	\$ 5,125	\$ 6,496	\$ 15,487	\$ 16,207
Average equity	141,627	144,774	135,869	138,106
Return on equity	14.5%	17.9%	15.2%	15.6%
Net income	\$ 5,125	\$ 6,496	\$ 15,487	\$ 16,207
Preferred share dividends accrued	—	(73)	—	(234)
Net income attributable to common shareholders	\$ 5,125	\$ 6,423	\$ 15,487	\$ 15,973
Average common equity	141,294	139,051	135,537	132,263
Return on average common equity	14.5%	18.5%	15.2%	16.1%

Prior sequential rate increases actuarially determined to achieve expected profitability targets

- Maximum rate supported taken each year
- There were 393 open Michigan claims as of September 30, 2017

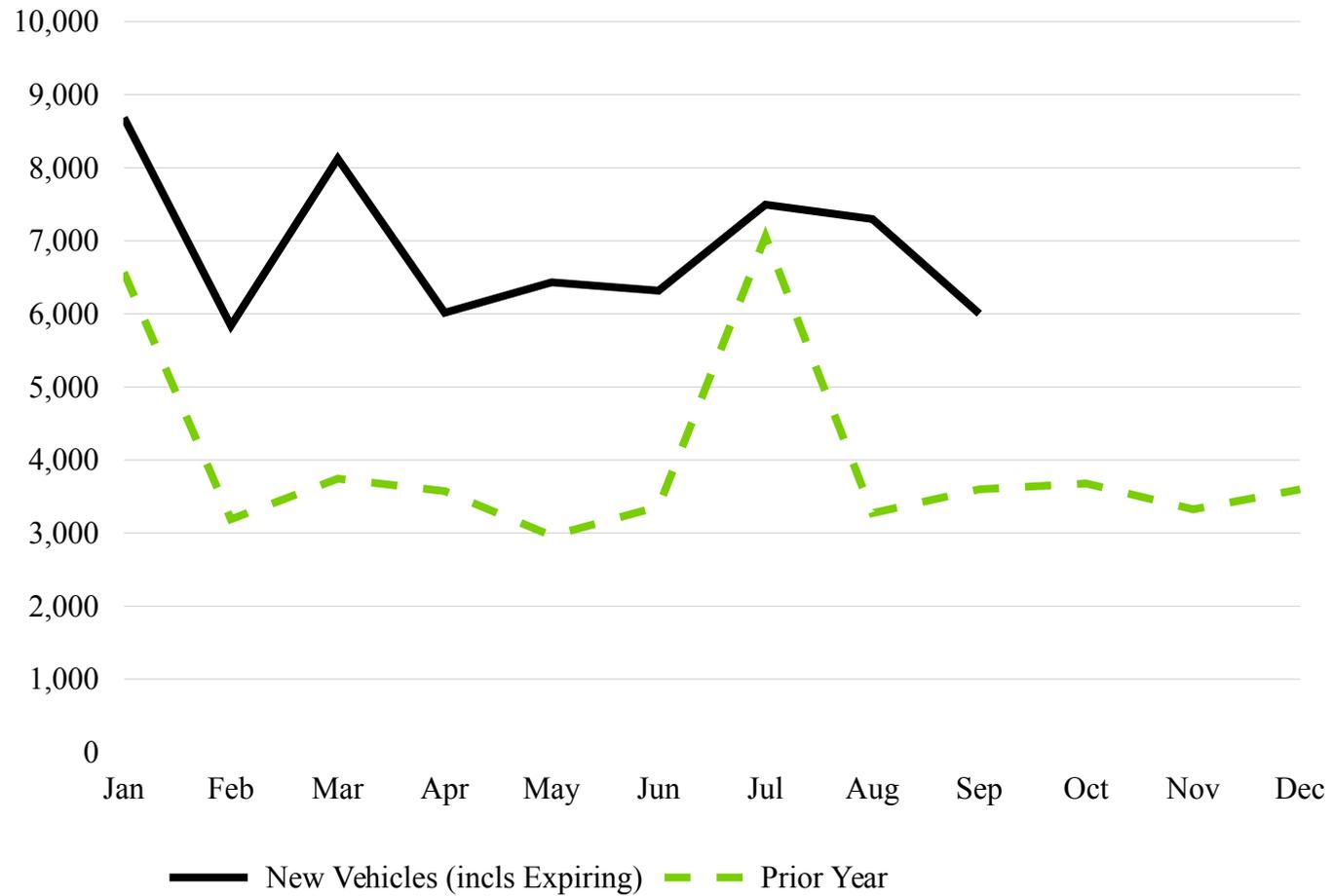
## Michigan Inforce



# Operating Activities: Underwriting

(commercial business only: excludes Global Liberty)

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



**Vehicles In Force**

