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PRESENTATION

Operator

Greetings. Welcome to the Atlas Financial Holdings 2017 First Quarter Earnings Results Conference Call. (Operator Instructions) As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Scott Wollney, Chief Executive Officer of Atlas Financial. Thank you, Mr. Wollney. You may begin.

Scott D. Wollney - *Atlas Financial Holdings, Inc. - CEO, President and Director*

Thank you, very much, Devon, and good morning, everyone. With me today is Paul Romano, our Vice President and CFO. We're very pleased to report profitable growth in underwriting performance in the first quarter, highlighted by a strong combined ratio and continued above average return on equity and book value appreciation.

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

Paul A. Romano - *Atlas Financial Holdings, Inc. - CFO and VP*

Thank you, Scott, and good morning, everyone. Yesterday, after market close, Atlas issued its 2017 first 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 on this call may not occur and could differ materially as a result of known and unknown risk factors affecting the companies, including risk factors regarding the insurance industry, economic factors and the equity markets generally. The risk factors discussed on the Risk Factors section of its Form 10-K

(technical difficulty)

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.

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 the presentation materials and our GAAP results, investors should rely on the financial information in our public filings. All amounts discussed on this call are in U.S. dollars unless otherwise indicated.

We will be utilizing a slide show presentation in conjunction with this call. Though we may address a few slides specifically, generally we will use this as an accompaniment. Feel free to follow along as we will follow the basic structure of this document. The presentation is available on our website's Investor Relations section and under the Earnings Release Info selection. For those of you following along with our presentation, we'll begin on Slide 3.

With that, I'd now like to turn the call back over to Scott.

Scott D. Wollney - *Atlas Financial Holdings, Inc. - CEO, President and Director*

Thanks, Paul. Our profitable growth in the first quarter represented a solid start to 2017 for Atlas. In particular, we're pleased to have again achieved strong underwriting performance and consequently above average return on equity, which is our primary objective. Key elements of our financial results for the quarter, as highlighted on Slide 3, include a strong combined ratio, improved net income per share and a 14.9% after-tax return on equity that achieved our goal of exceeding the property and casualty industry by 500 to 1000 basis points.

These results were driven by our continued focus on delivering a strong value proposition as a highly specialized writer of commercial auto insurance products to the dynamic niche market of people using light vehicles to move people around. We continue to leverage the use of technology and analytics throughout our book of business, which we believe will help us to properly assess and price risk across all geographies, while also helping us to identify loss trends as quickly as possible.

Through 2016, Atlas remained focused on strengthening our market-leading position in the specialty light commercial auto sector. We built on our strong foundation, both structurally and financially, throughout the year and, as seen in the most recent quarter, are beginning to realize some of the anticipated benefits.

Initially I'll focus my comments on operational issues, and later in the call I will highlight a number of financial initiatives we've put in place in order to provide Atlas with flexibility to deploy capital in a manner that will maximize overall returns.

A few specific financial highlights from the quarter include, net income after tax was $4.9 million or $0.40 per diluted common share. This compares with $4.8 million or $0.38 in last year's first quarter. We're monitoring loss development closely and are pleased to confirm that the results in the first quarter were consistent with the loss ratio range provided on our last call. Book value per diluted common share for Atlas as of March 31, 2017, is $10.99 compared to $10.54 as of December, 31, 2016, and $10.73 as of March, 31, 2016. Paul will provide more detail regarding these financials later in the call.

Let me take a few moments and break down our growth by line and geography, as summarized on Slide 4. In total, Atlas' gross written premiums increased by 53.8% to $98.5 million compared to $64 million for the prior-year quarter. There are a number of moving parts that underlie this overall growth. First, we saw our taxi book continue to stabilize. While it was still down from the first quarter last year, it was up slightly from the prior quarter. Our Limo and Livery as well as Paratransit business segments continued to grow at strong year-over-year levels of 98% and 39%, respectively. Approximately half of the marginal gross written premium increase in the first quarter was due to New York Livery business, which included a meaningful portion of transportation network company related vehicles, with the balance resulting from continued growth in both our Limo/Livery and Paratransit segments nationwide.

It's important to keep in mind the fact that there is some seasonality in our written premiums and many New York-based operators' insurance programs renew in the first quarter. Excluding incremental business with renewal dates impacted by seasonality, overall organic growth was approximately 25% in the quarter.

As we've anticipated on prior calls, our California book continues to grow significantly and we expect meaningful incremental opportunity there for the balance of the year as well. It's also worth noting that our Illinois book, which includes January 1 taxi renewals in Chicago, held up well with marginal growth of approximately 14%.

Atlas is also benefiting from a continued trend of more properly licensed owner-operator drivers that fit our predictive analytics-based underwriting criteria in the expanding specialty markets on which we focus. As we discussed, throughout 2016, there's been a change in the market -- in the makeup of our market, driven by the rise of transportation network companies, or TNCs. It is often the case that in the insurance business the first to act, often backed by naive capital, may not reap the greatest benefit.

In the case of the evolution of our target niche, we believe that Atlas has the most comprehensive perspective on the market risk and had been moving incrementally to translate that knowledge into underwriting profit by leveraging both our heritage as well as our commitment to technology and analytics. We have not compromised our underwriting criteria nor return on deployed capital expectations to chase business. Rather, we navigated this shift in market dynamics in a strategic manner, consistent with our underwriting goals over the long-term. We've been patient and thorough to ensure that the business we write in this evolving environment meets our underwriting criteria. While this thoughtful approach resulted in slower top line growth in 2016 than in prior years, our first quarter 2017 result provides some insight as to why we were more optimistic than the market in this regard.

As summarized on Slide 5, we've begun to see the reduction in insured taxis flatten, and as a result, our taxi volume stabilized with improved retention of vehicles in-force as we move into 2017. While this is encouraging and we remain cautiously optimistic regarding the taxi component of our business, it is a segment we continue to monitor closely. Naturally, we have been and remain focused on providing the best programs available to this segment, which remains important on a nationwide basis.

We're also experiencing strong growth in our Limo and Livery business as well as with Paratransit. In these areas, both our market share and the addressable market overall have been growing consistently in recent years and we believe that our innovative approach will allow us to realize incremental opportunities going forward. Results in the first quarter are a good example of this.

It's important to reiterate that in the TNC space we have always been open to insuring professional drivers that have commercial driver's licenses and meet our underwriting criteria. In 2016, we did see a number of these drivers migrate to working either full or part-time with TNC companies and many did not initially purchase commercial automobile insurance where it was not required either by jurisdiction or the TNC companies under whose dispatch they were operating. Atlas continues to see this as an opportunity, as many of these drivers are moving, and more may incrementally move, to a category of service requiring commercial auto insurance. This impact, over time, can be seen on Slide 6 in terms of our business mix by segment.

As regulations continue to evolve across the country and as commercial realities become more clear to both drivers and passengers, the size of the market for our products will likely expand. We are also actively exploring opportunities to profitably provide insurance to part-time TNC drivers at the appropriate time as the market continues to evolve.

A key element to Atlas' strategy is continuing to grow to a proportionate 20% market share in our traditional niche market based on our strong value proposition while pricing conditions remain favorable. The niche Atlas addresses is approximately $2.25 billion of the broader $31.3 billion in annual commercial auto premium and growing. To be clear, this figure includes only full-time professional taxi, limo, livery and paratransit drivers. Part-time drivers who are not commercially licensed are incremental.

We've been taking advantage of favorable pricing trends in virtually all of our markets. We have a high level of visibility to evaluate and implement rate changes where appropriate and have been doing so. Data from the Council of Insurance Agents and Brokers, as shown on Slide 7, illustrates the broader commercial auto rate retrenchment, which supports rate increases in general, and particularly in the smaller account and light commercial auto markets in which Atlas specializes.

While data from this source has not been updated since our last call, indications from other large commercial auto insurers thus far in the earnings season reinforces the view that the market will continue to harden. These are all favorable trends from our perspective and we continue to leverage our deep repository of data and ongoing investment in predictive analytics to help us most effectively price our products.

For a number of periods now, the company has targeted a better than 60% loss ratio in all areas with rate increases exceeding loss trend. While we did strengthen reserves for prior periods at year-end, our expectation is that the 2017 loss in LAE ratio should reflect the positive impacts of more recent initiatives and be at the low end or even below the range of 59% to 61% indicated on our last call. And we continue to expect an annual run rate within the 24.5% to 26.5% expense ratio range that we've communicated in the past.

To date, we're not seeing any signs of a softening insurance market in our niche either. The fact that broader commercial auto writers are facing challenges suggests that the time frame during which potential price-aggressive new entrants such as managing general agents will be unable to find support will likely be extended. We are continuing to achieve positive sequential rate and are targeting better than average accounts through the increasingly sophisticated use of our predictive analytics tools. It's important to note that most of our competition price business in our niche on a relatively commoditized basis, an approach that we can exploit by using the machine learning base tools we've embraced.

We're achieving growth in more than half of the states in which Atlas is currently writing and over 100% growth in several states. As shown on Slide 8, our total in-force premium now exceeds $250 million for the first time in Atlas' history. Premium fluctuations in specific geographic regions should be expected as we proactively react to changing market conditions. Seasonality will also have an impact in terms of written premium in any given quarter, although this has been and should continue to flatten as our book becomes more diversified. Maximizing return on deployed capital is at the foundation of our business model. And as a result, we will grow and shrink our business by geographic market based on loss trends and changes in each competitive environment.

As we discussed in the fourth quarter, the reserve charges that Atlas took surrounding our Michigan book of business is something that we believe has been isolated. Updates regarding in-force business in the state are provided on Slide 9. We clearly take responsibility for the challenges faced in Michigan and are on track to see the percentage of our overall book of business in Michigan drop to below 1% this year. While Michigan claims will continue to run off over time, as of March 31, 2017, open claim inventory related to this state has been reduced by 8.5% compared to year-end 2016, with 575 pending claims open at this time.

While unfortunate, it is the case that the insurance industry always has and always will face unexpected risk. This is the nature of our business. We believe that our proactive, transparent and decisive approach is illustrative of how our organization will respond to these issues in a way that exceeds industry norms. Over time, we do expect to see business fluctuate in certain states, and one of the advantages of being a specialized writer such as Atlas is that we can be nimble in each separate segment and geography. This is true whether reacting to opportunities or threats. Throughout Atlas' existence, we've increased and decreased business by segment and state based on the inevitable changes, which we are committed to evaluating regularly and reacting too

quickly.

That said, we continue to believe that nationwide Atlas can obtain approximately 20% market share as proportionate without having to be price aggressive or compromise our underwriting disciplines. We still have ample room to leverage our current distribution channel for growth with desired underwriting results in a variety of markets, provided market conditions remain favorable, as they currently are.

We're also committed to self-funding this organic growth. As we've communicated in the past, we intend to ensure that the various tools we've implemented to manage operating leverage are consistently evaluated to maximize return on equity over time. We're committed to being good stewards of capital and regularly evaluate our capital structure and market conditions. In the past quarter, we undertook initiatives that we feel provide Atlas with more optionality in light of potential opportunities, as summarized on Slide 10.

First, our Board of Directors has approved a share repurchase program of up to 650,000 shares of Atlas' common stock. The repurchase program will be funded using the company's working capital. It's important to note that we approved this program as a means of best utilizing Atlas' available capital in a manner that will maximize returns. Shortly after announcing this plan, the company went into blackout due to the recent bond offering.

As a result, we've not yet purchased any shares. However, we absolutely believe that part of our fiduciary responsibility is to leverage our position as a public company to deploy our capital in a manner that best benefits stakeholders.

As I mentioned earlier, we still see favorable trends in our markets and are not seeing any indicators of market softening. Although we feel the best use of capital in the face of a favorable insurance market is deployment into profitable underwriting, at a certain stock price buying back shares and potentially using reinsurance as alternative capital will optimize returns to shareholders. With this in mind, when we exit the current blackout period, we will be formally implementing a 10B-51 program with a well-known broker-dealer to ensure that opportunistic share purchases along these lines can be executed at any point should the share price justify such activity.

Second, last month we announced the pricing and closing of Atlas' notes offering. We completed the raise of $25 million of aggregate 6.625% public notes due in 2022. These notes are publicly traded under the ticker [AFHBL]. We used some of the net proceeds and cash on hand to repay the $19.4 million in outstanding indebtedness under our secured credit facility, which was then terminated. With the notes offering, we extended the tenure of Atlas' debt obligations and also swapped a variable rate for a fixed rate at a time we felt was practical to do so.

We now have additional capital available for the repurchase of common stock, supporting organic growth and potential acquisitions, as well as for general corporate purposes. We feel that this transaction provides longer-term, stable and favorably priced debt as a valuable aspect of our capital structure in advance of expected continued growth. The terms are not restrictive and, coupled with the share buyback plan, this placement adds to available options for our company to properly seek the most favorable return for investors.

With that, I will once again turn the call over to Paul for a more detailed of our financial results and further discussion regarding our capital allocation-related initiatives. I will then return for concluding remarks.

Paul A. Romano - *Atlas Financial Holdings, Inc. - CFO and VP*

Thanks, Scott. As always, I encourage each of you to review our filings, our slideshow presentation and to reach out to Scott or myself with any questions.

For the first quarter of 2017, gross premiums written increased 53.8% to $98.5 million compared to $64 million for the 3-month period ended March 31, 2016. The increase in gross premiums written was related to the New York livery business, which included meaningful premium from TNC-related vehicles, with the balance coming from continued organic growth in both our Livery and Limo and Paratransit segments in the states of California, New York, New Jersey and Washington, offset by decreases in Michigan and Minnesota. At March 31, 2017, both our in-force premium of $255.8 million and gross unearned premium reserve of $151.6 million were at their highest level since Atlas was formed.

As shown on Slide 12, as at March 31, 2017, our operating leverage, as measured by written premium -- net written premium to combined statutory surplus, was roughly 1.8 to 1, as indicated in the top chart. Managing our leverage is important from both regulatory and rating agency perspectives. During the first quarter of 2017, we renewed our reinsurance programs with similar terms to those from 2016 and made no changes to our quota share reinsurance cession rates. For the first quarter 2017, our quota share reinsurance cession rates were 5% and 25% of subject written premium for the ASI Pool companies and Global Liberty, respectively.

Net premium earned increased 16% in the 3-month period ended March 31, 2017, to $48.4 million. Slide 13 breaks out key components of our combined ratio after taking accounting for the effects of reinsurance into consideration. The loss ratio related to net claims incurred for the 3-month period ended March 31, 2017, was 60.5% compared to 59.7% for the 3-month period ended March 31, 2016. The loss ratio increased slightly from the prior-year period, primarily due to the company's ongoing review of underwriting profitability by product and state.

The underwriting expense ratio for the 3-month period ended March 31, 2017, was 26.4% compared to 24.7% for the 3-month period ended March 31, 2016. Atlas' underwriting expense ratio for the 3-month period ended March 31, 2017 excluding the impact of share-based compensation expenses was 25.7% and continues to fall within the range of the company's annual target of 24.5% to 26.5% of net premium earned. While this ratio can vary quarter to quarter, on a full-year basis, based on the company's current anticipated year-over-year growth trend, underwriting expenses are expected to be within and on a high end of this range.

Atlas' combined ratio for the 3-month period ended March 31, 2017, was 86.9% compared to 84.4% for the 3-month period ended March 31, 2016. Underwriting profit, which is the income produced prior to investment income, decreased to $6.3 million compared to $6.5 million in the prior-year period, representing a 3.1% decrease. Keep in mind that in Q1 of 2016, Atlas recorded a nonrecurring benefit of $402,000 related to a Gateway stock purchase agreement that reduced underwriting expenses and increased underwriting profit.

Slide 14 provides both the annual and the quarterly trend information of our combined ratio and its components. As we've indicated on prior calls, we feel that our year-over-year comparisons are more useful than quarter-over-quarter, given the nature of our business. As illustrated, we continue to see improved operating efficiencies on a year-over-year basis as measured by our expense ratio. We expect our loss ratio to once again trend in the right direction over the course of this year, as the effects of rate and underwriting initiatives implemented in recent periods create the anticipated positive results.

Slides 15 and 16 provide an overview of our overall balance sheet strength and our cash and invested assets. Net investment income net of investment expenses increased by 75.1% to $1.1 million for the 3-month period ended March 31, 2017, compared to $653,000 during the 3 months ended March 31, 2016. The increase in net investment income from the prior-year period is primarily the result of higher returns on our other than fixed income investment portfolio as compared to the prior-year period. The gross annualized yield on our fixed income portfolio was 2.2% and 2.1% for the 3-month periods ended March 31, 2017 and '16, respectively.

Overall, we are very pleased with our financial results in the first quarter, as outlined on Slide 17. Atlas generated net income of $4.9 million during the 3-month period ended March 31, 2017, compared to $4.8 million during the 3-month period ended March 31, 2016. After taking the impact of the liquidation preference of the preferred shares into consideration, earnings per common share diluted for the 3-month period ended March 31, 2017, was $0.40 compared to $0.38 for the 3-month period ended March 31, 2016. Annualized return on equity was 14.9% as compared to 14.5% in the prior-year quarter. Book value per common share on March 31, 2017, was $10.99 compared to $10.54 as of December 31, 2016, and $10.73 as of March 31, 2016. A detailed summary of the changes of book value can be found on Slide 18.

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

Scott D. Wollney - *Atlas Financial Holdings, Inc. - CEO, President and Director*

Thanks, Paul. The company's first quarter results were strong. And producing an after-tax ROE of 14.9% in the market where we're seeing strong growth is a good start to 2017. For comparison purposes only, on a pretax basis, ROE was 23%.

We feel that the market trends suggesting additional industry rate increases in commercial auto are favorable for Atlas. As demonstrated on Slide 20, we implemented incremental rate increases relative to ISO again in the most recent quarter. Based on market conditions and the competitive environment in our niche, we are confident that this activity will maximize return on deployed capital. While rate increases in the first half of last year created a near-term slowdown of business written, this was before the integration of our predictive analytics tools directly into our point-of-sales system. And it was important that we explored price elasticity of demand prior to implementation of this phase of our analytics integration. We are confident that the automation and analytics tools we now have in place will mitigate such an impact. Demand, as measured by new business submissions, is also at higher levels. We'll be monitoring persistency and new business hit ratios closely as rate changes take effect.

As you can see on Slide 21, our retention ratio on renewal business has returned to target levels in recent months. While our new business hit ratio is below our overall target within the predictive model score bands that indicate the widest potential underwriting margin, our ratios are where we want them to be.

Slide 22 provides an overview of both premium and policy count distribution based on modeled underwriting scores. As you can see, while overall premiums follow a relatively bell-shaped distribution, the bias of policies written is towards the right, which are the score bands expected to generate the best underwriting profit.

We are continuing to closely monitor loss development throughout our book of business and feel that many of the investments made in recent years in the areas of predictive analytics and increased use of advanced telematics will continue to refine our ability to identify potential loss scenarios more rapidly and also optimize pricing.

It is equally important to note that our strong value proposition, which is driven by customer-centric service and niche-specific claims handling, allow us to sell business at a higher than average price in general.

We continue to compress closure rates and route claims predicted to have the greatest -- highest expected severity to the appropriate areas within our claims team earlier in the process than ever. Overall, as a result of our proactive and specialized approach to claims handling, open claim inventories are also being reduced, despite the fact that our book of business has been growing. Open inventory for reported claims on accident year 2016 and prior, as at March 31, 2017, were 8,825 compared to 10,429 as at December 31, 2016, a reduction of 15%. Average paid severity within major cohorts of claims held relatively constant in the quarter relative to last year. Frequency has not changed materially either.

The niche on which we focus is not only evolving but also expanding. As illustrated on Slide 23, both submissions as well as insured vehicles in-force are at record levels for Atlas. Our extraordinary team is committed to capitalizing on changes within our niche to lead the industry and maximize return on equity for the benefit of all of our stakeholders.

At this time, let's open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Tom [Schempp] with Sandler O'Neill.

Thomas Shimp

I was hoping you could provide more color on the components and the sustainability of the growth seen in the quarter and how we should view that as a run rate going forward?

Scott D. Wollney - *Atlas Financial Holdings, Inc. - CEO, President and Director*

Sure. So we are not going to provide specific topline guidance, for the reasons that we've indicated before, primarily for the fact that underwriting margin is the internal target on which we focus, and obviously, in our business you can either pick a topline target or an underwriting market target and then try to optimize the other by providing strong value proposition, efficient distribution, et cetera.

And so we won't be providing specific guidance in terms of written premium. But what I can tell you, kind of building on the formal comments, is that the overall year-over-year growth rate in the quarter was higher than you would expect on a run rate basis. About half of our growth related to business that is seasonal in New York. It was certainly encouraging to start demonstrating the result of the initiatives that we've put in place to take advantage of the growth in the Livery segment that's been created by transportation network companies, and that New York business is a good example, especially because most of that business was captured in conjunction with the telematics space initiative that we've also been significantly focused on. So it really combines 2 strategic focus areas for us.

But if you back that out, the remaining organic growth rate year-over-year for the quarter was about 25%. That's probably a better indication of what we might expect. But again, I want to be -- I want to caution everybody that we will not have a constant year-over-year run rate quarter-over-quarter, both because of seasonality and, again, because our focus is going to be optimizing underwriting profit, especially given that we see market conditions continuing to improve from a rate and competitive environment standpoint.

In terms of the subsegments within the business, we are seeing relatively flat year-over-year change in terms of Taxi. Vehicles in-force have been pretty neutral for the first time in a number of quarters, which is certainly encouraging. We did see incremental rate resulting in an overall increase of about 7% year-over-year in terms of Taxi premiums. Most of the growth, though, is coming from Paratransit and Limo and Livery. I'd referenced earlier in the call the year-over-year growth rates. Last year, Paratransit grew about 30% year-over-year. Limo and Livery grew about the same. And so those 2 segments together are obviously, becoming the biggest portion of our book, and that's where I think you can expect to see most of our growth coming from in the near term.

Thomas Shimp

I had one more question, if I may. In regards to the Michigan market and the issues we saw in the last quarter, how confident are you that we're not going to see that throughout the remainder of the year?

Scott D. Wollney - *Atlas Financial Holdings, Inc. - CEO, President and Director*

Well, as we stated on the prior call where we focused on that issue, we strengthened reserves with the expectation that the remaining, sort of, runoff of claims related to the periods -- the prior year periods where we had a significant amount of exposure in that state would trend similar to kind of the higher paid severity results we saw in 2016. And so we are expecting that to be a challenging environment for kind of the totality of the runoff of those claims. So it is something we're going to be monitoring very closely. I don't think we were surprised by anything in the first quarter, although obviously not a lot of time has passed since our last call.

So I think the good news is we haven't seen anything different than we would've expected. And obviously, it's something that we're keeping a very close eye on. It's encouraging that the overall inventory is coming down. As I mentioned, total Michigan-related claims were down about 8.5% in just 90 days following the end of the year. And so we do have a dedicated team of people who are focusing specifically on that book of business. And obviously, we want to learn everything we can from what we sort of described as the new normal in that environment to get the best possible result going forward. But we are going to be very careful and manage that book very closely.

Operator

(Operator Instructions) Our next question comes from the line of Samir Khare with Capital Returns Management.

Samir Khare - *Capital Returns Management, LLC - Analyst*

Thanks for the update on the Michigan claims. That was helpful. I actually have a question on the growth side of things. The strategic initiative that you guys had, I guess, with one of the TNC groups in New York, is that something that you guys are continuing to pursue with other TNC groups, or will this -- will the TNC group that you allianced with, will that provide other opportunities throughout the year, you think?

Scott D. Wollney - *Atlas Financial Holdings, Inc. - CEO, President and Director*

We think it will. I mean, there are other groups that do the same thing, you know, specifically lease vehicles to TNC drivers. And these -- they are one of the largest. They're not the largest. We are, as I mentioned in the formal comments, being very patient and thoughtful in terms of pursuing those. So we are in a dialogue with many. We are committed to the idea that the best way to approach that segment is in conjunction with the telematics solution, which is what we did in the case of the account we wrote. And that's important both from a loss control perspective, a claim handling perspective and a lean underwriting perspective.

And so establishing those kind of relationships does take time to cultivate. But we do believe that we have a model that will be attractive to thoughtful operators. And so we absolutely hope that, that will lead to incremental opportunities. And not only just in New York. So the New York model is obviously the largest segment in terms of that space. And it's also sort of unique in that today it has the highest level of regulatory hurdles. But we are looking at other TNC-related opportunities.

In fact, as a little bit of a teaser, we will be talking in much greater detail in person at our Investor Day, at a level that we probably wouldn't want to discuss on a public call for competitive reasons, in terms of how we hope to translate the investment of time and resources that we've made over the last couple of years into other potential opportunities along those same lines.

So again, I want to be cautiously optimistic in terms of our ability to build on that success, but we do believe there's a lot of opportunity. And, you know, it really is a great example of where we believe we can translate the evolution of our clients' industries into opportunities, by really leveraging the combination of our heritage in terms of really understanding the business, understanding how to handle claims, delivering that strong value proposition and, at the same time, embracing technology and analytics and some of the things that are evolving in terms of our customer segment.

Samir Khare - *Capital Returns Management, LLC - Analyst*

And then just -- I guess Michigan, the problems there arose from higher jury awards and, I guess, maybe a general sense of the economy being depressed. Is there any other jurisdiction that's on your radar screen that might be heating up in the same regard?

Scott D. Wollney - *Atlas Financial Holdings, Inc. - CEO, President and Director*

No, we haven't seen any other jurisdiction change with the same kind of magnitude. And what is important, and you touched on this, is that a lot of the actual exposure was created back in 2012 and '13. And so it sort of came to a head in 2016 in terms of paid severities. And so we are, obviously, looking at all the other states, particularly states with PIP exposure, and we do not see the kind of indications of rate need driven by frequency or the significance increase in paid severities that we saw in Michigan. So we are encouraged by that.

Again, and I commented before around this issue, that over the long term there will always be changes from a regulatory and a sort of claim outcome perspective. Those things don't change that often. But our commitment is to make sure we're keeping a close eye on changes, good and bad, and reacting quickly to those. So at this point, there are no states where we are seeing that kind of significant change, but we are obviously going to be very diligent in looking out for that and reacting quickly.

And again, at this point, we have a much more diversified book of business, writing business in 42 states, as opposed to back in 2012, where we were writing most of our business in 5, at the kind of early stages of Atlas' creation, and have a lot of other analytics tools at our disposal that we just didn't have 5 years ago.

Operator

(Operator Instructions) Our next question comes from the line of Sam Hoffman with Lincoln Square.

Sam Hoffman

Can you explain a little bit more about the assumed reinsurance initiative?

Scott D. Wollney - *Atlas Financial Holdings, Inc. - CEO, President and Director*

Sure. And to be clear, that is core business for Atlas. It is not some esoteric type of a reinsurance program. So we had mentioned before, we established about 1.5 years ago a fronting arrangement with an A-rated carrier which enables us to write business in areas where A paper is required for certain subsegments of our core niche. So good examples of that would be limo and livery business in Las Vegas. In order to comply with most of the casinos' requirements, livery operators who want to be able be called to the casino to pick up passengers have to have on file a Certificate of Insurance with an A-rated carrier. In California, there are some smaller airports that have requirements that operators who come on the airport property have A-rated paper.

So overall, we believe that is a relatively small percentage of the total addressable market. However, it's meaningful, and particularly in the current rate environment, we are able to price the business to absorb the cost of such a fronting arrangement.

So we did put that program in place about 1.5 years ago. It took some time for the rate filings to ultimately be approved in some of the jurisdictions, California in particular. And so in the first quarter, we really saw some meaningful benefit from that program, now that those rate filings are approved. And we're starting to be able to write business kind of at the run rate that we expected.

So it's core business, primarily livery and taxi, with a bias towards limo and livery. And again, it's fronted by an A-rated carrier, where Atlas then assumes 100% of the risk through a reinsurance arrangement that we have with them. But to be clear, we handle all of the underwriting, we handle all of the claims. So we expect that business to behave the same as business we write directly on our own paper. It just gives us the ability to access a segment of the market that we would otherwise not be able to write.

Operator

Our next question comes from the line of Wally Walker with Hana Road Capital.

Wally Walker

Paratransit over the years has gotten very little air time on these calls, yet you've got this great growth profile. Could you elaborate a little bit on what's going on there?

Scott D. Wollney - *Atlas Financial Holdings, Inc. - CEO, President and Director*

Sure. I'd be happy to. So Paratransit is about 1/3 of our business today. And for those who are less familiar with it than our other segments, it's nonemergency rides, generally funded by Medicare or Medicaid. It is a state-specific program typically. Generally, the rides are fulfilled by smaller fleets, which is right in our sweet spot. And so that segment is growing faster than any of the other segments, excluding possibly transpiration network company-driven growth in Livery, which we think is somewhat of a correction in terms of the disruption it had in the short run.

But the paratransit growth is really being driven by an aging population and longer life span. Our most recent analysis indicated that, that market size in terms of addressable vehicles is growing about 7% to 9% year-over-year. And we have been capturing incremental market share in that space as well.

So we have always been very committed to that segment. We are aligned with agents who focus on that market and have strong endorsements from the various logistics brokers who coordinate those rides on behalf of most of the states. We also have a lot of initiatives, working with the various law firms that support our claims infrastructure nationwide, working from a risk management standpoint to make sure that we have the best understanding of that segment, which does have some pretty specific needs, so that we can deliver a product that not only is going to provide the best level of service but also be able to most effectively manage claims.

The passengers in the Paratransit segment may have other maladies or comorbidities at the time of an accident, and so it is really important to be able to understand what is and isn't related to the auto accident. And so the expertise that we have and the decades of experience that the insurance companies we've required over the years have in that space is really a differentiator that allows us to generate a better result than a generalist might otherwise see.

So it is absolutely a core segment for us. Again, we're enjoying market share growth and also seeing the addressable market grow. We have very fragmented competition in that regard. It is considered a hard to write class for a generalist, again, because the claims -- the aspects of claims can be very different. But again, we've invested over the years a significant amount of research to make sure that we fully understand it and are really able to deploy our expertise in a way that differentiates us.

So we are very optimistic about the opportunity there over time. And it's important to note that, that segment really isn't seeing the kind of disruption that Taxi saw from transportation network. So while the first quarter is a good example of the fact that we are not only able to benefit from some of the transportation network segment growth, we're also seeing some stability in Taxi. Separate and aside from that, continued growth in Paratransit is something that we expect to go forward.

So it's definitely a positive and has been a significant focus area of ours over time, although, as you point out, Wally, it has generally not gotten a lot of air time in terms of our conference calls.

Operator

There are no further questions at this time. I'd like to turn the floor back over to management for closing remarks.

Scott D. Wollney - *Atlas Financial Holdings, Inc. - CEO, President and Director*

Great. Thanks, Devon. And thank you, everyone. We certainly hope to see many of you at our Investor Day, which will be held at 222 Merchandise Mart Plaza in Suite 900 here in Chicago, Illinois, on Tuesday, May 16, immediately following our Annual General Meeting, which will begin at 11:00 a.m. Central time. We think it will be an informative experience for everyone. And we plan to focus on a range of topics that will include industry trends, innovative technology partnerships and Atlas' growing use of analytics in the specialty commercial auto insurance industry segments in which we focus. So hopefully we'll see many, if not most, of you there. And in the meantime, thanks again. We appreciate your time.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.
