

ATLAS

FINANCIAL HOLDINGS, INC.

NASDAQ: AFH



Fourth Quarter 2018
Conference Call
March 4, 2019



Safe Harbor: Financial Information

(2018 data is unaudited)

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When discussing our business operations, we may use certain terms of art which are not defined under U.S. GAAP. In the event of any unintentional difference between presentation materials and our GAAP results, investors should rely on the financial information in our public filings.

Corporate Headquarters	Schaumburg, IL (Chicago Suburb)	
Core Target Markets	Limo/Livery/Paratransit/Taxi	
NASDAQ: AFH	At 12/31/2018 (unaudited)	At 12/31/2017
Cash and Investments	\$200.6 million	\$243.5 million
Total Assets	\$459.8 million	\$482.5 million
Total Atlas Shareholders' Equity	\$48.8 million	\$90.6 million
Common Shares Outstanding (includes Restricted Share Units)	11,961,902	12,178,857
Book Value Per Common Share Outstanding	\$4.08	\$7.42

Q4 2018 Financial and Underwriting Results

(2018 data is unaudited)

Premium Results

Gross premiums written were \$57.7 million in Q4 2018 compared to \$54.2 million in Q4 2017. Challenged taxi accounts less likely to absorb rate increases than other segments.

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

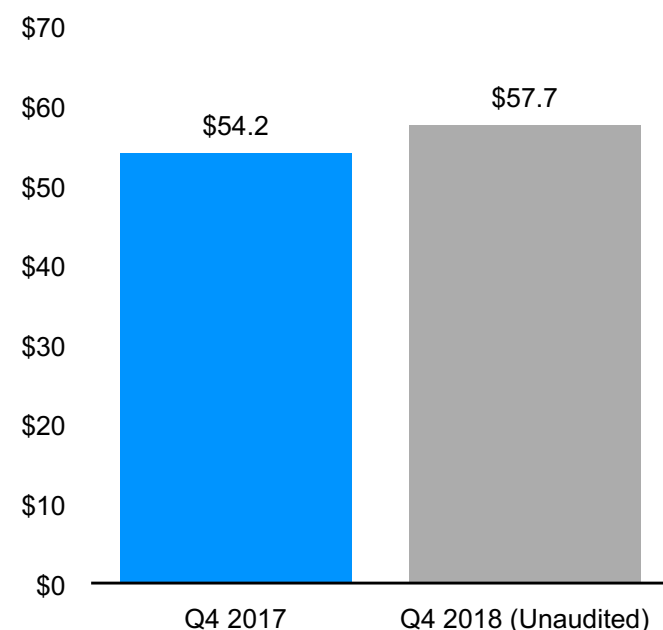
Underwriting Results

Combined ratio was 175.5% as compared to 220.3% for the prior year period.

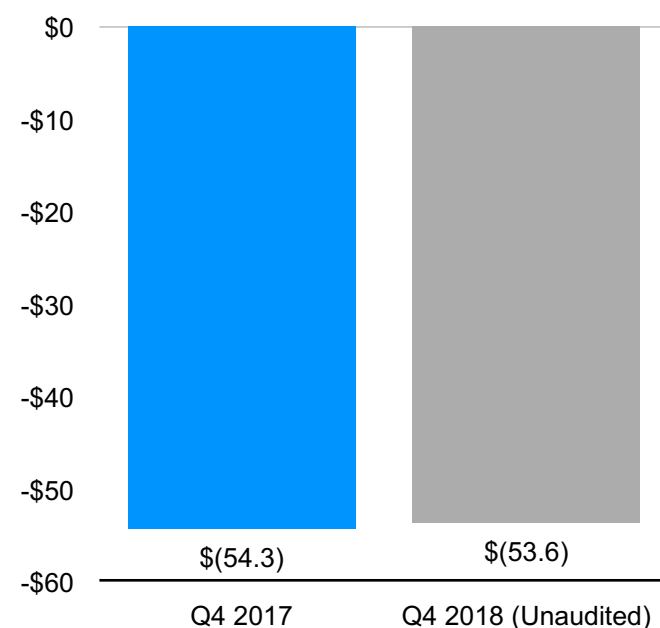
Book Value

Atlas' book value decreased to \$4.08 at December 31, 2018 from \$7.42 at December 31, 2017

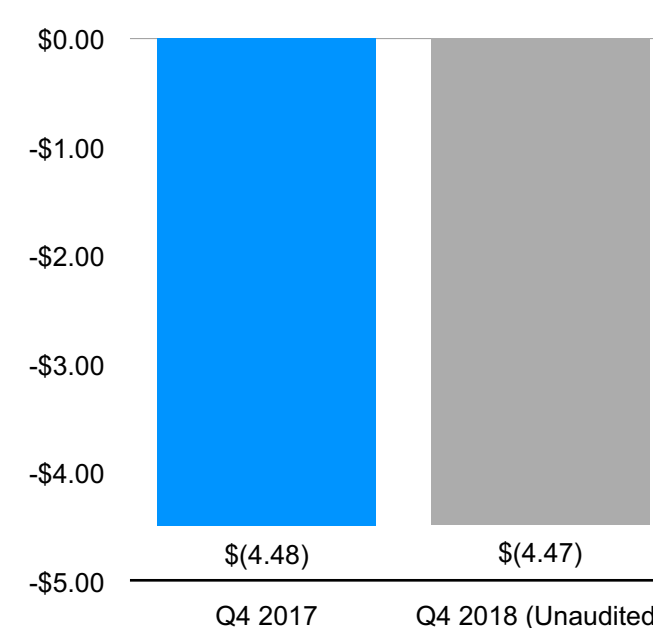
Gross Premiums Written
(in millions)



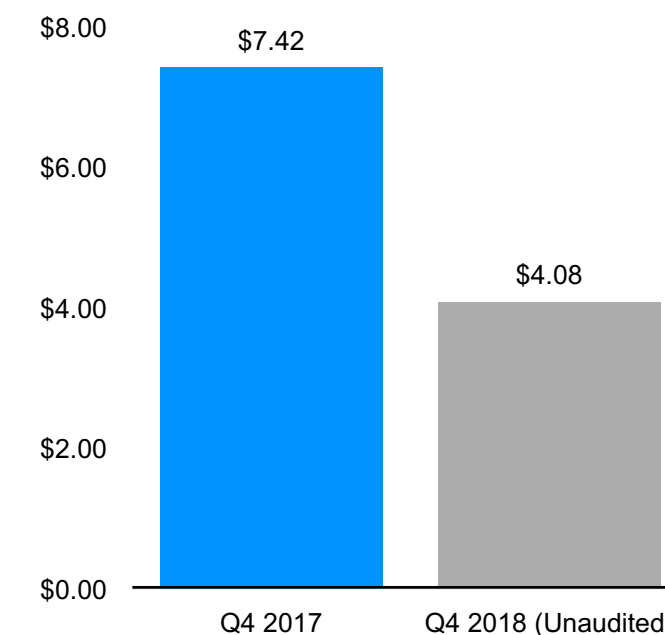
Net Loss
(in millions)



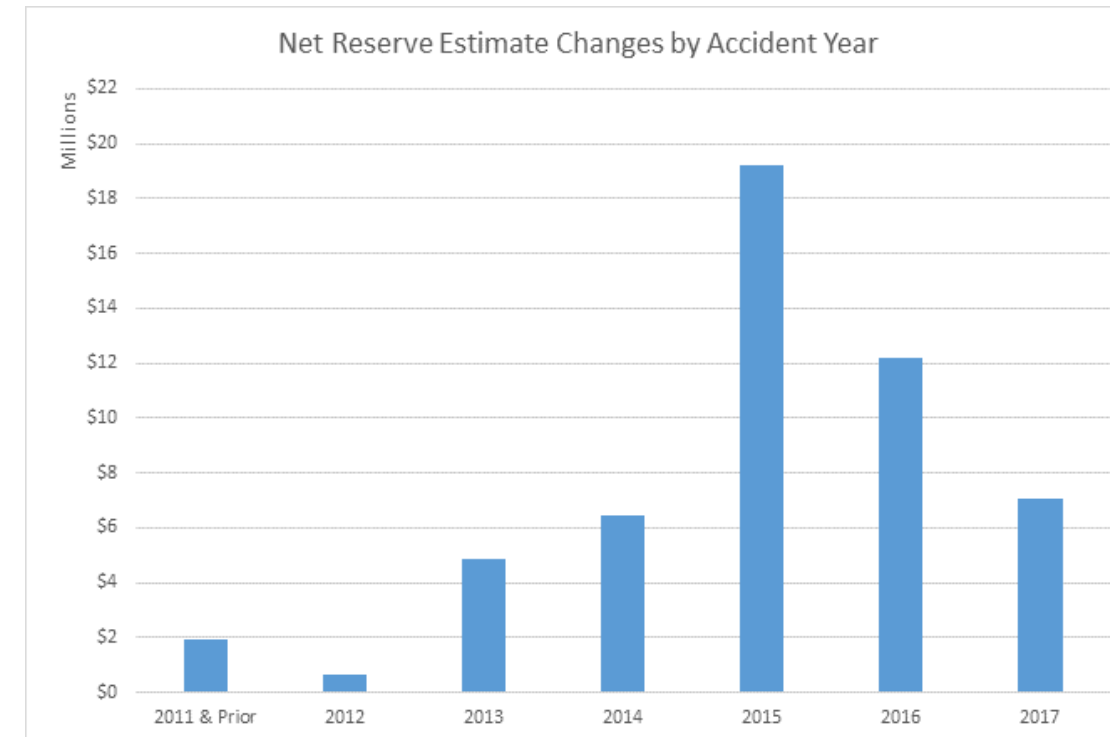
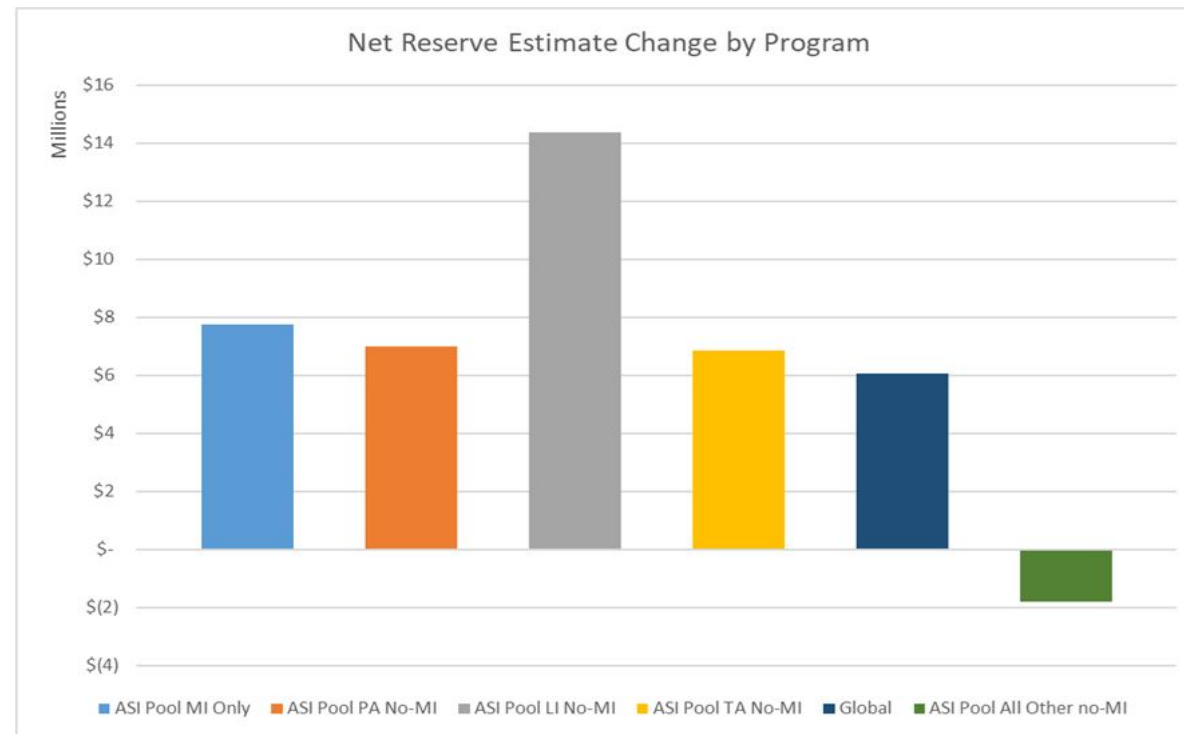
Loss per Common Share Diluted



Book Value per Common Share

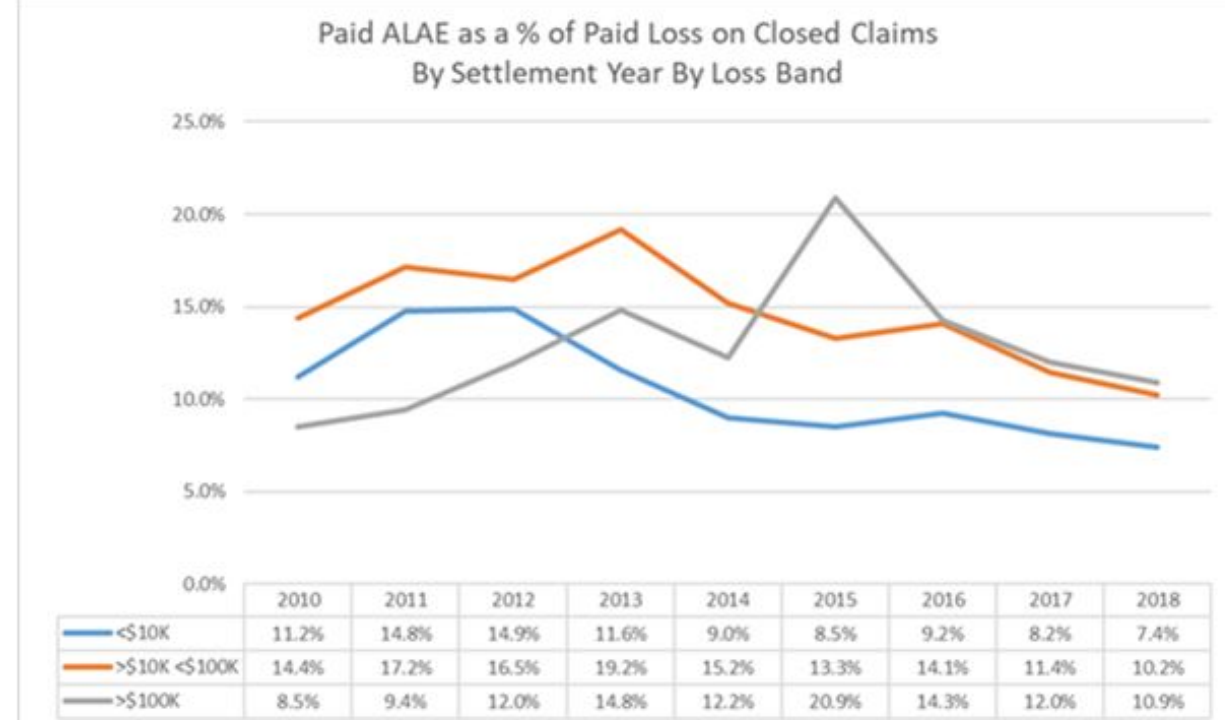
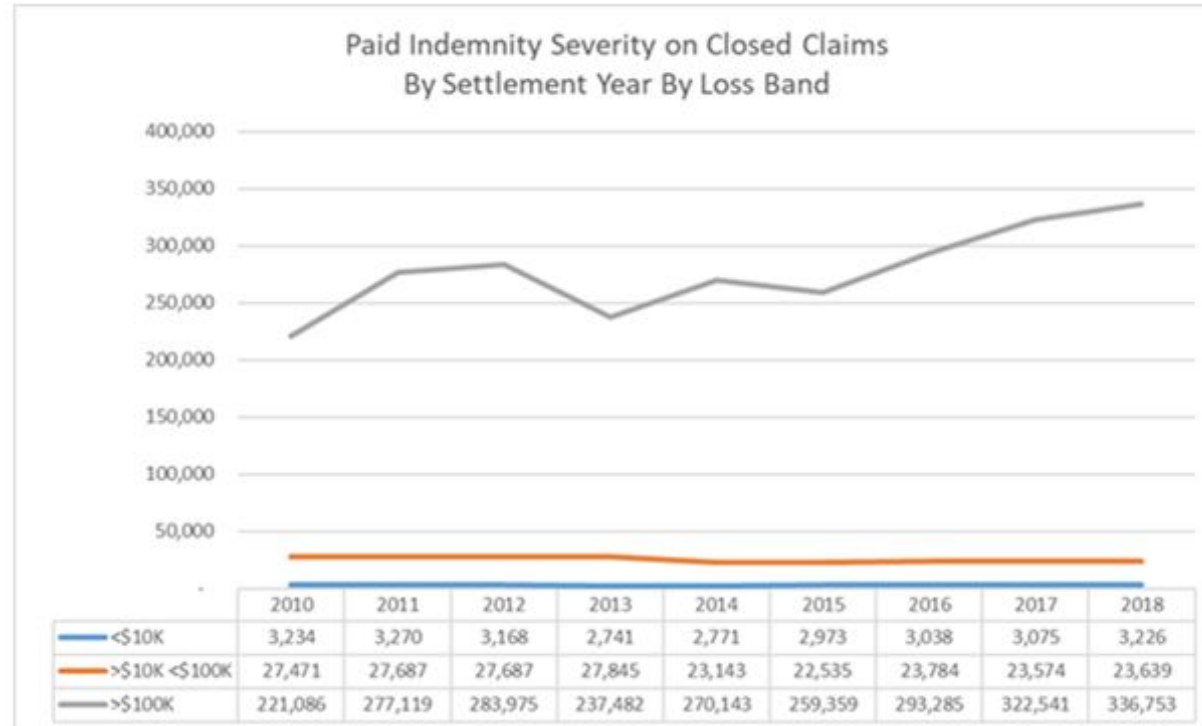
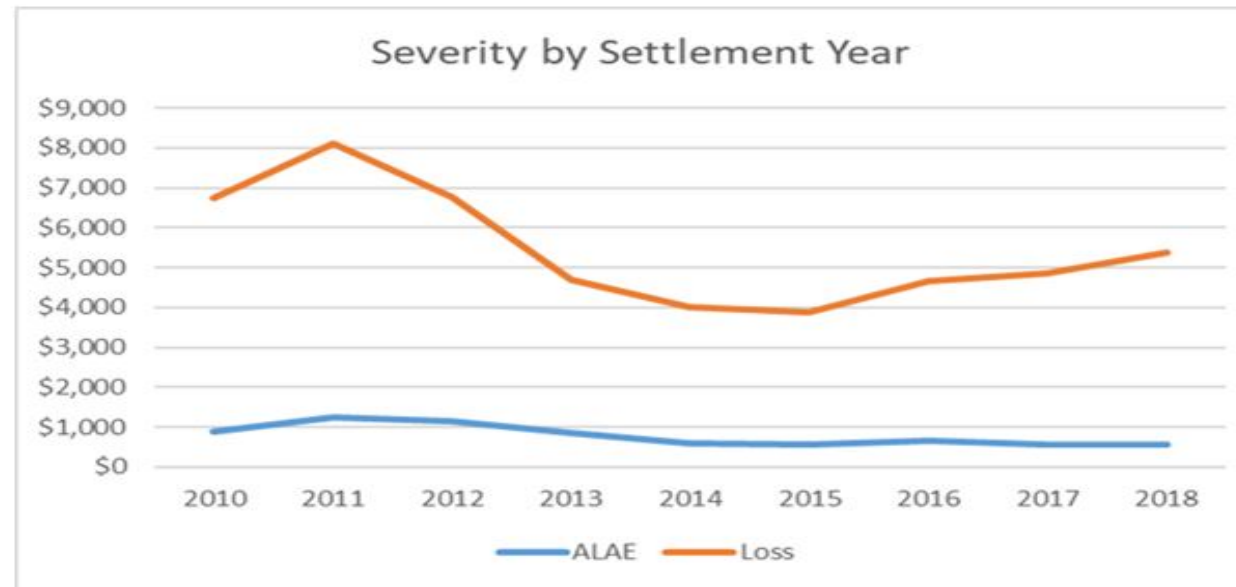


Reserve Estimate Changes (2018 financial information is unaudited)

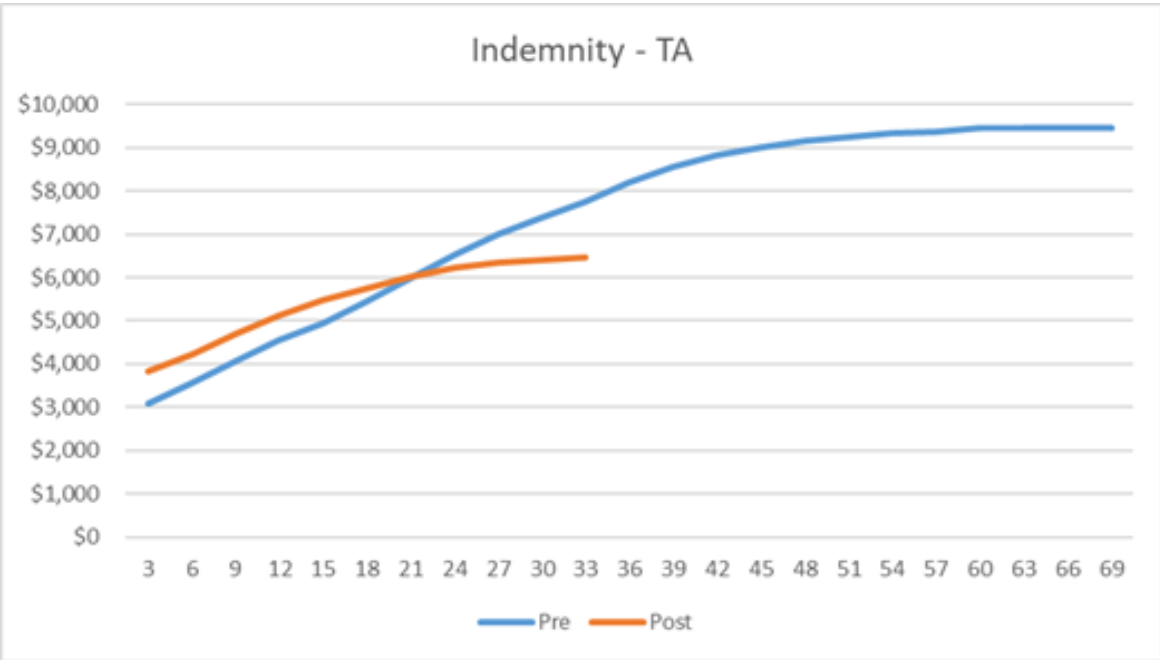
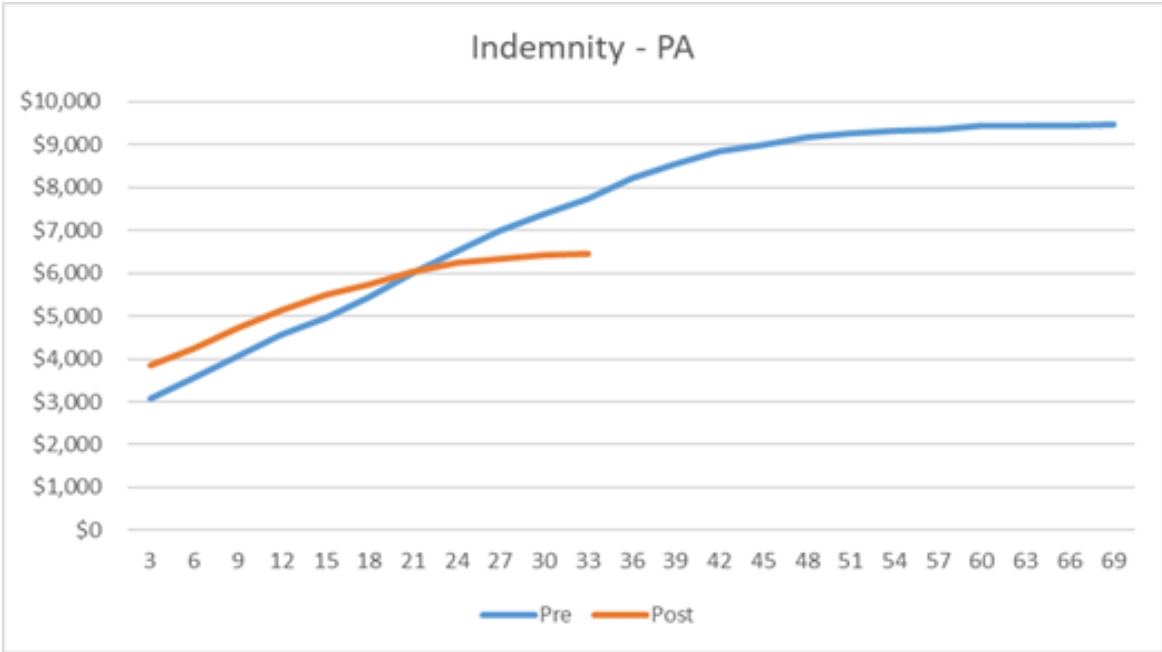
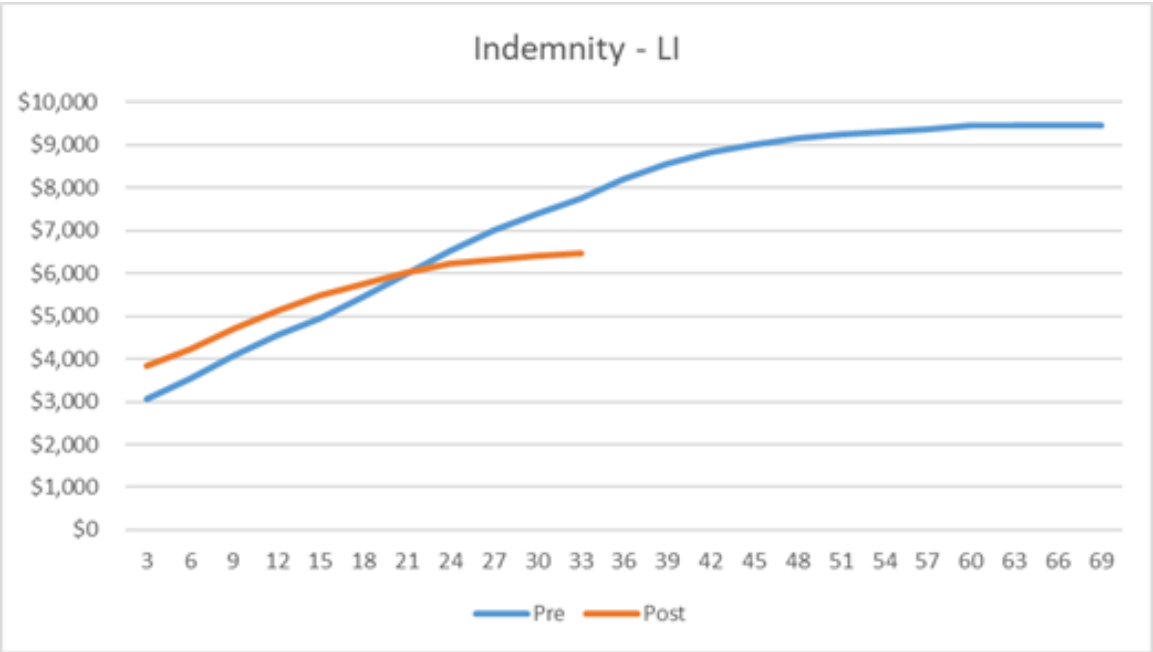


Market Conditions

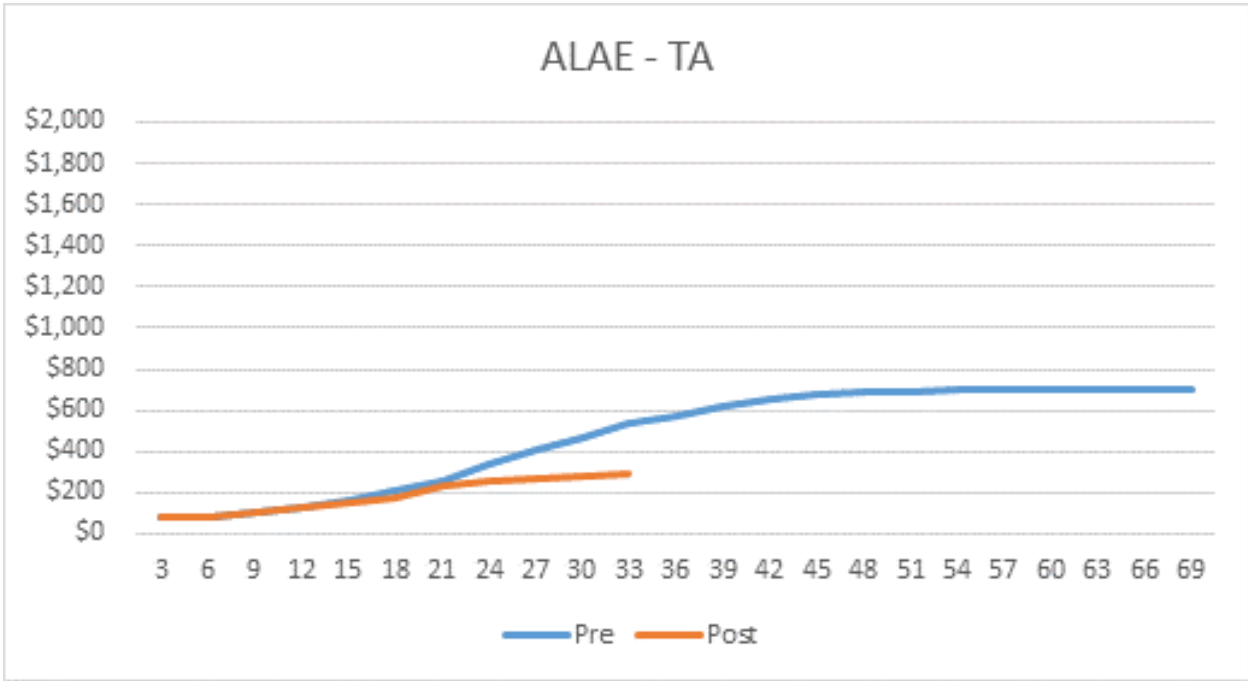
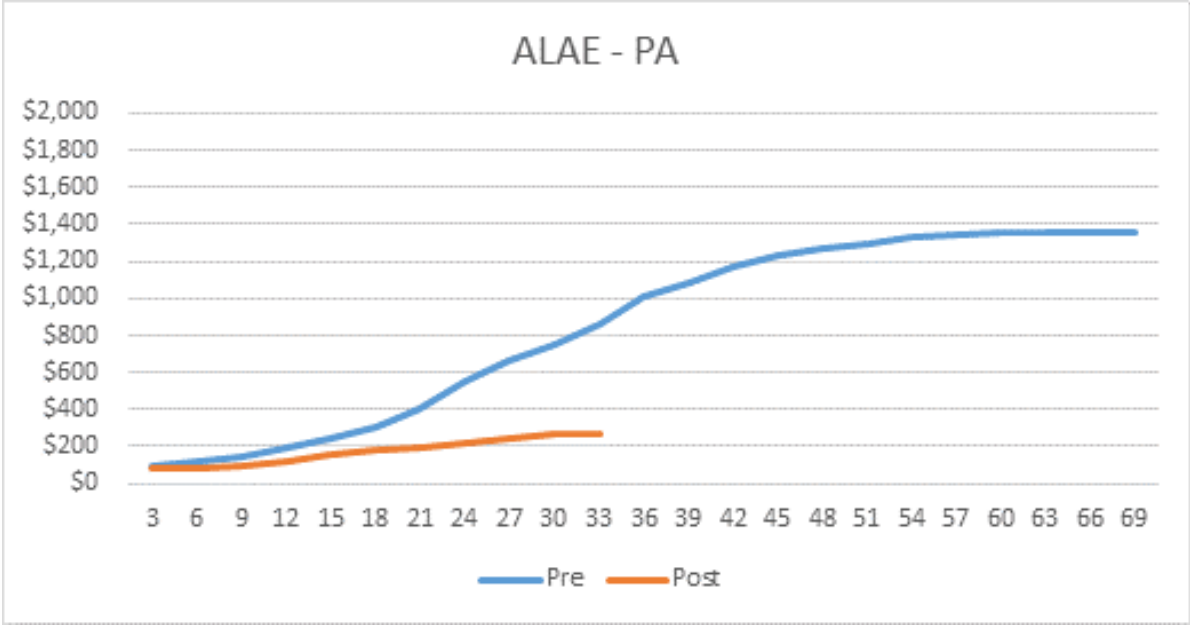
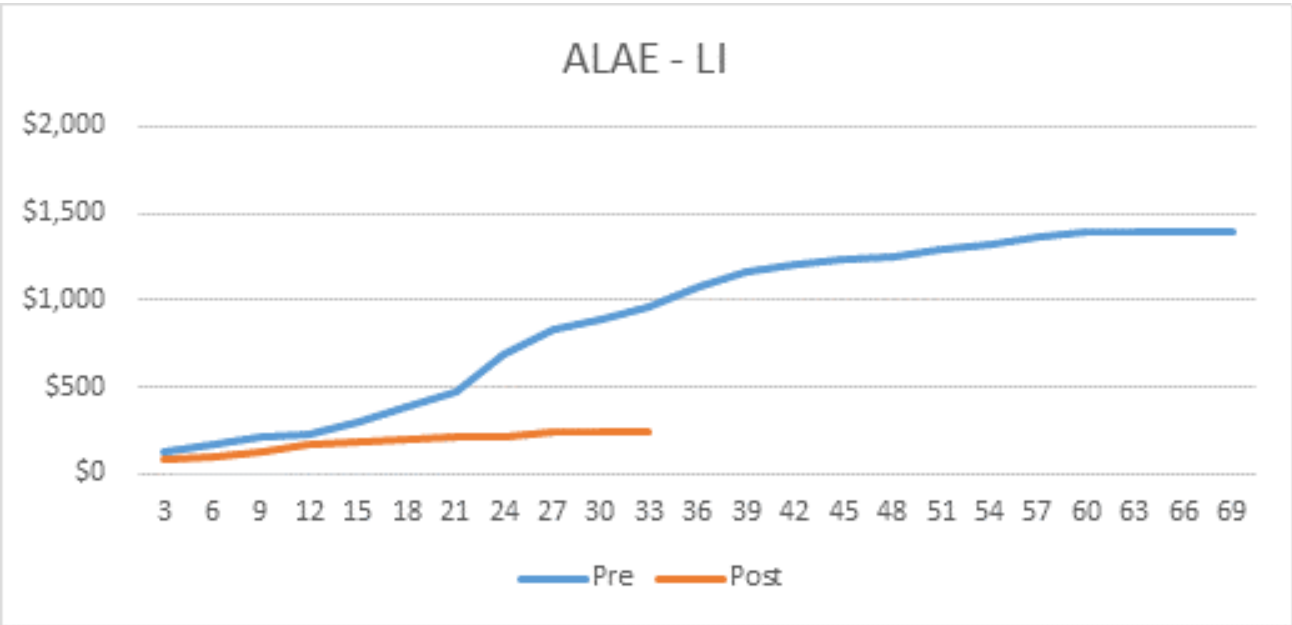
(2018 financial information is unaudited)



Indemnity Trend Data - Pre & Post Process Change (2018 data is unaudited)



ALAE Trend Data - Pre & Post Process Change (2018 data is unaudited)



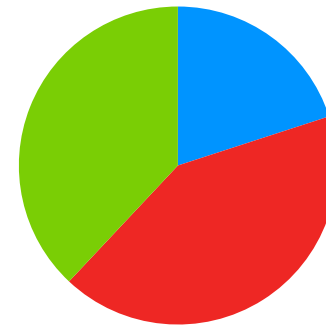
2016 Full Year



■ Taxi
 ■ Limo/Livery
 ■ Para-transit

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

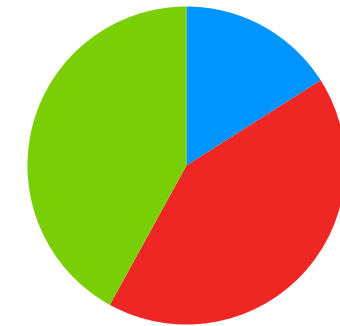
2017 Full Year



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

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

2018 Full Year



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

	Average Vehicles Per Policy
Taxi	2.6
Limo/Livery	1.7
Para-transit	5.4

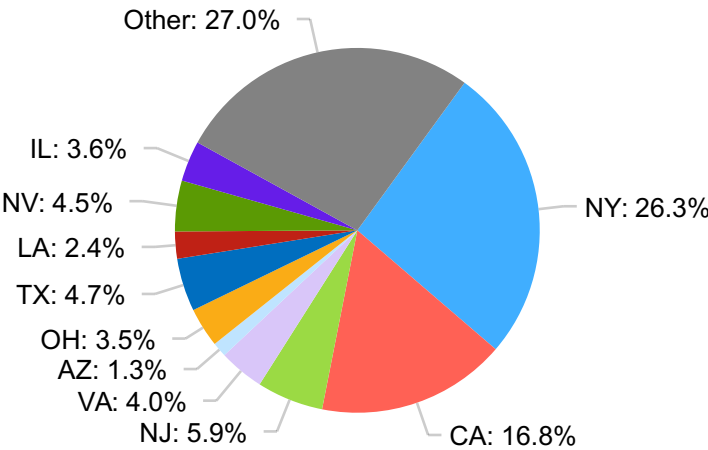
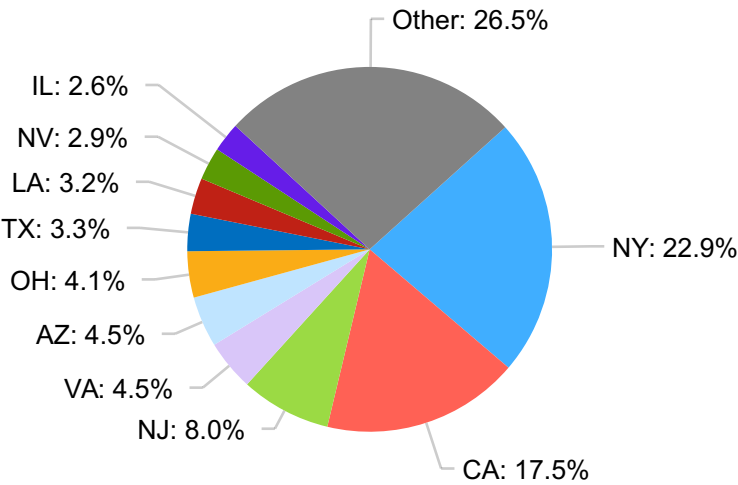
Geographic Diversification

(2018 data is unaudited)

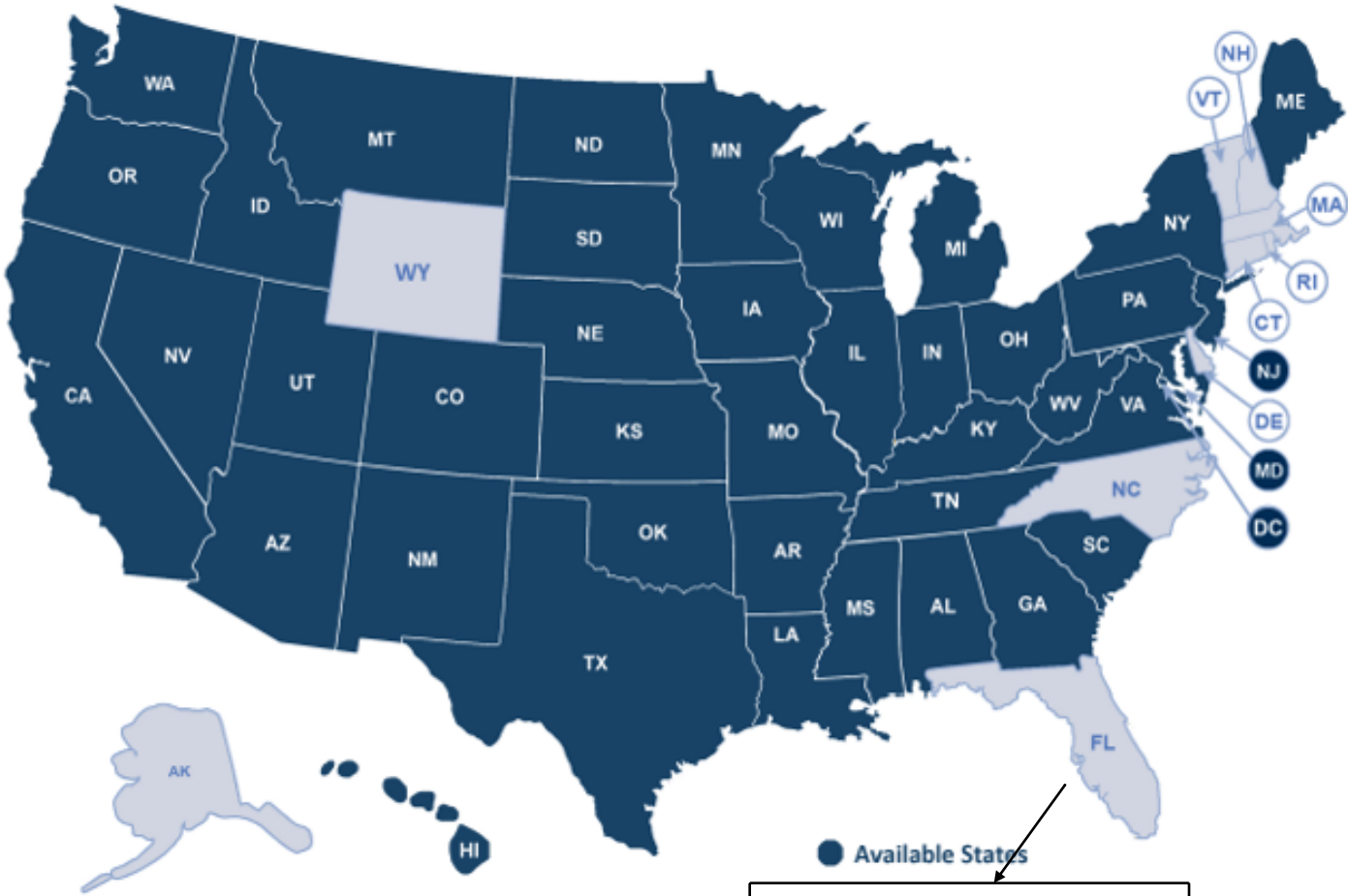
Gross Premiums Written by State

(\$ in '000s)

	Three months ended December 31,				
	2018 (Unaudited)			2017	
New York	\$ 13,232	22.9%	\$ 14,261	26.3%	
California	10,127	17.5%	9,101	16.8%	
New Jersey	4,603	8.0%	3,203	5.9%	
Virginia	2,605	4.5%	2,190	4.0%	
Arizona	2,593	4.5%	726	1.3%	
Ohio	2,373	4.1%	1,913	3.5%	
Texas	1,911	3.3%	2,536	4.7%	
Louisiana	1,853	3.2%	1,296	2.4%	
Nevada	1,703	2.9%	2,429	4.5%	
Illinois	1,526	2.6%	1,928	3.6%	
Other	15,223	26.5%	14,633	27.0%	
Total	\$ 57,749	100.0%	\$ 54,216	100.0%	



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

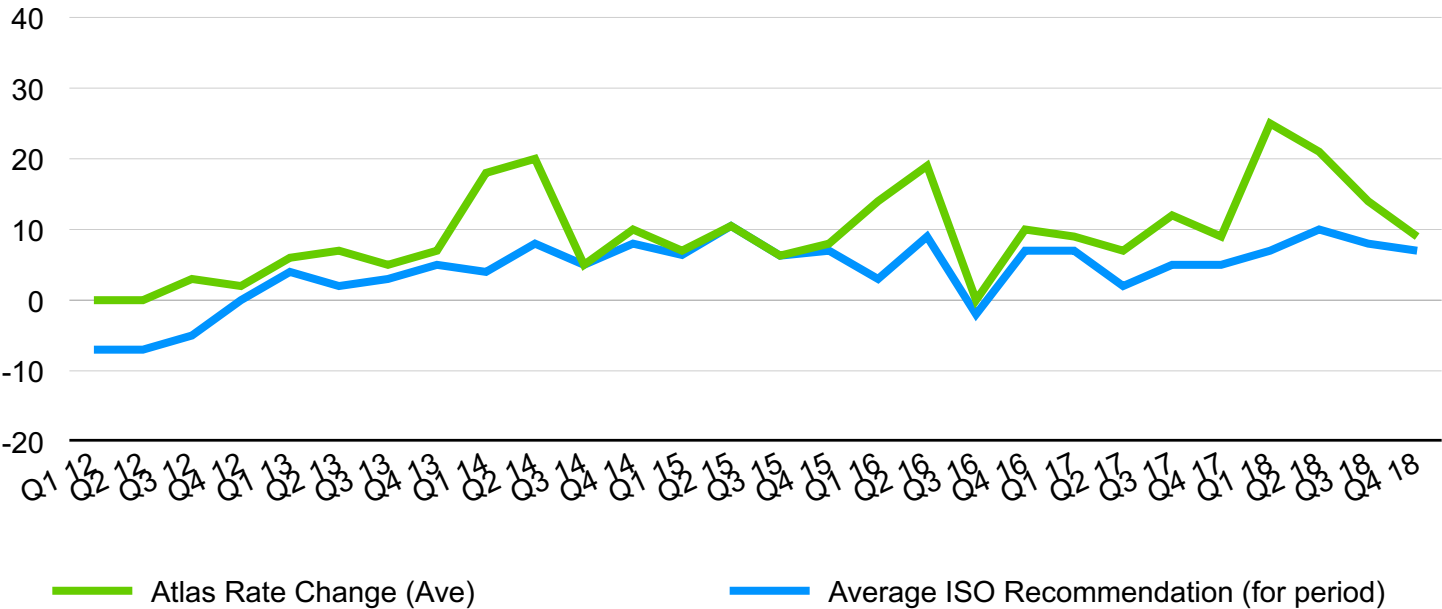


Limited volume of business in-force in FL to evaluate market conditions

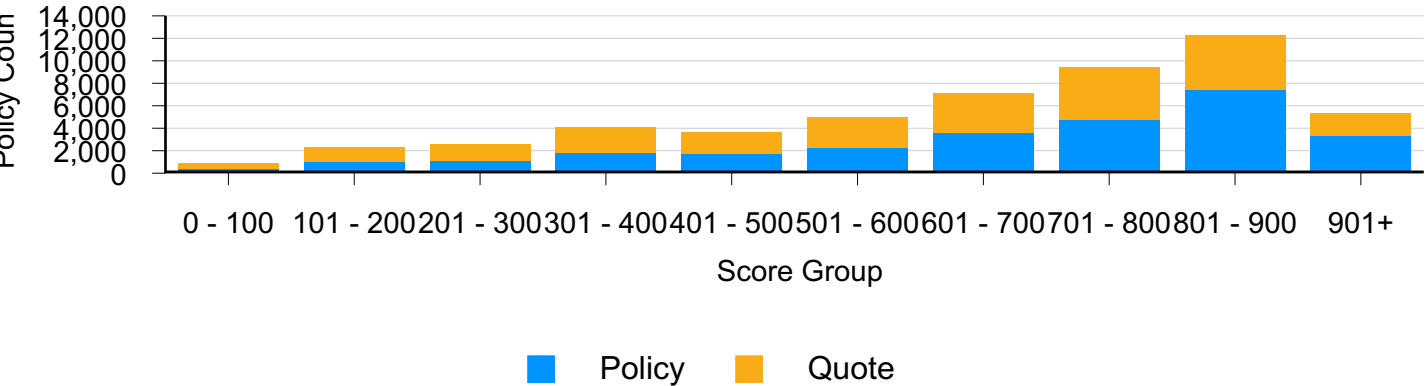
Premiums Written: Rate Activity

(2018 data is unaudited)

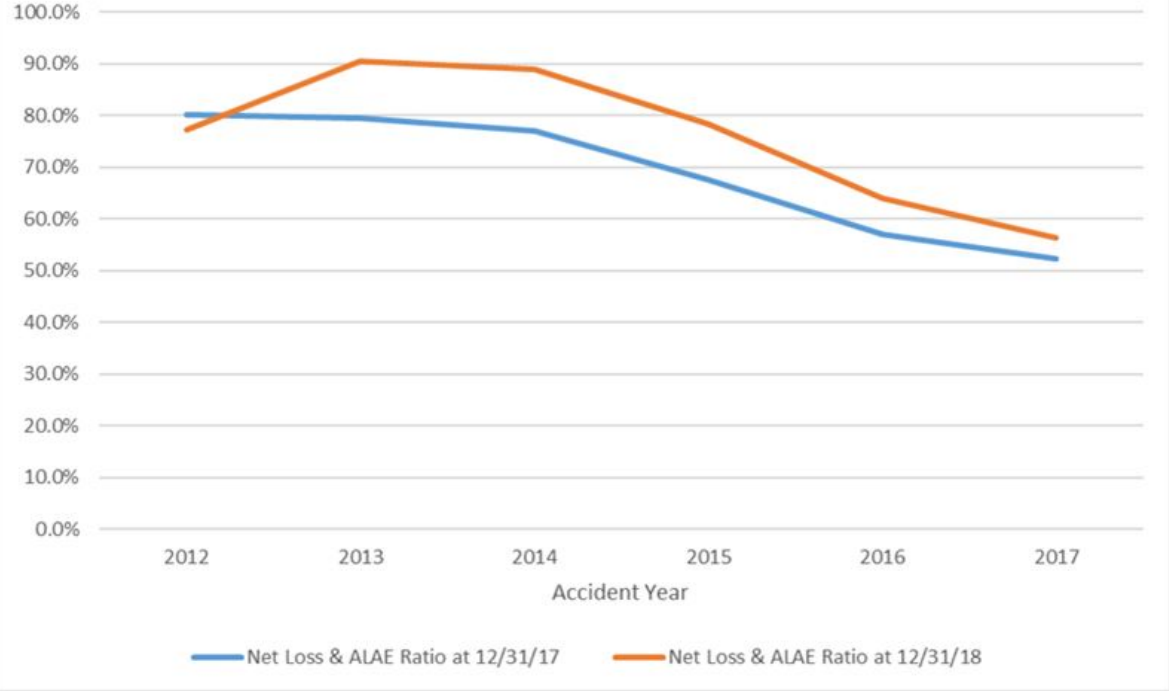
Pricing Relative to ISO



Predictive Model Policy Counts
6/1/2016 - 12/31/2018 (Unaudited)



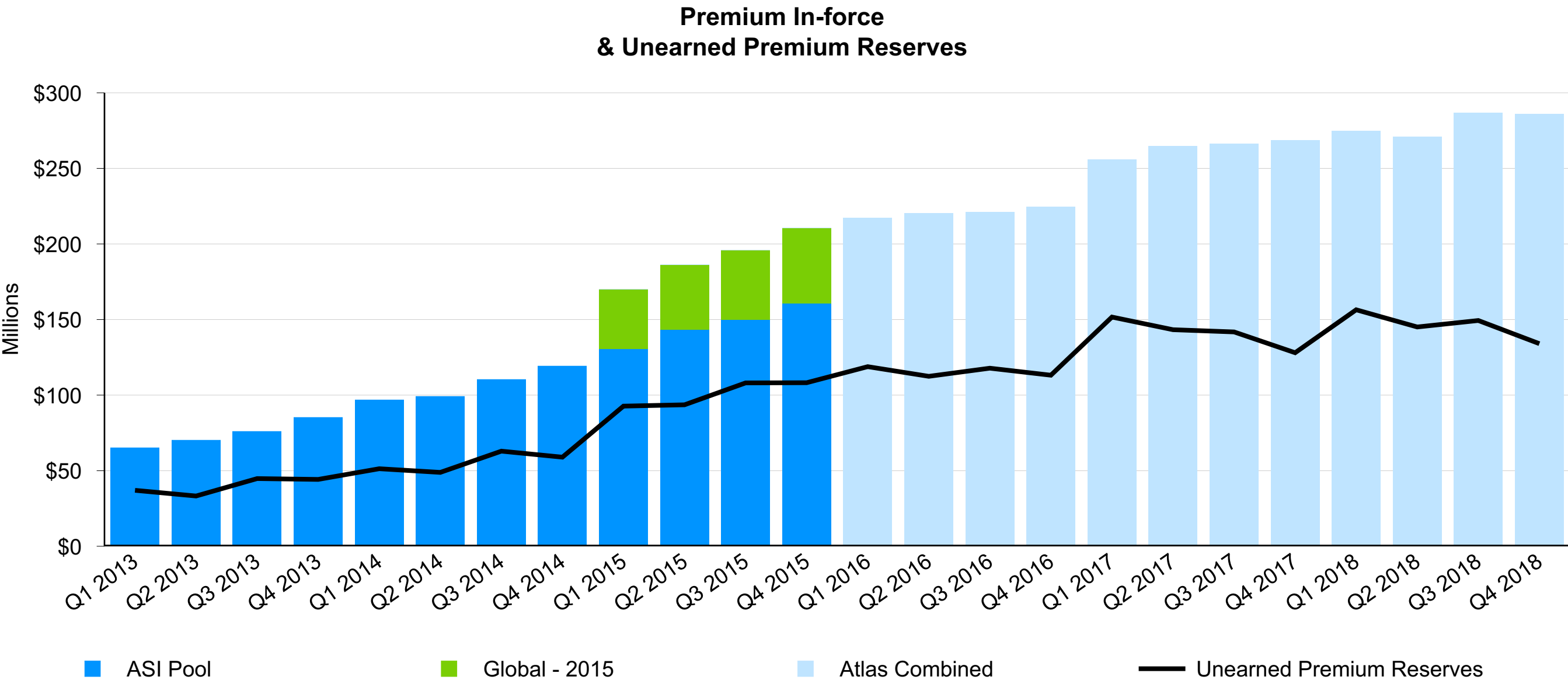
Net Loss & ALAE Ratios by Accident Year



Written Premium: In-force
(2018 data is unaudited)



At December 31, 2018, in-force premium was \$286.1 million and the Company’s gross unearned premium reserves were \$134.0 million.



Financial Highlights



Fourth Quarter 2018 Financial Highlights (2018 data is unaudited)

Fourth Quarter 2018 Financial and Operating Information (unaudited)

Quarterly Premiums Affected by Rate Decisions / Shift in Market Dynamics

- Gross premiums written generated by the Company were \$57.7 million at December 31, 2018 compared to \$54.2 million at December 31, 2017
- In-force premium at December 31, 2018 increased 6.6% to \$286.1 million, compared to \$268.5 million at December 31, 2017
- Underwriting profit always takes precedent over top line growth
- Expected continued market hardening

Underwriting Performance

- Underwriting loss for the fourth quarter of 2018 was \$39.6 million compared to \$69.1 million in the prior year period
- Atlas' underwriting expense ratio⁽¹⁾⁽²⁾ for the quarter ended December 31, 2018 was 32.4%
- Combined Ratio⁽¹⁾ ("CR") was 175.5%
- Net loss was \$53.6 million, or \$4.47 loss per common share diluted

*(1) Ratios are computed as a percentage of net premiums earned
(2) Excluding the impact of share-based compensation expenses*

Book Value / Return on Equity

- Book value per common share of \$4.08 (decreased \$3.34 compared to prior year end)
- Return on equity was a negative 284.6% in the fourth quarter of 2018 compared to a negative 184.8% in the prior year period

2019 Financial Expectations

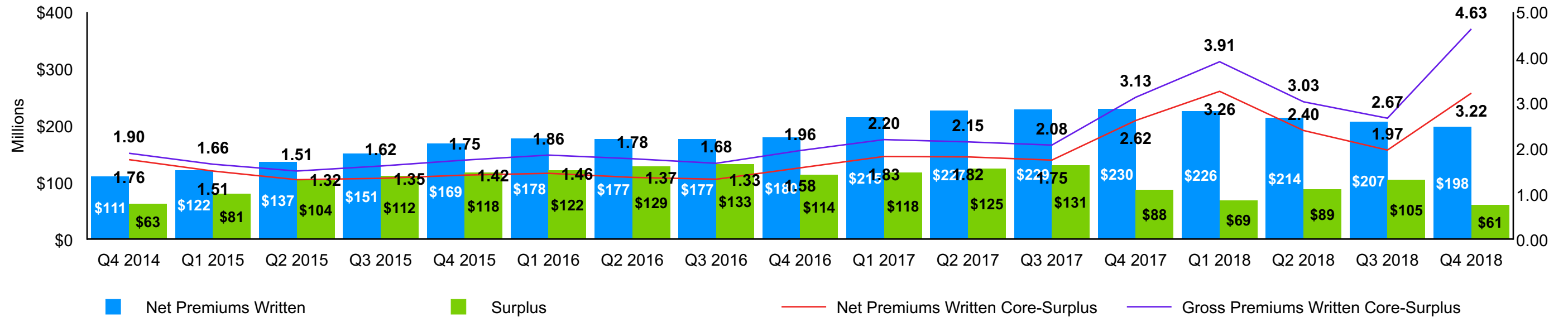
- ✓ Relative stability regarding target market with continued growth
- ✓ Emphasis remains on underwriting profit as priority
- ✓ Expense ratio at or below current levels
- ✓ Exceed P&C industry Return on Equity ("ROE") by 500 - 1,000 bps

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

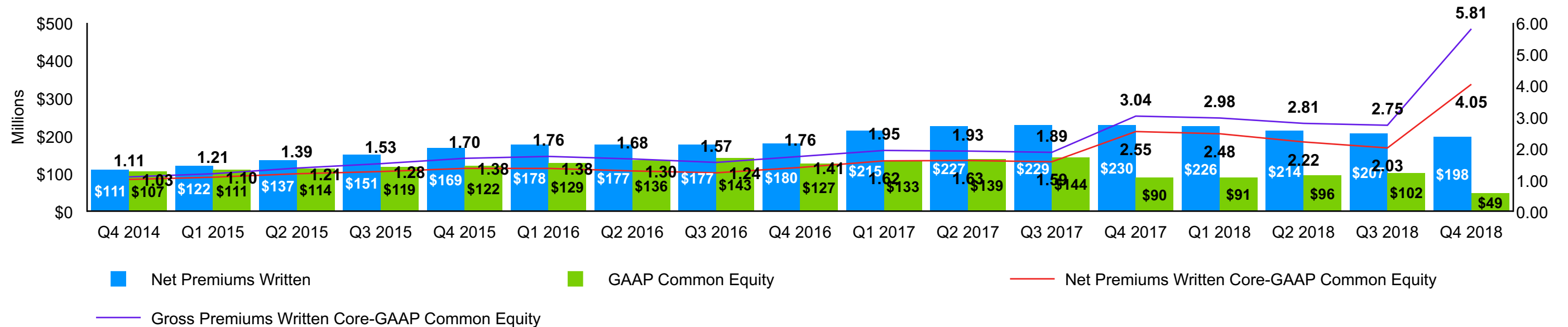
Operating Leverage (2018 data is unaudited)

Controlling leverage through the use of quota share:

Statutory

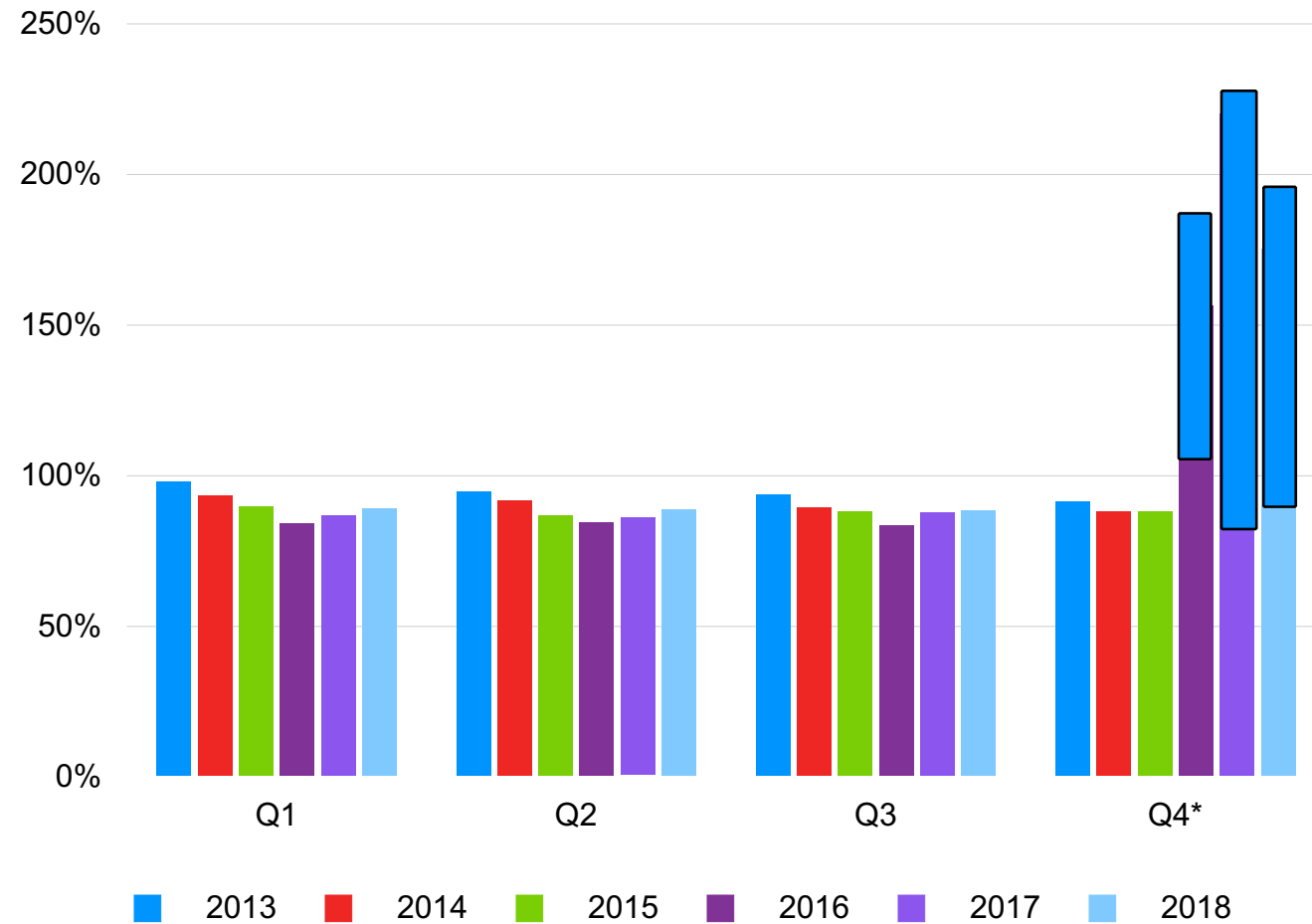


GAAP



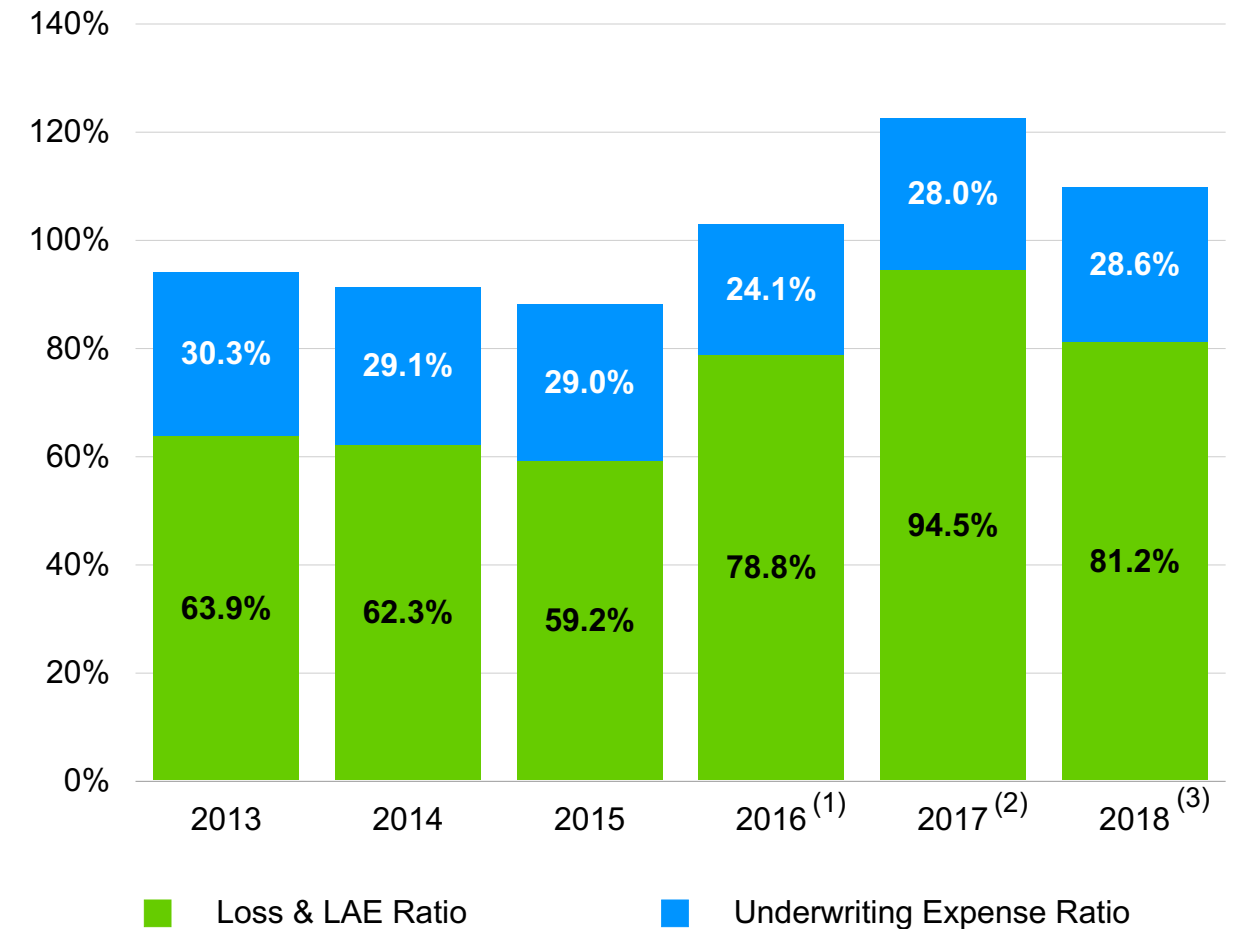
Combined Ratio (2018 data is unaudited)

Combined Ratio by Quarter



*108.9%, 130.3% and 72.9% impact in Q4 2018, 2017 & 2016, respectively, related to reserve estimate changes on prior accident years

Combined Ratio



(1) 2016 includes 19.1% impact for the full year related to changes in claims reserve estimates
 (2) 2017 includes 35.0% impact for the full year related to changes in claims reserve estimates
 (3) 2018 includes 26.8% impact for the full year related to changes in claims reserve estimates

Combined Ratio Analysis

(2018 data is unaudited)

The table below details the comparisons of each component of the Company's combined ratio for the periods indicated (after accounting for the effect of quota share reinsurance):

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
	(unaudited)		(unaudited)	
Loss Ratio:				
Current accident year	33.6%	59.2%	54.4%	59.5%
Prior accident years	108.9	130.3	26.8	35.0
Loss Ratio	142.5	189.5	81.2	94.5
Underwriting Expense Ratio:				
Acquisition cost ratio	14.8	14.5	12.0	12.9
Other underwriting expense ratio	17.5	15.2	16.3	14.2
Deferred policy acquisition costs amortization ratio	0.1	0.6	(0.1)	0.4
Underwriting expense ratio before expenses related to stock purchase agreements and share-based compensation expenses	32.4	30.3	28.2	27.5
Expenses recovered related to stock purchase agreement ratio	—	—	(0.2)	—
Share-based compensation expense ratio	0.6	0.5	0.6	0.5
Underwriting expense ratio	33.0	30.8	28.6	28.0
Total combined ratio	175.5%	220.3%	109.8%	122.5%

Balance Sheet (2018 data is unaudited)

- Attractive investment leverage, Company has \$25 million outstanding of Senior Unsecured Notes at December 31, 2018

(\$ in millions)	December 31, 2018 (unaudited)	December 31, 2017
Cash and Investments	\$200.6	\$243.5
Total Assets	\$459.8	\$482.5
Claims Liabilities (Gross of Reinsurance Recoverable)	\$218.3	\$211.6
Unearned Premium Reserves	\$134.0	\$128.0
Atlas Shareholders' Equity	\$48.8	\$90.6

Investment Portfolio

(2018 data is unaudited)

Conservative Investment Approach

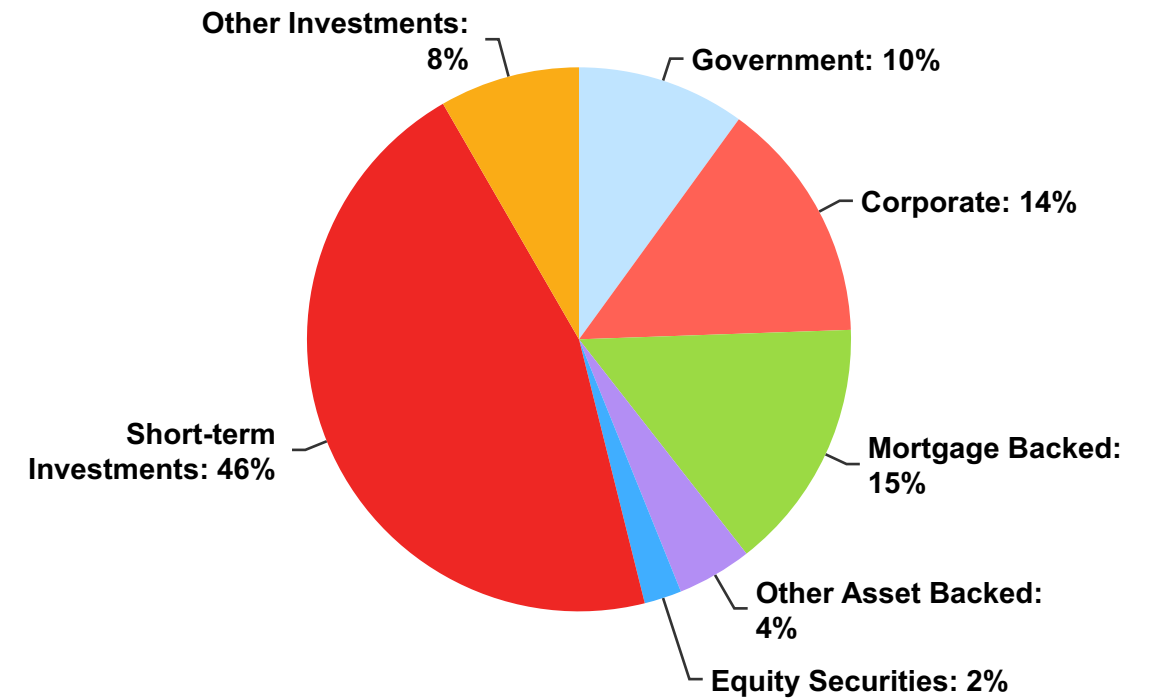
- Emphasize preservation of capital, market liquidity to support payment of liabilities and diversification of risk
- Investment duration re-positioned to match core commercial auto reserve liabilities (3.8 years)

Investment Portfolio

- As of December 31, 2018, total cash and invested assets were \$200.6 million, of which fixed income consisted of 64.8%
- Predominantly corporate and government bonds
- Average S&P rating of AA
- 29.6% AAA
- 84.3% A or better

	December 31, 2018 (unaudited)		December 31, 2017	
	Amount	% of Total	Amount	% of Total
AAA/Aaa	\$ 38,478	29.6%	\$ 42,978	27.2%
AA/Aa	50,273	38.7	58,173	36.8
A/A	20,729	16.0	27,384	17.3
BBB/Baa	19,808	15.2	28,348	18.0
BB	557	0.4	875	0.6
B	—	—	226	0.1
CCC	146	0.1	—	—
Total Fixed Income Securities	\$ 129,991	100.0%	\$ 157,984	100.0%

Investment Portfolio (12/31/2018 unaudited)



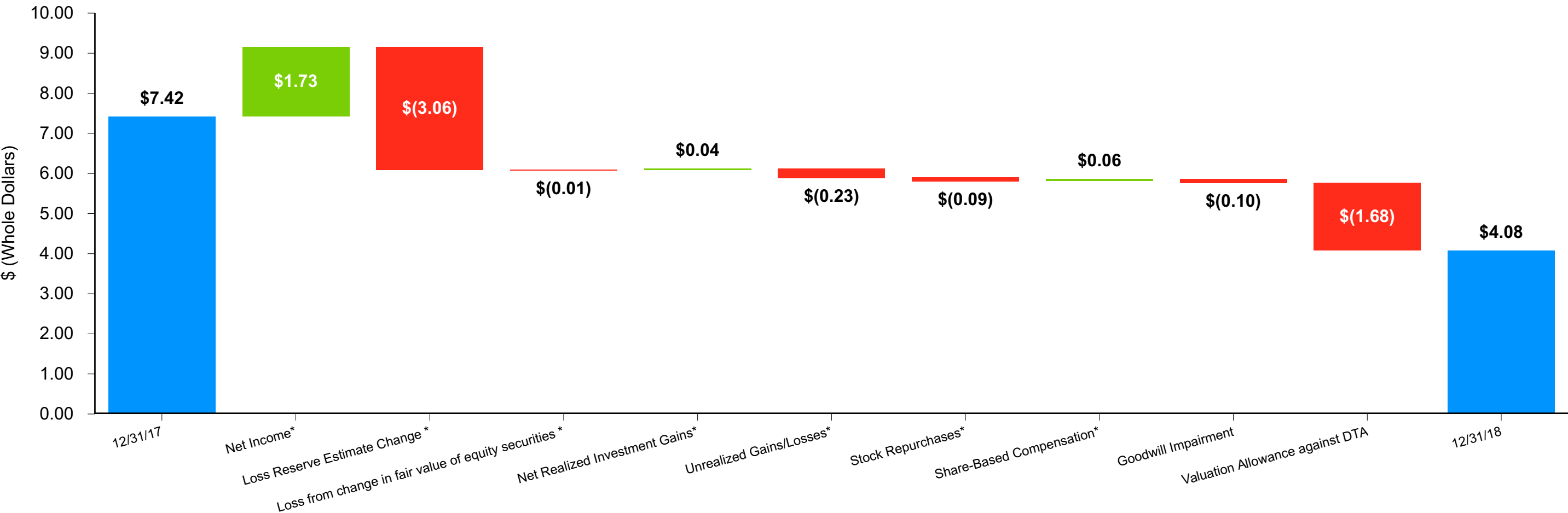
Other than fixed income securities will be reduced as a percentage of overall investments during 2018

Detailed Impact of Changes to Book Value per Common Share

(2018 data is unaudited)



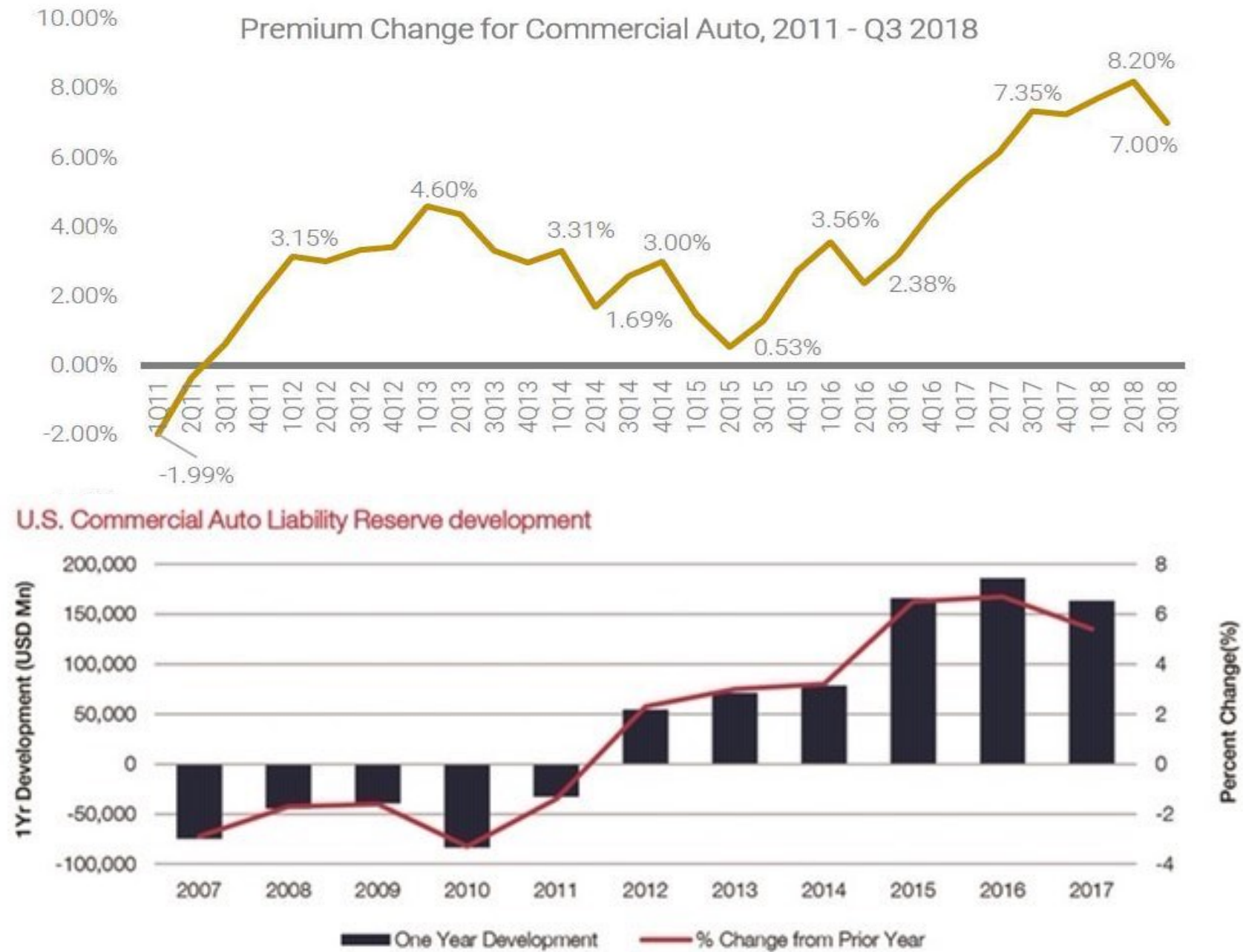
Book value per common share of \$4.08 decreased by \$3.34 relative to December 31, 2017 as follows:



*after-tax

Operating Conclusions





Source: A.M. Best

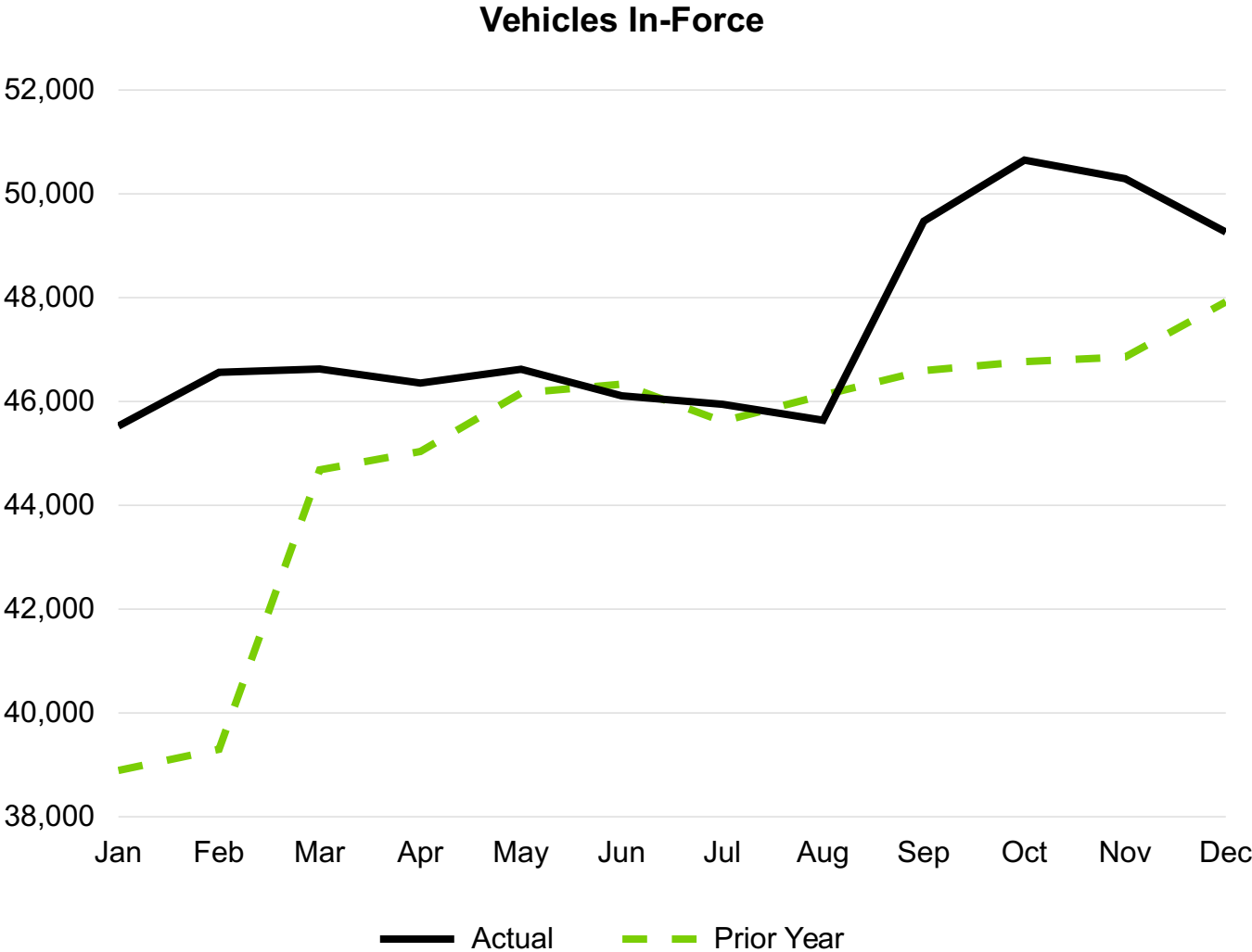
RATE CHANGE FOR FIVE MAJOR LINES RANGED FROM -2.6% TO 7.0% IN Q3 2018

	COMM'L AUTO	WORKERS' COMP	COMM'L PROPERTY	GEN'L LIABILITY	UMBRELLA	AVERAGE
Third Quarter 2018	7.0%	-2.6%	2.9%	0.8%	1.4%	1.9%
Second Quarter 2018	8.2%	-2.9%	2.2%	0.8%	1.5%	2.0%
First Quarter 2018	7.7%	-2.0%	3.4%	0.6%	1.0%	2.2%
Fourth Quarter 2017	7.3%	-2.0%	2.4%	0.1%	0.6%	1.7%
Third Quarter 2017	7.3%	-2.3%	0.9%	-0.8%	-0.4%	1.0%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-11.6%	-12.3%	-15.0%	-13.6%	-13.5%	-13.2%

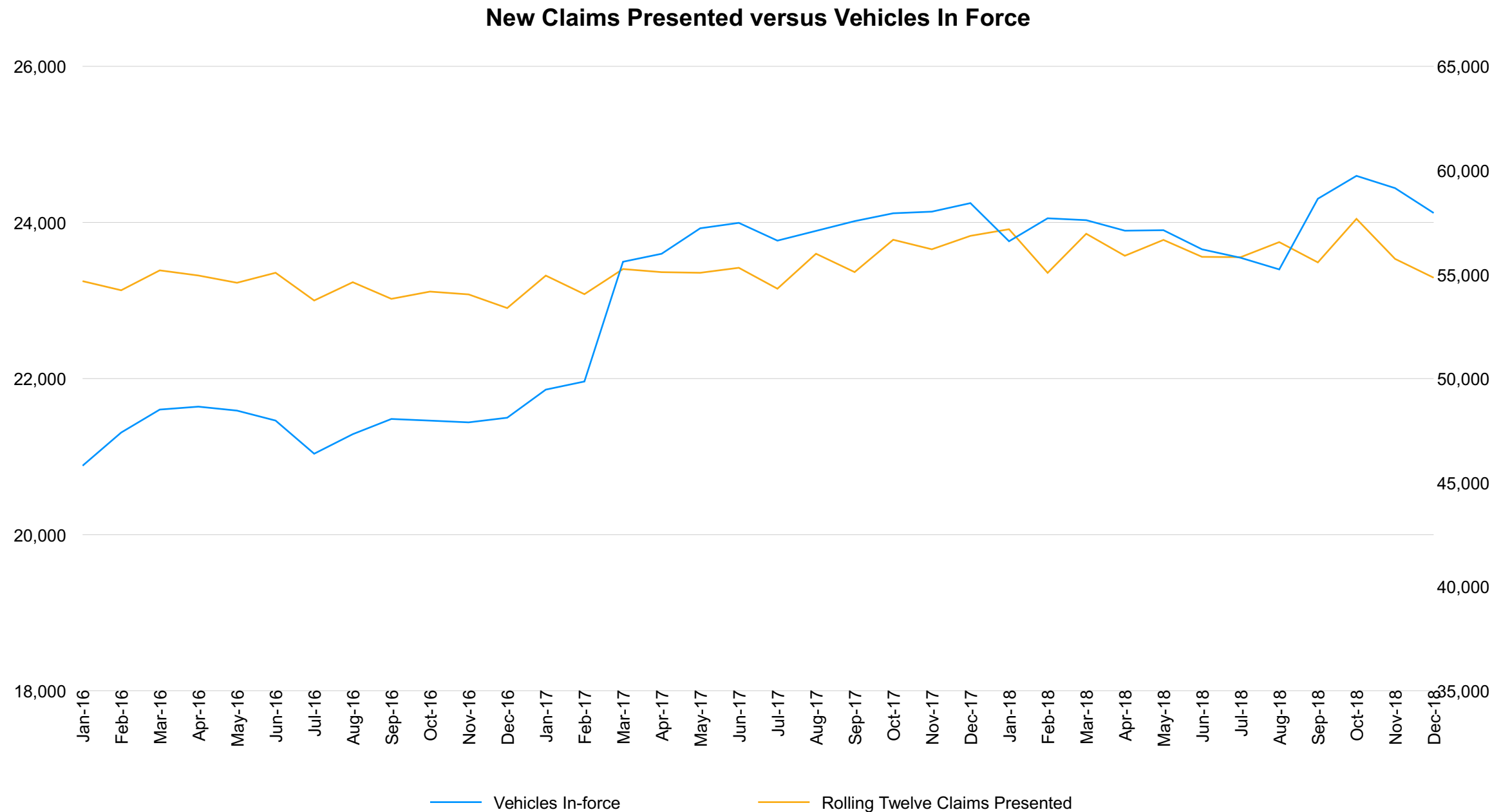
Source:

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

Operating Activities: Underwriting
(ASI Pool Companies, commercial business)
(2018 data is unaudited)



Incremental Benefit of Predictive Analytics Claim Activity (2018 data is unaudited)



Premium

- Priority on margin over top line growth
- Rate increases exceeding industry levels
- Modest impact of A.M. Best rating on quality or quantity of business
- Significant opportunities in TNC related space
- Building on partnership opportunities that may accelerate expansion in the TNC space

Operating Margin

- Continued focus on increasing rate relative to exposure
- Maintain operating efficiency
- Leverage value of core assets through partnership
- Continue to expand utilization of in-vehicle technologies
- Ongoing commitment to analytics across enterprise

Current Actions

- Management and the Company's Board working together
- Engaging industry experts
- Focusing on all aspects of business
- Mid-year 2019 update on conclusions and recommendations



A reconciliation of Non-GAAP financial measures can be found on the next slide

For Additional Information

At the Company:

Scott Wollney
Chief Executive Officer
swollney@atlas-fin.com
847-700-8600

Investor Relations:
The Equity Group Inc.

Adam Prior
Senior Vice President
APrior@equityny.com
212-836-9606



Reconciliation of Non-U.S. GAAP Financial Measurements (unaudited)

We use these non-GAAP financial measures in order to present our financial condition and results of operations in the way we believe will be most meaningful and representative of our business results. The non-GAAP financial measures that we present may not be comparable to similarly-named measures reported by other companies.

Adjusted operating income, before income taxes includes both underwriting income and loss and net investment income, but excludes net realized gains and losses, legal and professional expense incurred related to business combinations, interest expense, net impairment charges recognized in earnings and other items. Underwriting income is derived by reducing net premiums earned by net claims incurred, policy acquisition costs and general operating expenses.

Reconciliation of U.S. GAAP Net Income to Adjusted Operating Income, Before Income Taxes (\$ in '000s, except per share data)	Three months ended December 31,				Year ended December 31,											
	2018 (unaudited)		2017		2018 (unaudited)		2017									
Net income	\$	(53,596)	\$	(4.47)	\$	(54,297)	\$	(4.48)	\$	(36,886)	\$	(3.08)	\$	(38,810)	\$	(3.22)
Add: income tax expense		11,507		0.96		(13,685)		(1.13)		15,811		1.32		(5,343)		(0.44)
Add: expenses recovered pursuant to stock purchase agreement		—		—		—		—		(520)		(0.04)		—		—
Add: interest expense		488		0.04		461		0.04		1,869		0.16		1,840		0.15
Less: loss from change in fair value of equity securities		(101)		(0.01)		—		—		(198)		(0.02)		—		—
Less: net realized investment gains		72		0.01		(128)		(0.01)		573		0.05		872		0.07
Less: other income		160		0.01		103		0.01		526		0.04		435		0.04
Adjusted operating income, before tax	\$	(41,732)	\$	(3.48)	\$	(67,496)	\$	(5.57)	\$	(20,627)	\$	(1.71)	\$	(43,620)	\$	(3.62)

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:	December 31, 2018 (unaudited)		September 30, 2018		December 31, 2017		September 30, 2017		December 31, 2016	
Total shareholders' equity	\$	48,825	\$	101,855	\$	90,645	\$	144,397	\$	127,342
Accrued dividends on preferred shares		—		—		(333)		(333)		(333)
Total common equity	\$	48,825	\$	101,855	\$	90,312	\$	144,064	\$	127,009

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

	Three months ended December 31,				Year ended December 31,			
	2018 (unaudited)		2017		2018 (unaudited)		2017	
Net income	\$	(53,596)	\$	(54,297)	\$	(36,886)	\$	(38,810)
Average equity		75,340		117,521		69,735		108,994
Return on average equity (annualized)		(284.6)%		(184.8)%		(52.9)%		(35.6)%
Net income attributable to common shareholders	\$	(53,596)	\$	(54,297)	\$	(36,886)	\$	(38,810)
Average common equity		75,340		117,188		69,569		108,661
Return on average common equity (annualized)		(284.6)%		(185.3)%		(53.0)%		(35.7)%