

## National General Holdings Corp. Reports 2019 Results

February 20, 2020

NEW YORK, Feb. 20, 2020 (GLOBE NEWSWIRE) -- National General Holdings Corp. (Nasdaq:NGHC) reported fourth quarter 2019 net income of \$98.4 million or \$0.85 per diluted share, compared to net income of \$17.3 million or \$0.16 per diluted share in the fourth quarter of 2018. Fourth quarter 2019 operating earnings (non-GAAP)<sup>(1)</sup> was \$83.1 million or \$0.72 per diluted share compared to \$33.6 million or \$0.30 per diluted share in the fourth quarter of 2018.

Full year 2019 net income was \$314.5 million or \$2.73 per diluted share, compared to net income of \$174.9 million or \$1.59 per diluted share in 2018. 2019 operating earnings (non-GAAP)<sup>(1)</sup> was \$319.2 million or \$2.75 per diluted share compared to \$231.5 million or \$2.09 per diluted share in 2018.

### Fourth Quarter 2019 Highlights versus Fourth Quarter 2018\*

- Gross written premium grew \$46.1 million or 3.9% to \$1,221.8 million, primarily driven by the acquisition of National Farmers Union Property and Casualty Company ("Farmers Union Insurance") which closed on August 1, 2019, and continued organic growth in our A&H segment of 7.5%, partially offset by the impact of the Euro Accident Health and Care Insurance ("Euroaccident") sale which closed on December 2, 2019.
- The overall combined ratio<sup>(12,13)</sup> was 91.4% in the fourth quarter compared to 95.9% in the prior year's quarter and 91.0% for the full year compared to 92.6% in 2018, excluding non-cash amortization of intangible assets. The P&C segment reported a decrease in combined ratio to 94.2% from 100.5% in the prior year's quarter. The combined ratio includes \$9.2 million of catastrophe losses related to weather-related events compared to \$59.0 million of Hurricane Michael and California fires catastrophe losses in the prior year's quarter. The A&H segment reported an increase in combined ratio to 77.1% from 73.6% in the prior year's quarter.
- Service and fee income grew 10.5% to \$179.3 million, driven by organic growth primarily in our group administration fees and third party technology services fees within our A&H segment.
- Stockholders' equity was \$2.65 billion and fully diluted book value per share was \$19.06 at December 31, 2019, growth of 19.3% and 25.0%, respectively, from December 31, 2018. Our trailing twelve month operating return on average equity (ROE)<sup>(14)</sup> was 16.1% as of December 31, 2019.
- Fourth quarter 2019 operating earnings (non-GAAP)<sup>(1)</sup> excludes the following items, net of tax: \$3.4 million or \$0.03 per share earnings from equity method investments, \$33.8 million or \$0.29 per share of net gain on investments (including \$20.9 million gain on the sale of Euroaccident, net of tax), \$10.7 million or \$0.09 per share of non-cash amortization of intangible assets and \$11.3 million or \$0.10 per share of other expenses reflecting an acquisition related arbitration award.

Barry Karfunkel, National General's CEO, stated: "2019 was an exceptional year for National General generating a 91.0% combined ratio, \$319.2 million of operating earnings, ROE of 16.1% and growth in diluted book value per share of 25.0%. While our P&C segment earnings were negatively impacted by reserve strengthening within our small business auto product line, the P&C segment continued its strong performance via both our independent agency and direct to consumer distribution channels. Our A&H segment reported very strong profitability within our group and individual products. I am pleased with the continued execution of our strategy of focused underwriting discipline and long term growth initiatives."

**\*NOTE:** Unless specified otherwise, discussion of our fourth quarter 2019 and 2018 results do not include financial results from the Reciprocal Exchanges, which are presented within our consolidated financial results within this release but are not included in net income available to NGHC common stockholders.

### Overview of Fourth Quarter 2019 as Compared to Fourth Quarter 2018

- **Property & Casualty** - Gross written premium grew by 3.3% to \$1,045.9 million, net written premium increased by 12.7% to \$807.6 million, and net earned premium increased by 12.7% to \$842.3 million. P&C gross written premium growth was primarily driven by \$47.4 million of added premiums from the acquisition of Farmers Union Insurance. Service and fee income was \$107.5 million compared to \$110.8 million in the prior year's quarter. Excluding amortization of intangible assets, the combined ratio<sup>(12,13)</sup> was 94.2% with a loss and LAE ratio of 73.6% and an expense ratio<sup>(11,13)</sup> of 20.6%, versus a prior year combined ratio of 100.5% with a loss and LAE ratio of 79.6% and an expense ratio of 20.9%. The loss and LAE ratio was impacted by pre-tax catastrophe losses of approximately \$9.2 million primarily related to weather-related events in the fourth quarter 2019, compared to \$59.0 million of losses in the fourth quarter 2018. Prior year loss development was \$26.8 million unfavorable in the fourth quarter 2019 primarily driven by small business auto, compared to unfavorable loss development of \$8.6 million in the fourth quarter 2018.
- **Accident & Health** - Gross written premium grew by 7.5% to \$175.8 million, net written premium grew by 14.3% to \$160.4 million, and net earned premium grew by 10.2% to \$166.5 million. The A&H gross written premium increase was driven by the continued growth in our domestic A&H business. Service and fee income grew 39.7% to \$71.8 million

compared to \$51.4 million in the prior year's quarter, primarily driven by group administrative fees and third party technology services fees. Excluding non-cash amortization of intangible assets, the combined ratio<sup>(12,13)</sup> was 77.1% with a loss and LAE ratio of 41.4% and an expense ratio<sup>(11,13)</sup> of 35.7%, versus a prior year combined ratio of 73.6% with a loss and LAE ratio of 45.7% and an expense ratio of 27.9%. The loss and LAE ratio reflects continued strong performance in both small group self-funded and individual products. Prior year loss development was \$7.6 million favorable in the fourth quarter 2019, compared to favorable loss development of \$6.4 million in the fourth quarter 2018.

- **Reciprocal Exchanges** - Results for the Reciprocal Exchanges are not included in net income available to NGHC common stockholders. Gross written premium was \$102.5 million, net written premium was \$62.0 million, and net earned premium was \$60.8 million. Reciprocal Exchanges combined ratio<sup>(12,13)</sup> excluding non-cash amortization of intangible assets was 113.8% with a loss and LAE ratio of 86.4% and an expense ratio<sup>(11,13)</sup> of 27.4%.

Fourth quarter 2019 investment income grew to \$38.5 million, compared to \$37.7 million in the fourth quarter of 2018. Total investments and cash and cash equivalents (including restricted cash) were \$4.8 billion as of December 31, 2019. Accumulated other comprehensive income (loss) increased to a \$74.5 million gain at December 31, 2019 from a \$52.1 million loss at December 31, 2018, primarily due to the impact of lower interest rates which positively impacted bond valuations.

Interest expense was \$12.7 million for both the current and prior year's quarter. Debt was \$686.0 million at December 31, 2019, down from \$705.8 million at December 31, 2018.

The fourth quarter of 2019 provision for income taxes was \$20.3 million and the effective tax rate for the quarter was 15.9% compared with income taxes of \$12.6 million and an effective rate of 32.5% in the fourth quarter of 2018. The effective tax rate for the year ended December 31, 2019 was 19.8%.

Stockholders' equity was \$2,649.5 million at December 31, 2019, growth of 19.3% from \$2,220.8 million at December 31, 2018. Fully diluted book value per share was \$19.06 at December 31, 2019, growth of 25.0% from \$15.25 at December 31, 2018. Our trailing twelve month operating return on average equity (ROE)<sup>(14)</sup> was 16.1% as of December 31, 2019.

#### Year-to-Date P&C Segment Notable Large Losses

| Year | Quarter | Event   | P&C Notable Large Losses and LAE (\$ millions) | P&C Loss and LAE Ratio Points* | EPS Impact After Tax |
|------|---------|---|--|--------------------------------|----------------------|
| 2019 | Q4      | Weather-related Events                          | \$9.2  | 1.1%                           | \$0.06               |
| 2019 | Q3      | Weather-related Events                          | \$11.5   | 1.4%                           | \$0.08               |
| 2019 | Q2      | Weather-related Events                          | \$18.4   | 2.2%                           | \$0.13               |
| 2019 | Q1      | Winter Weather                                  | \$12.1   | 1.6%                           | \$0.08               |
| 2018 | Q4      | Hurricane Michael and November California Fires | \$59.0   | 7.9%                           | \$0.41               |
| 2018 | Q3      | California Fires and Hurricane Florence         | \$35.0   | 4.7%                           | \$0.25               |
| 2018 | Q2      | Spring Weather-related and Texas Hail Events    | \$20.5   | 2.8%                           | \$0.15               |
| 2018 | Q1      | Winter Weather                                  | \$14.2   | 2.0%                           | \$0.10               |

\* Loss and LAE ratio points related to P&C net earned premium in quarter the loss event was recorded.

#### Additional item

**Auto Quota Share** - Effective January 1, 2020, we cede 5.0% of net liability under our auto quota share reinsurance agreement.

#### Conference Call

On Friday, February 21, 2020 at 9:00 AM ET, Chief Executive Officer Barry Karfunkel and Chief Financial Officer Mike Weiner will review results and discuss business conditions via a conference call that may be accessed as follows:

800 Access Number: 800-346-7359  
 973 Access Number: 973-528-0008  
 Conference Entry Code: 652437  
 Webcast Registration: <http://ir.nationalgeneral.com/events-and-presentations>

A replay of the conference call will be accessible from 2:00 PM ET on Friday, February 21, 2020 to 11:59 PM ET on Friday, March 6, 2020 by dialing either 800-332-6854 (toll-free) within the U.S. or 973-528-0005 outside the U.S. and entering passcode 652437. In addition, a replay of the webcast can also be retrieved at <http://ir.nationalgeneral.com/events-and-presentations>.

#### About National General Holdings Corp.

National General Holdings Corp., headquartered in New York City, is a specialty personal lines insurance holding company. National General traces its roots to 1939, has a financial strength rating of A- (excellent) from A.M. Best, and provides personal and commercial automobile, homeowners, umbrella, recreational vehicle, motorcycle, lender-placed, supplemental health and other niche insurance products.

#### Forward Looking Statements

This news release contains “forward-looking statements” that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements are based on the Company’s current expectations and beliefs concerning future developments and their potential effects on the Company. Forward-looking statements can generally be identified by the use of forward-looking terminology, such as “may,” “will,” “plan,” “expect,” “project,” “intend,” “estimate,” “anticipate” and “believe” or their variations or similar terminology. There can be no assurance that actual developments will be those anticipated by the Company. Actual results may differ materially from those expressed or implied in these statements as a result of significant risks and uncertainties, including, but not limited to, non-receipt of expected payments from insureds or reinsurers, changes in interest rates, a downgrade in the financial strength ratings of our insurance subsidiaries, the potential effect of changes in LIBOR reporting practices, the effect of the performance of financial markets on our investment portfolio, our ability to accurately underwrite and price our products and to maintain and establish accurate loss reserves, estimates of the fair value of investments, development of claims and the effect on loss reserves, large loss activity including hurricanes and wildfires, the cost and availability of reinsurance coverage, the effects of emerging claim and coverage issues, the effect of unpredictable catastrophic losses, changes in the demand for our products, our degree of success in integrating acquired businesses, the effect of general economic conditions, state and federal legislation, the effects of tax reform, regulations and regulatory investigations into industry practices, risks associated with conducting business outside the United States, developments relating to existing agreements, disruptions to our business relationships with third party vendors or agencies, breaches in data security or other disruptions involving our technology, heightened competition, changes in pricing environments, and changes in asset valuations. The forward-looking statements contained in this news release are made only as of the date of this release. The Company undertakes no obligation to publicly update any forward-looking statement except as may be required by law. Additional information about these risks and uncertainties, as well as others that may cause actual results to differ materially from those projected is contained in the Company’s filings with the Securities and Exchange Commission.

#### Income Statement - Fourth Quarter

\$ in thousands

(Unaudited)

|  | Three Months Ended December 31,<br>2019 |                         |                     | 2018                    |                         |                         |
|--|---|-------------------------|---------------------|-------------------------|-------------------------|-------------------------|
|  | NGHC                                    | Reciprocal<br>Exchanges | Consolidated        | NGHC                    | Reciprocal<br>Exchanges | Consolidated            |
| <b>Revenues:</b>   |   |                         |                     |                         |                         |                         |
| Gross written premium  | \$ 1,221,772                            | \$ 102,465              | \$ 1,324,237        | \$ 1,175,687            | \$ 111,902              | \$ 1,287,589            |
| Net written premium  | 967,943                                 | 62,012                  | 1,029,955           | 856,746                 | 51,325                  | 908,071                 |
| Net earned premium   | 1,008,770                               | 60,826                  | 1,069,596           | 898,479                 | 45,752                  | 944,231                 |
| <br>   |   |                         |                     |                         |                         |                         |
| Ceding commission income   | 38,085                                  | 13,055                  | 51,140              | 48,495                  | 17,226                  | 65,721                  |
| Service and fee income   | 179,276                                 | 1,284                   | 165,924             | (A) 162,170             | 1,285                   | 146,270 (G)             |
| Net investment income  | 38,491                                  | 2,184                   | 38,917              | (B) 37,666              | 2,182                   | 37,332 (H)              |
| Net gain (loss) on investments   | 16,393                                  | 707                     | 17,100              | (4,689 )                | (2,100 )                | (6,789 )                |
| Other income   | 26,428                                  | —                       | 26,428              | —                       | —                       | —                       |
| <b>Total revenues</b>  | <b>\$ 1,307,443</b>                     | <b>\$ 78,056</b>        | <b>\$ 1,369,105</b> | (C) <b>\$ 1,142,121</b> | <b>\$ 64,345</b>        | <b>\$ 1,186,765</b> (I) |
| <br><b>Expenses:</b>   |   |                         |                     |                         |                         |                         |
| Loss and loss adjustment expense   | \$ 689,262                              | \$ 52,528               | \$ 741,790          | \$ 664,125              | \$ 36,297               | \$ 700,422              |
| Acquisition costs and other underwriting expenses                                  | 199,523                                 | 12,710                  | 212,233             | 184,195                 | 9,031                   | 193,226                 |
| General and administrative expenses  | 278,331                                 | 18,352                  | 282,047             | (D) 242,340             | 21,724                  | 246,879 (J)             |
| Interest expense   | 12,722                                  | 1,758                   | 12,722              | (E) 12,650              | 2,516                   | 12,650 (K)              |
| <b>Total expenses</b>  | <b>\$ 1,179,838</b>                     | <b>\$ 85,348</b>        | <b>\$ 1,248,792</b> | (F) <b>\$ 1,103,310</b> | <b>\$ 69,568</b>        | <b>\$ 1,153,177</b> (L) |
| <br>   |   |                         |                     |                         |                         |                         |
| Income (loss) before provision (benefit) for income taxes                          | \$ 127,605                              | \$ (7,292 )             | \$ 120,313          | \$ 38,811               | \$ (5,223 )             | \$ 33,588               |
| Provision (benefit) for income taxes   | 20,324                                  | (4,805 )                | 15,519              | 12,595                  | 2,628                   | 15,223                  |
| Net income (loss) before noncontrolling interest and dividends on preferred shares | 107,281                                 | (2,487 )                | 104,794             | 26,216                  | (7,851 )                | 18,365                  |
| Less: net income (loss) attributable to noncontrolling interest                    | —                                       | (2,487 )                | (2,487 )            | —                       | (7,851 )                | (7,851 )                |
| Net income before dividends on preferred shares                                    | 107,281                                 | —                       | 107,281             | 26,216                  | —                       | 26,216                  |
| Less: dividends on preferred shares  | 8,925                                   | —                       | 8,925               | 8,867                   | —                       | 8,867                   |
| <b>Net income available to common stockholders</b>                                 | <b>\$ 98,356</b>                        | <b>\$ —</b>             | <b>\$ 98,356</b>    | <b>\$ 17,349</b>        | <b>\$ —</b>             | <b>\$ 17,349</b>        |

Consolidated column includes eliminations as follows: (A) \$(14,636), (B) \$(1,758), (C) \$(16,394), (D) \$(14,636), (E) \$(1,758), (F) \$(16,394), (G) \$(17,185), (H) \$(2,516), (I) \$(19,701), (J) \$(17,185), (K) \$(2,516) and (L) \$(19,701).

#### Income Statement - Year to Date

\$ in thousands

(Unaudited)

Year Ended December 31,

|  | 2019                |                      |                     | 2018                    |                      |                     |            |
|--|---------------------|----------------------|---------------------|-------------------------|----------------------|---------------------|------------|
|  | NGHC                | Reciprocal Exchanges | Consolidated        | NGHC                    | Reciprocal Exchanges | Consolidated        |            |
| <b>Revenues:</b>   |                     |                      |                     |                         |                      |                     |            |
| Gross written premium  | \$ 5,135,633        | \$ 447,447           | \$ 5,583,080        | \$ 4,969,517            | \$ 448,923           | \$ 5,416,839        | (G)        |
| Net written premium  | 3,990,149           | 234,472              | 4,224,621           | 3,644,148               | 183,565              | 3,827,713           |            |
| Net earned premium   | 3,907,811           | 210,231              | 4,118,042           | 3,545,441               | 186,761              | 3,732,202           |            |
| Ceding commission income   | 174,952             | 63,501               | 238,453             | 167,948                 | 56,749               | 224,697             |            |
| Service and fee income   | 705,006             | 5,755                | 641,965             | (A) 625,463             | 5,751                | 561,583             | (H)        |
| Net investment income  | 142,174             | 8,638                | 141,233             | (B) 119,852             | 8,875                | 119,034             | (I)        |
| Net gain (loss) on investments   | 13,603              | (130)                | 13,473              | (26,179)                | (3,366)              | (29,545)            |            |
| Other income   | 26,428              | —                    | 26,428              | —                       | —                    | —                   |            |
| <b>Total revenues</b>  | <b>\$ 4,969,974</b> | <b>\$ 287,995</b>    | <b>\$ 5,179,594</b> | <b>(C) \$ 4,432,525</b> | <b>\$ 254,770</b>    | <b>\$ 4,607,971</b> | <b>(J)</b> |
| <b>Expenses:</b>   |                     |                      |                     |                         |                      |                     |            |
| Loss and loss adjustment expense   | \$ 2,677,356        | \$ 177,112           | \$ 2,854,468        | \$ 2,499,508            | \$ 162,718           | \$ 2,662,226        |            |
| Acquisition costs and other underwriting expenses                                  | 782,328             | 45,039               | 827,367             | 693,283                 | 41,983               | 735,266             |            |
| General and administrative expenses  | 1,024,574           | 85,994               | 1,041,772           | (D) 923,921             | 83,756               | 938,046             | (K)        |
| Interest expense   | 51,544              | 9,579                | 51,544              | (E) 51,425              | 9,693                | 51,425              | (L)        |
| <b>Total expenses</b>  | <b>\$ 4,535,802</b> | <b>\$ 317,724</b>    | <b>\$ 4,775,151</b> | <b>(F) \$ 4,168,137</b> | <b>\$ 298,150</b>    | <b>\$ 4,386,963</b> | <b>(M)</b> |
| Income (loss) before provision (benefit) for income taxes                          | \$ 434,172          | \$(29,729)           | \$ 404,443          | \$ 264,388              | \$(43,380)           | \$ 221,008          |            |
| Provision (benefit) for income taxes   | 86,103              | (9,090)              | 77,013              | 57,034                  | (3,550)              | 53,484              |            |
| Net income (loss) before noncontrolling interest and dividends on preferred shares | 348,069             | (20,639)             | 327,430             | 207,354                 | (39,830)             | 167,524             |            |
| Less: net income (loss) attributable to noncontrolling interest                    | —                   | (20,639)             | (20,639)            | —                       | (39,830)             | (39,830)            |            |
| Net income before dividends on preferred shares                                    | 348,069             | —                    | 348,069             | 207,354                 | —                    | 207,354             |            |
| Less: dividends on preferred shares  | 33,600              | —                    | 33,600              | 32,492                  | —                    | 32,492              |            |
| <b>Net income available to common stockholders</b>                                 | <b>\$ 314,469</b>   | <b>\$ —</b>          | <b>\$ 314,469</b>   | <b>\$ 174,862</b>       | <b>\$ —</b>          | <b>\$ 174,862</b>   |            |

Consolidated column includes eliminations as follows: (A) \$(68,796), (B) \$(9,579), (C) \$(78,375), (D) \$(68,796), (E) \$(9,579), (F) \$(78,375), (G) \$(1,601), (H) \$(69,631), (I) \$(9,693), (J) \$(79,324), (K) \$(69,631), (L) \$(9,693) and (M) \$(79,324).

#### Earnings and Per Share Data

\$ in thousands, except shares and per share data  
(Unaudited)

|   | Three Months Ended<br>December 31, |             | Year Ended<br>December 31, |             |
|---|------------------------------------|-------------|----------------------------|-------------|
|   | 2019                               | 2018        | 2019                       | 2018        |
| Net income available to common stockholders                           | \$ 98,356                          | \$ 17,349   | \$ 314,469                 | \$ 174,862  |
| Basic net income per common share                                     | \$ 0.87                            | \$ 0.16     | \$ 2.78                    | \$ 1.62     |
| Diluted net income per common share                                   | \$ 0.85                            | \$ 0.16     | \$ 2.73                    | \$ 1.59     |
| Operating earnings attributable to NGHC (non-GAAP) <sup>(1)</sup>     | \$ 83,081                          | \$ 33,590   | \$ 319,174                 | \$ 231,495  |
| Basic operating earnings per common share (non-GAAP) <sup>(1)</sup>   | \$ 0.73                            | \$ 0.31     | \$ 2.82                    | \$ 2.15     |
| Diluted operating earnings per common share (non-GAAP) <sup>(1)</sup> | \$ 0.72                            | \$ 0.30     | \$ 2.75                    | \$ 2.09     |
| Dividends declared per common share                                   | \$ 0.05                            | \$ 0.04     | \$ 0.18                    | \$ 0.16     |
| Weighted average number of basic shares outstanding                   | 113,337,130                        | 109,782,543 | 113,199,501                | 107,659,813 |
| Weighted average number of diluted shares outstanding                 | 115,344,349                        | 112,947,180 | 116,096,972                | 110,822,056 |
| Shares outstanding, end of period                                     | 113,368,811                        | 112,940,595 |                            |             |
| Fully diluted shares outstanding, end of period                       | 115,376,030                        | 116,105,232 |                            |             |
| Book value per share  | \$ 19.40                           | \$ 15.68    |                            |             |
| Fully diluted book value per share                                    | \$ 19.06                           | \$ 15.25    |                            |             |

#### Reconciliation of Net Income to Operating Earnings (Non-GAAP)<sup>(1)(14)</sup>

\$ in thousands, except per share data

(Unaudited)

|   | Three Months Ended<br>December 31, |                  | Year Ended<br>December 31, |                   |
|---|------------------------------------|------------------|----------------------------|-------------------|
|   | 2019                               | 2018             | 2019                       | 2018              |
| <b>Net income available to common stockholders</b>                      | <b>\$ 98,356</b>                   | <b>\$ 17,349</b> | <b>\$ 314,469</b>          | <b>\$ 174,862</b> |
| Add (subtract):   |                                    |                  |                            |                   |
| Equity in earnings of equity method investments                         | (4,359)                            | (3,144)          | (2,951)                    | (165)             |
| Net (gain) loss on investments and gain on sale of a business           | (42,821)                           | 4,689            | (40,031)                   | 26,179            |
| Non-cash amortization of intangible assets                              | 13,572                             | 7,926            | 34,665                     | 31,323            |
| Arbitration award / Litigation settlement                               | 14,273                             | 10,000           | 14,273                     | 10,000            |
| Income tax expense (benefit)  | 4,060                              | (3,230)          | (1,251)                    | (10,704)          |
| <b>Operating earnings attributable to NGHC (non-GAAP)<sup>(1)</sup></b> | <b>\$ 83,081</b>                   | <b>\$ 33,590</b> | <b>\$ 319,174</b>          | <b>\$ 231,495</b> |
| <b>Operating earnings per common share (non-GAAP)<sup>(1)</sup>:</b>    |                                    |                  |                            |                   |
| Basic operating earnings per common share (non-GAAP) <sup>(1)</sup>     | \$ 0.73                            | \$ 0.31          | \$ 2.82                    | \$ 2.15           |
| Diluted operating earnings per common share (non-GAAP) <sup>(1)</sup>   | \$ 0.72                            | \$ 0.30          | \$ 2.75                    | \$ 2.09           |

**Balance Sheet**

\$ in thousands

(Unaudited)

| ASSETS  | December 31, 2019   |                      |                         | December 31, 2018   |                      |                         |
|---|---------------------|----------------------|-------------------------|---------------------|----------------------|-------------------------|
|   | NGHC                | Reciprocal Exchanges | Consolidated            | NGHC                | Reciprocal Exchanges | Consolidated            |
| Total investments <sup>(2)</sup>                                  | \$ 4,632,960        | \$ 329,494           | \$ 4,854,998 (A)        | \$ 4,013,699        | \$ 314,411           | \$ 4,226,806 (H)        |
| Cash and cash equivalents, including restricted cash              | 163,480             | 983                  | 164,463                 | 233,383             | 200                  | 233,583                 |
| Premiums and other receivables, net                               | 1,373,089           | 55,859               | 1,428,948               | 1,338,485           | 61,327               | 1,399,812               |
| Reinsurance balances <sup>(3)</sup>                               | 1,745,036           | 225,019              | 1,970,055               | 2,023,911           | 253,501              | 2,277,412               |
| Intangible assets, net  | 362,598             | 3,225                | 365,823                 | 376,532             | 3,405                | 379,937                 |
| Goodwill  | 179,328             | —                    | 179,328                 | 180,183             | —                    | 180,183                 |
| Other <sup>(4)</sup>  | 798,675             | 29,070               | 792,919 (B)             | 739,068             | 27,879               | 741,547 (I)             |
| <b>Total assets</b>   | <b>\$ 9,255,166</b> | <b>\$ 643,650</b>    | <b>\$ 9,756,534 (C)</b> | <b>\$ 8,905,261</b> | <b>\$ 660,723</b>    | <b>\$ 9,439,280 (J)</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                       |                     |                      |                         |                     |                      |                         |
| <b>Liabilities:</b>   |                     |                      |                         |                     |                      |                         |
| Unpaid loss and loss adjustment expense reserves                  | \$ 2,680,628        | \$ 205,786           | \$ 2,886,414            | \$ 2,778,689        | \$ 178,470           | \$ 2,957,159            |
| Unearned premiums and other revenue                               | 2,059,688           | 252,553              | 2,312,241               | 2,014,965           | 265,763              | 2,280,728               |
| Reinsurance payable   | 527,155             | 35,689               | 562,844                 | 615,872             | 40,393               | 656,265                 |
| Accounts payable and accrued expenses <sup>(5)</sup>              | 306,869             | 43,323               | 315,366 (D)             | 390,338             | 33,120               | 398,058 (K)             |
| Debt  | 686,006             | 107,456              | 686,006 (E)             | 705,795             | 101,304              | 705,795 (L)             |
| Other   | 345,366             | 30,803               | 376,169                 | 178,764             | 61,640               | 240,404                 |
| <b>Total liabilities</b>  | <b>\$ 6,605,712</b> | <b>\$ 675,610</b>    | <b>\$ 7,139,040 (F)</b> | <b>\$ 6,684,423</b> | <b>\$ 680,690</b>    | <b>\$ 7,238,409 (M)</b> |
| <b>Stockholders' equity:</b>                                      |                     |                      |                         |                     |                      |                         |
| Common stock <sup>(6)</sup>                                       | \$ 1,134            | \$ —                 | \$ 1,134                | \$ 1,129            | \$ —                 | \$ 1,129                |
| Preferred stock <sup>(7)</sup>                                    | 450,000             | —                    | 450,000                 | 450,000             | —                    | 450,000                 |
| Additional paid-in capital  | 1,065,634           | —                    | 1,065,634               | 1,057,783           | —                    | 1,057,783               |
| Accumulated other comprehensive income (loss)                     | 74,548              | —                    | 74,548                  | (52,130)            | —                    | (52,130)                |
| Retained earnings   | 1,058,138           | —                    | 1,058,138               | 764,056             | —                    | 764,056                 |
| <b>Total National General Holdings Corp. stockholders' equity</b> | <b>2,649,454</b>    | <b>—</b>             | <b>2,649,454</b>        | <b>2,220,838</b>    | <b>—</b>             | <b>2,220,838</b>        |
| Noncontrolling interest   | —                   | (31,960)             | (31,960)                | —                   | (19,967)             | (19,967)                |
| <b>Total stockholders' equity</b>                                 | <b>\$ 2,649,454</b> | <b>\$ (31,960)</b>   | <b>\$ 2,617,494 (G)</b> | <b>\$ 2,220,838</b> | <b>\$ (19,967)</b>   | <b>\$ 2,200,871 (N)</b> |
| <b>Total liabilities and stockholders' equity</b>                 | <b>\$ 9,255,166</b> | <b>\$ 643,650</b>    | <b>\$ 9,756,534 (G)</b> | <b>\$ 8,905,261</b> | <b>\$ 660,723</b>    | <b>\$ 9,439,280 (N)</b> |

Consolidated column includes eliminations as follows: (A) \$(107,456), (B) \$(34,826), (C) \$(142,282), (D) \$(34,826), (E) \$(107,456), (F) \$(142,282), (G) \$(142,282), (H) \$(101,304), (I) \$(25,400), (J) \$(126,704), (K) \$(25,400), (L) \$(101,304), (M) \$(126,704) and (N) \$(126,704).

**Segment Information - Fourth Quarter**

\$ in thousands

(Unaudited)

|  | Three Months Ended December 31,<br>2019 |            |              |                      | 2018         |            |              |                      |   |
|--|---|------------|--------------|----------------------|--------------|------------|--------------|----------------------|---|
|  | P&C                                     | A&H        | NGHC         | Reciprocal Exchanges | P&C          | A&H        | NGHC         | Reciprocal Exchanges |   |
| Gross written premium  | \$ 1,045,926                            | \$ 175,846 | \$ 1,221,772 | \$ 102,465           | \$ 1,012,138 | \$ 163,549 | \$ 1,175,687 | \$ 111,902           |   |
| Net written premium  | 807,574                                 | 160,369    | 967,943      | 62,012               | 716,394      | 140,352    | 856,746      | 51,325               |   |
| Net earned premium   | 842,283                                 | 166,487    | 1,008,770    | 60,826               | 747,457      | 151,022    | 898,479      | 45,752               |   |
| Ceding commission income   | 35,926                                  | 2,159      | 38,085       | 13,055               | 42,281       | 6,214      | 48,495       | 17,226               |   |
| Service and fee income   | 107,474                                 | 71,802     | 179,276      | 1,284                | 110,776      | 51,394     | 162,170      | 1,285                |   |
| Total underwriting revenues  | \$ 985,683                              | \$ 240,448 | \$ 1,226,131 | \$ 75,165            | \$ 900,514   | \$ 208,630 | \$ 1,109,144 | \$ 64,263            |   |
| Loss and loss adjustment expense (A)   | 620,267                                 | 68,995     | 689,262      | 52,528               | 595,144      | 68,981     | 664,125      | 36,297               |   |
| Acquisition costs and other underwriting expenses                            | 130,238                                 | 69,285     | 199,523      | 12,710               | 135,968      | 48,227     | 184,195      | 9,031                |   |
| General and administrative expenses (B)                                      | 198,077                                 | 65,981     | 264,058      | 18,352               | 178,797      | 53,543     | 232,340      | 21,724               |   |
| Total underwriting expenses  | \$ 948,582                              | \$ 204,261 | \$ 1,152,843 | \$ 83,590            | \$ 909,909   | \$ 170,751 | \$ 1,080,660 | \$ 67,052            |   |
| Underwriting income (loss)   | 37,101                                  | 36,187     | 73,288       | (8,425 )             | (9,395 )     | 37,879     | 28,484       | (2,789 )             |   |
| Non-cash amortization of intangible assets                                   | 11,766                                  | 1,806      | 13,572       | 30                   | 5,835        | 2,091      | 7,926        | 111                  |   |
| Underwriting income (loss) before amortization and impairment                | \$ 48,867                               | \$ 37,993  | \$ 86,860    | \$ (8,395 )          | \$ (3,560 )  | \$ 39,970  | \$ 36,410    | \$ (2,678 )          |   |
| <i>Underwriting ratios</i>   |   |            |              |                      |              |            |              |                      |   |
| Loss and loss adjustment expense ratio <sup>(8)</sup>                        | 73.6                                    | % 41.4     | % 68.3       | % 86.4               | % 79.6       | % 45.7     | % 73.9       | % 79.3               | % |
| Operating expense ratio (Non-GAAP) <sup>(9)</sup>                            | 22.0                                    | % 36.8     | % 24.4       | % 27.5               | % 21.6       | % 29.2     | % 22.9       | % 26.8               | % |
| Combined ratio (Non-GAAP) <sup>(10)</sup>                                    | 95.6                                    | % 78.2     | % 92.7       | % 113.9              | % 101.2      | % 74.9     | % 96.8       | % 106.1              | % |
| <i>Underwriting ratios (before amortization and impairment)</i>              |   |            |              |                      |              |            |              |                      |   |
| Loss and loss adjustment expense ratio <sup>(8)</sup>                        | 73.6                                    | % 41.4     | % 68.3       | % 86.4               | % 79.6       | % 45.7     | % 73.9       | % 79.3               | % |
| Operating expense ratio (Non-GAAP) <sup>(11)</sup>                           | 20.6                                    | % 35.7     | % 23.1       | % 27.4               | % 20.9       | % 27.9     | % 22.0       | % 26.5               | % |
| Combined ratio before amortization and impairment (Non-GAAP) <sup>(12)</sup> | 94.2                                    | % 77.1     | % 91.4       | % 113.8              | % 100.5      | % 73.6     | % 95.9       | % 105.8              | % |

(A) Loss and loss adjustment expenses for the three months ended December 31, 2019 included \$26,832 of unfavorable development on prior accident year loss and loss adjustment expense reserves in the P&C segment, and \$7,581 of favorable development in the A&H segment, versus \$8,558 of unfavorable development in the P&C segment, and \$6,354 of favorable development in the A&H segment for the three months ended December 31, 2018.

(B) General and administrative expenses includes expenses allocated to segments only.

**Segment Information - Year to Date**  
\$ in thousands  
(Unaudited)

**Year Ended December 31,**

|   | 2019         |            |              |                      | 2018         |            |              |                      |   |
|---|--------------|------------|--------------|----------------------|--------------|------------|--------------|----------------------|---|
|   | P&C          | A&H        | NGHC         | Reciprocal Exchanges | P&C          | A&H        | NGHC         | Reciprocal Exchanges |   |
| Gross written premium   | \$ 4,367,016 | \$ 768,617 | \$ 5,135,633 | \$ 447,447           | \$ 4,271,408 | \$ 698,109 | \$ 4,969,517 | \$ 448,923           |   |
| Net written premium   | 3,329,543    | 660,606    | 3,990,149    | 234,472              | 3,017,609    | 626,539    | 3,644,148    | 183,565              |   |
| Net earned premium  | 3,244,792    | 663,019    | 3,907,811    | 210,231              | 2,929,028    | 616,413    | 3,545,441    | 186,761              |   |
| Ceding commission income  | 164,013      | 10,939     | 174,952      | 63,501               | 160,945      | 7,003      | 167,948      | 56,749               |   |
| Service and fee income  | 455,519      | 249,487    | 705,006      | 5,755                | 439,483      | 185,980    | 625,463      | 5,751                |   |
| Total underwriting revenues                                       | \$ 3,864,324 | \$ 923,445 | \$ 4,787,769 | \$ 279,487           | \$ 3,529,456 | \$ 809,396 | \$ 4,338,852 | \$ 249,261           |   |
| Loss and loss adjustment expense (A)                              | 2,366,676    | 310,680    | 2,677,356    | 177,112              | 2,178,163    | 321,345    | 2,499,508    | 162,718              |   |
| Acquisition costs and other underwriting expenses                 | 559,980      | 222,348    | 782,328      | 45,039               | 508,557      | 184,726    | 693,283      | 41,983               |   |
| General and administrative expenses (B)                           | 756,093      | 254,208    | 1,010,301    | 85,994               | 712,113      | 201,808    | 913,921      | 83,756               |   |
| Total underwriting expenses                                       | \$ 3,682,749 | \$ 787,236 | \$ 4,469,985 | \$ 308,145           | \$ 3,398,833 | \$ 707,879 | \$ 4,106,712 | \$ 288,457           |   |
| Underwriting income (loss)  | 181,575      | 136,209    | 317,784      | (28,658 )            | 130,623      | 101,517    | 232,140      | (39,196 )            |   |
| Non-cash amortization of intangible assets                        | 27,920       | 6,745      | 34,665       | 71                   | 23,960       | 7,363      | 31,323       | 44                   |   |
| Underwriting income (loss) before amortization and impairment     | \$ 209,495   | \$ 142,954 | \$ 352,449   | \$ (28,587 )         | \$ 154,583   | \$ 108,880 | \$ 263,463   | \$ (39,152 )         |   |
| <i>Underwriting ratios</i>  |              |            |              |                      |              |            |              |                      |   |
| Loss and loss adjustment expense ratio (8)                        | 72.9         | % 46.9     | % 68.5       | % 84.2               | % 74.4       | % 52.1     | % 70.5       | % 87.1               | % |
| Operating expense ratio (Non-GAAP) (9)                            | 21.5         | % 32.6     | % 23.4       | % 29.4               | % 21.2       | % 31.4     | % 23.0       | % 33.9               | % |
| Combined ratio (Non-GAAP) (10)                                    | 94.4         | % 79.5     | % 91.9       | % 113.6              | % 95.6       | % 83.5     | % 93.5       | % 121.0              | % |
| <i>Underwriting ratios (before amortization and impairment)</i>   |              |            |              |                      |              |            |              |                      |   |
| Loss and loss adjustment expense ratio (8)                        | 72.9         | % 46.9     | % 68.5       | % 84.2               | % 74.4       | % 52.1     | % 70.5       | % 87.1               | % |
| Operating expense ratio (Non-GAAP) (11)                           | 20.6         | % 31.6     | % 22.5       | % 29.4               | % 20.4       | % 30.2     | % 22.1       | % 33.8               | % |
| Combined ratio before amortization and impairment (Non-GAAP) (12) | 93.5         | % 78.5     | % 91.0       | % 113.6              | % 94.8       | % 82.3     | % 92.6       | % 120.9              | % |

(A) Loss and loss adjustment expenses for the year ended December 31, 2019 included \$46,623 of unfavorable development on prior accident year loss and loss adjustment expense reserves in the P&C segment, and \$45,356 of favorable development in the A&H segment, versus \$4,760 of favorable development in the P&C segment, and \$30,977 of favorable development in the A&H segment for the year ended December 31, 2018.

(B) General and administrative expenses includes expenses allocated to segments only.

**Reconciliation of Operating Expense Ratio (Non-GAAP)<sup>(9,11,13)</sup>**  
*\$ in thousands*  
(Unaudited)

**Three Months Ended December 31,**

|   | 2019       |            |              |                      | 2018       |            |              |                      |
|---|------------|------------|--------------|----------------------|------------|------------|--------------|----------------------|
|   | P&C        | A&H        | NGHC         | Reciprocal Exchanges | P&C        | A&H        | NGHC         | Reciprocal Exchanges |
| Total underwriting expenses   | \$ 948,582 | \$ 204,261 | \$ 1,152,843 | \$ 83,590            | \$ 909,909 | \$ 170,751 | \$ 1,080,660 | \$ 67,052            |
| Less: Loss and loss adjustment expense  | 620,267    | 68,995     | 689,262      | 52,528               | 595,144    | 68,981     | 664,125      | 36,297               |
| Less: Ceding commission income  | 35,926     | 2,159      | 38,085       | 13,055               | 42,281     | 6,214      | 48,495       | 17,226               |
| Less: Service and fee income  | 107,474    | 71,802     | 179,276      | 1,284                | 110,776    | 51,394     | 162,170      | 1,285                |
| Operating expense   | 184,915    | 61,305     | 246,220      | 16,723               | 161,708    | 44,162     | 205,870      | 12,244               |
| Net earned premium  | \$ 842,283 | \$ 166,487 | \$ 1,008,770 | \$ 60,826            | \$ 747,457 | \$ 151,022 | \$ 898,479   | \$ 45,752            |
| Operating expense ratio (Non-GAAP) <sup>(9)</sup>                                     | 22.0       | % 36.8     | % 24.4       | % 27.5               | % 21.6     | % 29.2     | % 22.9       | % 26.8               |
| Total underwriting expenses   | \$ 948,582 | \$ 204,261 | \$ 1,152,843 | \$ 83,590            | \$ 909,909 | \$ 170,751 | \$ 1,080,660 | \$ 67,052            |
| Less: Loss and loss adjustment expense  | 620,267    | 68,995     | 689,262      | 52,528               | 595,144    | 68,981     | 664,125      | 36,297               |
| Less: Ceding commission income  | 35,926     | 2,159      | 38,085       | 13,055               | 42,281     | 6,214      | 48,495       | 17,226               |
| Less: Service and fee income  | 107,474    | 71,802     | 179,276      | 1,284                | 110,776    | 51,394     | 162,170      | 1,285                |
| Less: Non-cash amortization of intangible assets                                      | 11,766     | 1,806      | 13,572       | 30                   | 5,835      | 2,091      | 7,926        | 111                  |
| Operating expense before amortization and impairment                                  | 173,149    | 59,499     | 232,648      | 16,693               | 155,873    | 42,071     | 197,944      | 12,133               |
| Net earned premium  | \$ 842,283 | \$ 166,487 | \$ 1,008,770 | \$ 60,826            | \$ 747,457 | \$ 151,022 | \$ 898,479   | \$ 45,752            |
| Operating expense ratio before amortization and impairment (Non-GAAP) <sup>(11)</sup> | 20.6       | % 35.7     | % 23.1       | % 27.4               | % 20.9     | % 27.9     | % 22.0       | % 26.5               |

**Reconciliation of Operating Expense Ratio (Non-GAAP)<sup>(9,11,13)</sup>**

*\$ in thousands*  
(Unaudited)

|   | Year Ended December 31, 2019 |            |              |                      | 2018         |            |              |                      |
|---|------------------------------|------------|--------------|----------------------|--------------|------------|--------------|----------------------|
|   | P&C                          | A&H        | NGHC         | Reciprocal Exchanges | P&C          | A&H        | NGHC         | Reciprocal Exchanges |
| Total underwriting expenses                       | \$ 3,682,749                 | \$ 787,236 | \$ 4,469,985 | \$ 308,145           | \$ 3,398,833 | \$ 707,879 | \$ 4,106,712 | \$ 288,457           |
| Less: Loss and loss adjustment expense            | 2,366,676                    | 310,680    | 2,677,356    | 177,112              | 2,178,163    | 321,345    | 2,499,508    | 162,718              |
| Less: Ceding commission income                    | 164,013                      | 10,939     | 174,952      | 63,501               | 160,945      | 7,003      | 167,948      | 56,749               |
| Less: Service and fee income                      | 455,519                      | 249,487    | 705,006      | 5,755                | 439,483      | 185,980    | 625,463      | 5,751                |
| Operating expense                                 | 696,541                      | 216,130    | 912,671      | 61,777               | 620,242      | 193,551    | 813,793      | 63,239               |
| Net earned premium                                | \$ 3,244,792                 | \$ 663,019 | \$ 3,907,811 | \$ 210,231           | \$ 2,929,028 | \$ 616,413 | \$ 3,545,441 | \$ 186,761           |
| Operating expense ratio (Non-GAAP) <sup>(9)</sup> | 21.5                         | % 32.6     | % 23.4       | % 29.4               | % 21.2       | % 31.4     | % 23.0       | % 33.9               |
| Total underwriting expenses                       | \$ 3,682,749                 | \$ 787,236 | \$ 4,469,985 | \$ 308,145           | \$ 3,398,833 | \$ 707,879 | \$ 4,106,712 | \$ 288,457           |
| Less: Loss and loss adjustment expense            | 2,366,676                    | 310,680    | 2,677,356    | 177,112              | 2,178,163    | 321,345    | 2,499,508    | 162,718              |
| Less: Ceding commission income                    | 164,013                      | 10,939     | 174,952      | 63,501               | 160,945      | 7,003      | 167,948      | 56,749               |
| Less: Service and fee income                      | 455,519                      | 249,487    | 705,006      | 5,755                | 439,483      | 185,980    | 625,463      | 5,751                |



|  |              |            |              |            |              |            |              |            |   |
|--|--------------|------------|--------------|------------|--------------|------------|--------------|------------|---|
| Less: Non-cash amortization of intangible assets                           | 27,920       | 6,745      | 34,665       | 71         | 23,960       | 7,363      | 31,323       | 44         |   |
| Operating expense before amortization and impairment                       | 668,621      | 209,385    | 878,006      | 61,706     | 596,282      | 186,188    | 782,470      | 63,195     |   |
| Net earned premium   | \$ 3,244,792 | \$ 663,019 | \$ 3,907,811 | \$ 210,231 | \$ 2,929,028 | \$ 616,413 | \$ 3,545,441 | \$ 186,761 |   |
| Operating expense ratio before amortization and impairment (Non-GAAP) (11) | 20.6         | % 31.6     | % 22.5       | % 29.4     | % 20.4       | % 30.2     | % 22.1       | % 33.8     | % |

**Premiums by Product Line**  
\$ in thousands  
(Unaudited)

|                                | Three Months Ended December 31, |                     |                | Net Written Premium |                   |               | Net Earned Premium  |                   |               |  |
|--------------------------------|---------------------------------|---------------------|----------------|---------------------|-------------------|---------------|---------------------|-------------------|---------------|--|
|                                | 2019                            | 2018                | Change         | 2019                | 2018              | Change        | 2019                | 2018              | Change        |  |
| <i>Property &amp; Casualty</i> |                                 |                     |                |                     |                   |               |                     |                   |               |  |
| Personal Auto                  | \$ 637,500                      | \$ 619,180          | 3.0 %          | \$ 529,481          | \$ 474,173        | 11.7 %        | \$ 569,014          | \$ 490,874        | 15.9 %        |  |
| Homeowners                     | 174,763                         | 164,698             | 6.1 %          | 128,028             | 75,830            | 68.8 %        | 132,715             | 87,689            | 51.3 %        |  |
| RV/Packaged                    | 43,950                          | 43,967              | — %            | 36,690              | 43,806            | (16.2) %      | 44,900              | 51,347            | (12.6) %      |  |
| Small Business Auto            | 68,875                          | 72,851              | (5.5) %        | 52,846              | 52,142            | 1.4 %         | 62,402              | 59,285            | 5.3 %         |  |
| Lender-placed insurance        | 110,002                         | 103,061             | 6.7 %          | 57,308              | 67,439            | (15.0) %      | 23,636              | 53,182            | (55.6) %      |  |
| Other                          | 10,836                          | 8,381               | 29.3 %         | 3,221               | 3,004             | 7.2 %         | 9,616               | 5,080             | 89.3 %        |  |
| <b>Total Premium</b>           | <b>\$ 1,045,926</b>             | <b>\$ 1,012,138</b> | <b>3.3 %</b>   | <b>\$ 807,574</b>   | <b>\$ 716,394</b> | <b>12.7 %</b> | <b>\$ 842,283</b>   | <b>\$ 747,457</b> | <b>12.7 %</b> |  |
| <i>Accident &amp; Health</i>   |                                 |                     |                |                     |                   |               |                     |                   |               |  |
| Group                          | \$ 75,352                       | \$ 62,693           | 20.2 %         | \$ 60,477           | \$ 51,626         | 17.1 %        | \$ 60,477           | \$ 51,618         | 17.2 %        |  |
| Individual                     | 88,012                          | 76,232              | 15.5 %         | 87,733              | 76,181            | 15.2 %        | 88,129              | 75,883            | 16.1 %        |  |
| International                  | 12,482                          | 24,624              | (49.3) %       | 12,159              | 12,545            | (3.1) %       | 17,881              | 23,521            | (24.0) %      |  |
| <b>Total Premium</b>           | <b>\$ 175,846</b>               | <b>\$ 163,549</b>   | <b>7.5 %</b>   | <b>\$ 160,369</b>   | <b>\$ 140,352</b> | <b>14.3 %</b> | <b>\$ 166,487</b>   | <b>\$ 151,022</b> | <b>10.2 %</b> |  |
| <b>Total National General</b>  | <b>\$ 1,221,772</b>             | <b>\$ 1,175,687</b> | <b>3.9 %</b>   | <b>\$ 967,943</b>   | <b>\$ 856,746</b> | <b>13.0 %</b> | <b>\$ 1,008,770</b> | <b>\$ 898,479</b> | <b>12.3 %</b> |  |
| <i>Reciprocal Exchanges</i>    |                                 |                     |                |                     |                   |               |                     |                   |               |  |
| Personal Auto                  | \$ 32,676                       | \$ 36,527           | (10.5) %       | \$ 33,498           | \$ 20,899         | 60.3 %        | \$ 40,642           | \$ 21,111         | 92.5 %        |  |
| Homeowners                     | 68,953                          | 74,421              | (7.3) %        | 29,829              | 30,049            | (0.7) %       | 19,489              | 24,228            | (19.6) %      |  |
| Other                          | 836                             | 954                 | (12.4) %       | (1,315)             | 377               | nm            | 695                 | 413               | 68.3 %        |  |
| <b>Total Premium</b>           | <b>\$ 102,465</b>               | <b>\$ 111,902</b>   | <b>(8.4) %</b> | <b>\$ 62,012</b>    | <b>\$ 51,325</b>  | <b>20.8 %</b> | <b>\$ 60,826</b>    | <b>\$ 45,752</b>  | <b>32.9 %</b> |  |
| <b>Consolidated Total</b>      | <b>\$ 1,324,237</b>             | <b>\$ 1,287,589</b> | <b>2.8 %</b>   | <b>\$ 1,029,955</b> | <b>\$ 908,071</b> | <b>13.4 %</b> | <b>\$ 1,069,596</b> | <b>\$ 944,231</b> | <b>13.3 %</b> |  |

nm - not meaningful

**Premiums by Product Line**  
\$ in thousands  
(Unaudited)

|                                | Year Ended December 31, |                     |              | Net Written Premium |                     |               | Net Earned Premium  |                     |               |  |
|--------------------------------|-------------------------|---------------------|--------------|---------------------|---------------------|---------------|---------------------|---------------------|---------------|--|
|                                | 2019                    | 2018                | Change       | 2019                | 2018                | Change        | 2019                | 2018                | Change        |  |
| <i>Property &amp; Casualty</i> |                         |                     |              |                     |                     |               |                     |                     |               |  |
| Personal Auto                  | \$ 2,721,202            | \$ 2,637,743        | 3.2 %        | \$ 2,260,385        | \$ 2,016,858        | 12.1 %        | \$ 2,190,748        | \$ 1,927,667        | 13.6 %        |  |
| Homeowners                     | 718,819                 | 689,040             | 4.3 %        | 404,278             | 331,120             | 22.1 %        | 405,306             | 329,850             | 22.9 %        |  |
| RV/Packaged                    | 212,746                 | 208,394             | 2.1 %        | 198,737             | 206,740             | (3.9) %       | 195,639             | 197,258             | (0.8) %       |  |
| Small Business Auto            | 315,569                 | 319,299             | (1.2) %      | 249,067             | 233,456             | 6.7 %         | 252,359             | 237,587             | 6.2 %         |  |
| Lender-placed insurance        | 342,267                 | 363,056             | (5.7) %      | 198,171             | 202,069             | (1.9) %       | 182,231             | 215,811             | (15.6) %      |  |
| Other                          | 56,413                  | 53,876              | 4.7 %        | 18,905              | 27,366              | (30.9) %      | 18,509              | 20,855              | (11.2) %      |  |
| <b>Total Premium</b>           | <b>\$ 4,367,016</b>     | <b>\$ 4,271,408</b> | <b>2.2 %</b> | <b>\$ 3,329,543</b> | <b>\$ 3,017,609</b> | <b>10.3 %</b> | <b>\$ 3,244,792</b> | <b>\$ 2,929,028</b> | <b>10.8 %</b> |  |
| <i>Accident &amp; Health</i>   |                         |                     |              |                     |                     |               |                     |                     |               |  |
| Group                          | \$ 288,549              | \$ 239,729          | 20.4 %       | \$ 231,388          | \$ 197,386          | 17.2 %        | \$ 231,398          | \$ 197,406          | 17.2 %        |  |
| Individual                     | 340,731                 | 308,122             | 10.6 %       | 340,049             | 308,065             | 10.4 %        | 340,251             | 307,952             | 10.5 %        |  |

|                               |                     |                     |              |                     |                     |               |                     |                     |               |
|-------------------------------|---------------------|---------------------|--------------|---------------------|---------------------|---------------|---------------------|---------------------|---------------|
| International                 | 139,337             | 150,258             | (7.3 )%      | 89,169              | 121,088             | (26.4 )%      | 91,370              | 111,055             | (17.7 )%      |
| Total Premium                 | \$ 768,617          | \$ 698,109          | 10.1 %       | \$ 660,606          | \$ 626,539          | 5.4 %         | \$ 663,019          | \$ 616,413          | 7.6 %         |
| <b>Total National General</b> | <b>\$ 5,135,633</b> | <b>\$ 4,969,517</b> | <b>3.3 %</b> | <b>\$ 3,990,149</b> | <b>\$ 3,644,148</b> | <b>9.5 %</b>  | <b>\$ 3,907,811</b> | <b>\$ 3,545,441</b> | <b>10.2 %</b> |
| <i>Reciprocal Exchanges</i>   |                     |                     |              |                     |                     |               |                     |                     |               |
| Personal Auto                 | \$ 152,688          | \$ 153,129          | (0.3 )%      | \$ 134,958          | \$ 61,759           | nm            | \$ 106,549          | \$ 59,923           | 77.8 %        |
| Homeowners                    | 290,972             | 291,907             | (0.3 )%      | 98,009              | 120,875             | (18.9 )%      | 101,964             | 125,806             | (19.0 )%      |
| Other                         | 3,787               | 3,887               | (2.6 )%      | 1,505               | 931                 | 61.7 %        | 1,718               | 1,032               | 66.5 %        |
| Total Premium                 | \$ 447,447          | \$ 448,923          | (0.3 )%      | \$ 234,472          | \$ 183,565          | 27.7 %        | \$ 210,231          | \$ 186,761          | 12.6 %        |
| <b>Consolidated Total (A)</b> | <b>\$ 5,583,080</b> | <b>\$ 5,416,839</b> | <b>3.1 %</b> | <b>\$ 4,224,621</b> | <b>\$ 3,827,713</b> | <b>10.4 %</b> | <b>\$ 4,118,042</b> | <b>\$ 3,732,202</b> | <b>10.3 %</b> |

nm - not meaningful

(A) Consolidated Total includes eliminations between National General and the Reciprocal Exchanges of \$(567) in Personal Auto and \$(1,034) in Homeowners Gross Written Premium in the year ended December 31, 2018, respectively.

**Fee Income**  
\$ in thousands  
(Unaudited)

|                                | Three Months Ended December 31, |                   |              | Year Ended December 31, |                   |               |
|--------------------------------|---------------------------------|-------------------|--------------|-------------------------|-------------------|---------------|
|                                | 2019                            | 2018              | Change       | 2019                    | 2018              | Change        |
| <i>Property &amp; Casualty</i> |                                 |                   |              |                         |                   |               |
| Service and Fee Income         | \$ 107,474                      | \$ 110,776        | (3.0 )%      | \$ 455,519              | \$ 439,483        | 3.6 %         |
| Ceding Commission Income       | 35,926                          | 42,281            | (15.0 )%     | 164,013                 | 160,945           | 1.9 %         |
| Property & Casualty            | \$ 143,400                      | \$ 153,057        | (6.3 )%      | \$ 619,532              | \$ 600,428        | 3.2 %         |
| <i>Accident &amp; Health</i>   |                                 |                   |              |                         |                   |               |
| Service and Fee Income         |                                 |                   |              |                         |                   |               |
| Group                          | \$ 36,122                       | \$ 29,736         | 21.5 %       | \$ 134,206              | \$ 104,504        | 28.4 %        |
| Individual                     | 4,144                           | 1,331             | nm           | 9,650                   | 9,304             | 3.7 %         |
| Third Party Fee                | 31,536                          | 20,327            | 55.1 %       | 105,631                 | 72,172            | 46.4 %        |
| Total Service and Fee Income   | 71,802                          | 51,394            | 39.7 %       | 249,487                 | 185,980           | 34.1 %        |
| Ceding Commission Income       | 2,159                           | 6,214             | (65.3 )%     | 10,939                  | 7,003             | 56.2 %        |
| Accident and Health            | \$ 73,961                       | \$ 57,608         | 28.4 %       | \$ 260,426              | \$ 192,983        | 34.9 %        |
| <b>Total National General</b>  | <b>\$ 217,361</b>               | <b>\$ 210,665</b> | <b>3.2 %</b> | <b>\$ 879,958</b>       | <b>\$ 793,411</b> | <b>10.9 %</b> |
| <i>Reciprocal Exchanges</i>    |                                 |                   |              |                         |                   |               |
| Service and Fee Income         | \$ 1,284                        | \$ 1,285          | (0.1 )%      | \$ 5,755                | \$ 5,751          | 0.1 %         |
| Ceding Commission Income       | 13,055                          | 17,226            | (24.2 )%     | 63,501                  | 56,749            | 11.9 %        |
| Reciprocal Exchanges           | \$ 14,339                       | \$ 18,511         | (22.5 )%     | \$ 69,256               | \$ 62,500         | 10.8 %        |
| <b>Consolidated Total (A)</b>  | <b>\$ 217,064</b>               | <b>\$ 211,991</b> | <b>2.4 %</b> | <b>\$ 880,418</b>       | <b>\$ 786,280</b> | <b>12.0 %</b> |

nm - not meaningful

(A) Consolidated Total includes eliminations between National General and the Reciprocal Exchanges in Service and Fee Income of \$(14,636) and \$(17,185) in the three months ended December 31, 2019 and 2018, respectively, and \$(68,796) and \$(69,631) in the year ended December 31, 2019 and 2018, respectively.

**Additional Disclosures**

(1) References to operating earnings and basic and diluted operating earnings per share ("EPS") are non-GAAP financial measures defined by the Company as net income/loss and basic and diluted earnings per share excluding after-tax net gain or loss on investments (including foreign exchange gain or loss), other-than-temporary impairment losses, earnings or losses of equity method investments (related parties), deferred tax asset impairment, non-cash impairment of goodwill and non-cash amortization of intangible assets, and any significant non-recurring or infrequent items that may not be indicative of ongoing operations. The Company believes operating earnings and basic and diluted operating EPS are relevant measures of the Company's profitability because operating earnings and basic and diluted operating EPS contain the components of net income upon which the Company's management has the most influence and excludes factors outside management's direct control and non-recurring items. Other companies may calculate these measures differently, and therefore, their measures may not be comparable to those used by National General. Please see the Non-GAAP Financial Measures table within this release for the reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measure.

(2) Total investments includes \$238,841 and \$233,723 in related parties at December 31, 2019 and December 31, 2018, respectively.

(3) Reinsurance balances includes \$0 and \$7,425 from related parties at December 31, 2019 and December 31, 2018, respectively.

(4) Other includes \$2,391 and \$2,362 from related parties at December 31, 2019 and December 31, 2018, respectively.

(5) Accounts payable and accrued expenses includes \$639 and \$69,874 to related parties at December 31, 2019 and December 31, 2018, respectively.

(6) Common stock: \$0.01 par value - authorized 150,000,000 shares, issued and outstanding 113,368,811 shares - December 31, 2019; authorized 150,000,000 shares, issued and outstanding 112,940,595 shares - December 31, 2018.

(7) Preferred stock: \$0.01 par value - authorized 10,000,000 shares, issued and outstanding 2,565,120 shares - December 31, 2019; authorized 10,000,000 shares, issued and outstanding 2,565,120 shares - December 31, 2018.

(8) Loss and loss adjustment expense ratio (loss ratio) is calculated by dividing loss and loss adjustment expense by net earned premium.

(9) Operating expense ratio is a non-GAAP financial measure defined by the Company, which is commonly used in the insurance industry. The Company calculates the ratio by dividing operating expense by net earned premium. Operating expense consists of the sum of acquisition and other underwriting costs and general and administrative expenses less ceding commission income, service and fee income and other general and administrative expenses (arbitration award / litigation settlement expense). The ratio is used as an indicator of the Company's efficiency in acquiring and servicing its business.

(10) Combined ratio is a non-GAAP financial measure defined by the Company, which is commonly used in the insurance industry. The Company calculates the ratio by adding the loss and loss adjustment expense ratio<sup>(8)</sup> and the operating expense ratio (non-GAAP)<sup>(9)</sup> together. The ratio is used as an indicator of the Company's underwriting discipline, efficiency in acquiring and servicing its business, and overall underwriting profit. Management uses operating expense ratio (non-GAAP) and combined ratio (non-GAAP) to evaluate financial performance against historical results and establish targets. A combined ratio under 100% generally indicates an underwriting profit, while over 100% an underwriting loss.

(11) Operating expense ratio before amortization and impairment is a non-GAAP financial measure defined by the Company, which is commonly used in the insurance industry. The Company calculates the ratio by dividing the operating expense before amortization and impairment by net earned premium. Operating expense before amortization and impairment consists of the sum of acquisition and other underwriting costs and general and administrative expenses less ceding commission income, service and fee income and other general and administrative expenses (arbitration award / litigation settlement expense) less non-cash amortization of intangible assets and non-cash impairment of goodwill. The ratio is used as an indicator of the Company's efficiency in acquiring and servicing its business. Management believes that this measure provides a more useful comparison to the operating expense ratio of other insurance companies involved in fewer acquisitions.

(12) Combined ratio before amortization and impairment is a non-GAAP financial measure defined by the Company, which is commonly used in the insurance industry. The Company calculates the ratio by adding the loss and loss adjustment expense ratio<sup>(8)</sup> and the operating expense ratio before amortization and impairment (non-GAAP)<sup>(11)</sup> together. The ratio is used as an indicator of the Company's underwriting discipline, efficiency in acquiring and servicing its business, and overall underwriting profit. Management believes that this measure of underwriting profitability provides a more useful comparison to the combined ratio of other insurance companies involved in fewer acquisitions. A combined ratio under 100% generally indicates an underwriting profit, while over 100% an underwriting loss.

(13) Combined ratio (non-GAAP), operating expense ratio (non-GAAP), combined ratio before amortization and impairment (non-GAAP) and operating expense ratio before amortization and impairment (non-GAAP) are considered non-GAAP financial measures under applicable SEC rules. Other companies may calculate these ratios differently, and therefore, their measures may not be comparable to those used by National General. Please see the Non-GAAP Financial Measures table within this release for the reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measure.

(14) Trailing twelve month operating return on average equity is the ratio of the previous twelve months operating earnings (non-GAAP) to average shareholders' equity for the same twelve-month period. Average shareholders' equity is the sum of the shareholders' equity excluding preferred stock at the beginning and end of the period divided by two. In the opinion of the Company's management this ratio is an important indicator of how well management creates value for its shareholders through its operating activities and capital management. Other companies may calculate these measures differently, and therefore, their measures may not be comparable to those used by National General. Please see the Non-GAAP Financial Measures table within this release for the reconciliation of net income to operating earnings, which is the Non-GAAP component of the operating return on average equity.

(15) Our products in the P&C segment include personal auto, homeowners, RV/Packaged, small business auto, lender-placed insurance and other products. The personal auto product includes policies for standard, preferred and nonstandard automobile insurance. The homeowners product includes multiple-peril policies and personal umbrella coverage to the homeowner. The RV/Packaged product offers policies that include RV automatic personal effects coverage, optional replacement cost coverage, RV storage coverage and full-time liability coverage. The small business auto product offers policies that include liability and physical damage coverage for light-to-medium duty commercial vehicles. The lender-placed insurance product offers fire, home and flood products, as well as collateral protection insurance and guaranteed asset protection products for automobiles. Our products and revenue in the A&H segment include group, individual and third party fees. The group product includes revenue from our small group self-funded product. The individual product line includes revenue from our supplemental products including short-term medical, accident/AD&D, hospital indemnity, cancer/critical illness, dental and term life insurance. Third party fees include commission and general agent fees for selling policies issued by third-party insurance companies, fees generated through selling our technology products to third parties and fees from our international health insurance offerings.

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Source: National General Holdings Corp