



**INVESTOR  
PRESENTATION**  
Second Quarter 2018

## Forward Looking Statements

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This presentation contains certain forward-looking statements that are intended to be covered by the safe harbors created by The Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this presentation are forward-looking statements, including statements accompanied by words such as “believe,” “expect,” “anticipate,” “intend,” “estimate,” “plan,” “project” and “continue” or future or conditional verbs such as “will,” “would,” “should,” “could” or “may.” These statements include the plans and objectives of management for future operations, including those relating to future growth of the Company’s business activities and availability of funds, and are based on current expectations that involve assumptions that are difficult or impossible to predict accurately many of which are beyond the control of the Company. There can be no assurance that actual developments will be consistent with our assumptions. Actual results may differ materially from those expressed or implied in these statements as a result of significant risks and uncertainties. The projections and statements in this presentation speak only as of the date of this presentation and the Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

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# National General Holdings Corp. (NGHC)

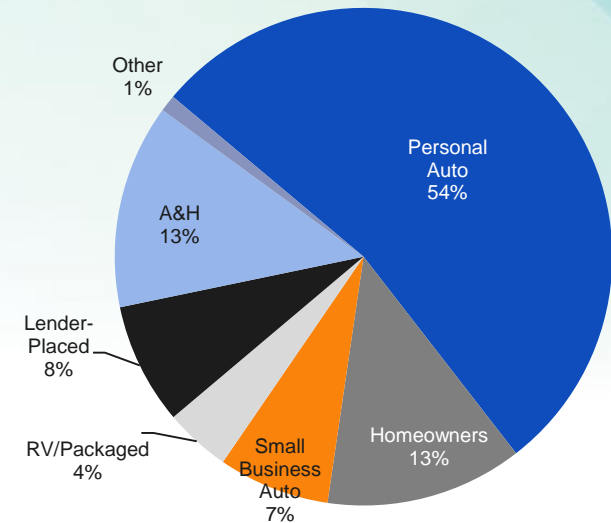
<b>Ticker Symbol*</b>	<b>NGHC</b>
<b>Current Price</b>	\$27.55 (as of close of trading on August 6, 2018)
<b>Shares Outstanding</b>	107 million / 61.0 million public float (as of August 6, 2018)
<b>Market Capitalization</b>	\$2.9 billion
<b>Dividend &amp; Yield</b>	\$0.04 per share quarterly / \$0.16 per share annually (1.0% annual dividend yield)
<b>Average Daily Volume</b>	241,268 shares (3 month average daily volume as of August 6, 2018)
<b>Fully Diluted Book Value Per Share</b>	\$14.28 (June 30, 2018)
<b>Capital Raises</b>	<ul style="list-style-type: none"> <li>▪ June 2013: private placement of 21.88 mm shares at \$10.50 for \$213 mm net proceeds</li> <li>▪ Feb. 2014: follow-on private placement of 13.57 mm shares at \$14.00 for \$178.5 mm net proceeds</li> <li>▪ May 2014: private issuance of \$250 mm of 6.75% senior notes due May 15, 2024</li> <li>▪ June 2014: issuance of \$55 mm in 7.50% non-cumulative series A preferred stock</li> <li>▪ March/April 2015: issuance of \$165 mm in 7.50% non-cumulative series B preferred stock</li> <li>▪ August 2015: issuance of \$100 mm in 7.625% subordinated notes due 2055</li> <li>▪ August 2015: follow-on offering of 11.5 mm shares at \$19.00 for \$211 mm net proceeds</li> <li>▪ October 2015: private issuance of \$100 mm of 6.75% senior notes due May 15, 2024</li> <li>▪ July 2016: issuance of \$200 mm in 7.50% non-cumulative series C preferred stock</li> </ul>
<b>Analyst Coverage</b>	<ul style="list-style-type: none"> <li>▪ <i>Randy Binner</i> – B. Riley FBR Capital Markets &amp; Co.</li> <li>▪ <i>Matthew Carletti</i> – JMP Securities</li> <li>▪ <i>Adam Klauber, CFA</i> – William Blair &amp; Company, L.L.C.</li> <li>▪ <i>Kai Pan</i> – Morgan Stanley</li> <li>▪ <i>Meyer Shields, FCAS</i> – Keefe, Bruyette &amp; Woods. Inc.</li> </ul>
<b>Company Contacts</b>	<ul style="list-style-type: none"> <li>▪ <i>Mike Weiner, CFA</i> – Chief Financial Officer, (212) 380-9492, <a href="mailto:Mike.Weiner@NGIC.com">Mike.Weiner@NGIC.com</a></li> <li>▪ <i>Christine Worley</i> – Director of Investor Relations, (212) 380-9462, <a href="mailto:Christine.Worley@NGIC.com">Christine.Worley@NGIC.com</a></li> </ul>

# National General Overview

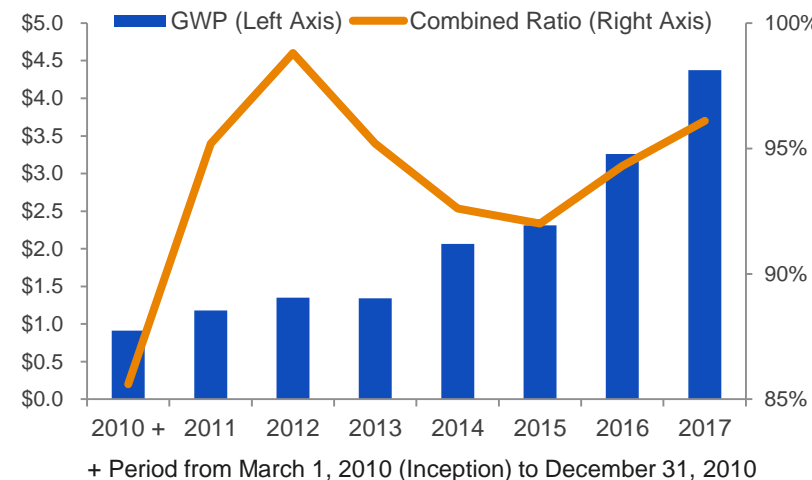
*We are a specialty personal lines insurance holding company that provides personal and commercial automobile, homeowners, recreational vehicle, accident and health, and various other niche insurance products in the U.S. and internationally.*

- \$4.4 billion of 2017 GWP / ~\$4.8 billion managed premium
- \$1.9 billion of shareholders' equity and \$2.6 billion total capital at December 31, 2017
- "A-" rating from A.M. Best
- ~7,570 employees at December 31, 2017
- ~32,100 independent P&C agents & brokers / ~ 28,000 independent A&H agents & brokers
- National General was built through a combination of organic growth and opportunistic acquisitions and we expect to continue to grow through accretive M&A opportunities.
- We operate in two distinct business segments:  
Property & Casualty and Accident & Health

**2017 GWP by Product**



**2010-2017 GWP (\$ in billions) & Combined Ratio**



# The National General Advantage

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**The NatGen Approach Is To Disrupt The Insurance Industry By Leveraging Our Core Capabilities Across All Facets Of The Business.**

**We Focus on Niche Distribution and Markets.**

## IT/ Systems

- Scale/ Operating Leverage
- Acquisitions
- Analytics
- User Experience

## Analytics

- Pricing/ Underwriting
- Claims
- Marketing
- Sales

## Distribution

- Over 32,100 independent P&C agents & brokers / ~ 28,000 independent A&H agents & brokers
- Leading individual A&H agency platform
- Direct General & Personal Express

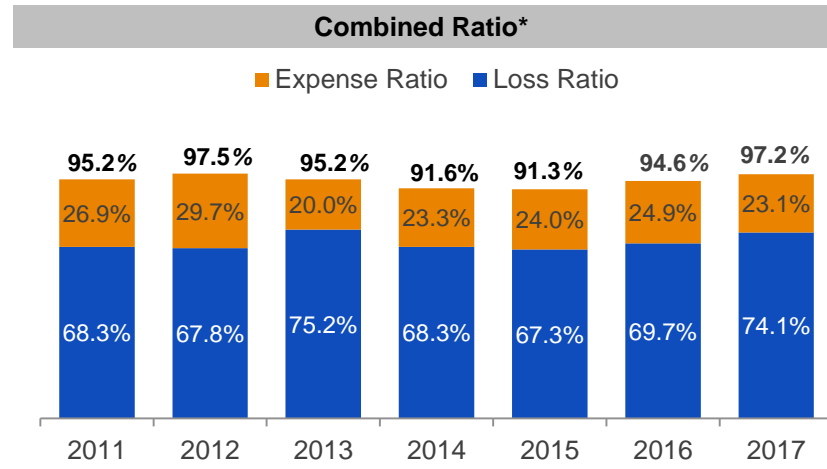
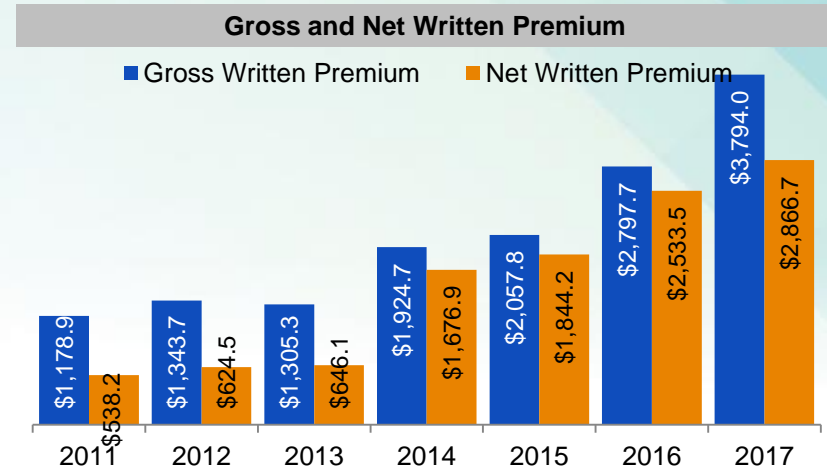
## Entrepreneurial Spirit

- Deep and experienced senior management team that's never pleased with the status quo
- Allows quick execution

# PROPERTY & CASUALTY

# Property & Casualty Overview

- History:** GMAC formed Motors Insurance Corporation in 1939, GMAC Insurance acquired by National General in 2010
- Premium Volume:** \$3.8 billion of GWP in 2017 with total written and managed premium (including Reciprocal Exchanges) of ~\$4.2 billion
- Geography:** We are licensed to operate in 50 states and the District of Columbia.
- Distribution:** Through more than 32,100 independent agents and brokers, our own MGAs (Clearside General, RAC Insurance Partners, and Assigned Risk Solutions), and direct through numerous long-term affinity relationships and Direct General's omni channel direct platform including approximately 400 stores.
- Business Detail:** We underwrite various P&C products including: non-standard, standard, and preferred auto; homeowners, umbrella, and package; recreational vehicle; motorcycle; lender placed; and small business auto. Additionally, we also offer federal flood policies, which are not written on National General paper.



\* NOTES: Expense Ratio and Combined Ratio exclude the impact of non-cash amortization of intangible assets and impairment of goodwill.

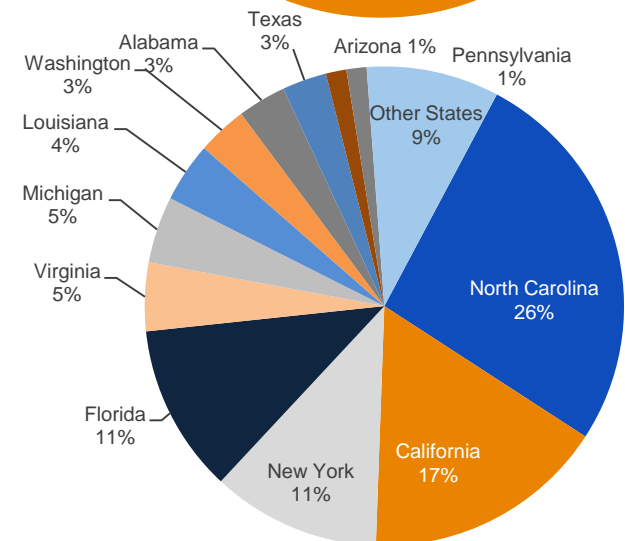
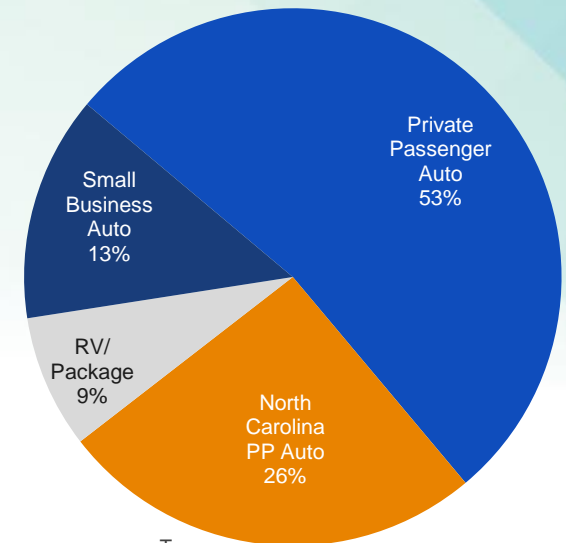


# P&C Overview: Automobile

## Product Overview

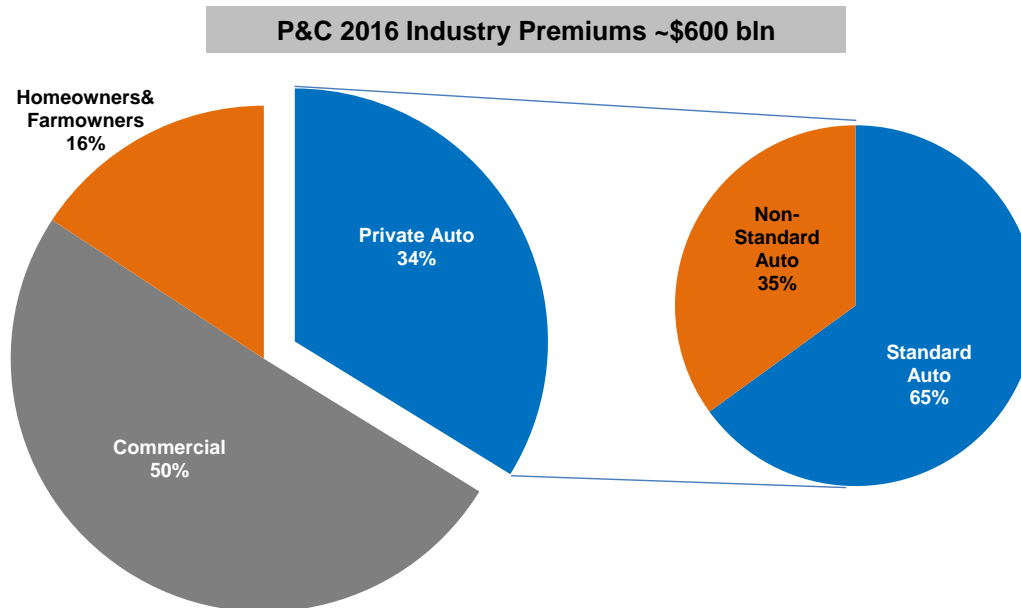
- **Private Passenger Auto** – We write coverage for liability and physical damage for standard, preferred, and non-standard risks throughout the U.S.
- **North Carolina Auto** – We are a top writer of personal auto in North Carolina, which has a unique “take all comers” market supported by the North Carolina Reinsurance Facility (NCRF), to which we cede roughly 40% of NC GWP.
- **Affinity Auto** – We offer a customized product to affinity groups on a white label basis, including insurance for the National Rural Letter Carriers’ Association, a 109 year-old labor union representing over 100,000 American rural letter carriers and several other affinities.
- **RV/Package** – We are one of the top writers of RV coverage in the U.S. via Good Sam, an RV club with over 1 million members which also operates Camping World. Our exclusive contract runs until Jan 21, 2032. Unlike many competitors, our policies carry RV-specific endorsements, including automatic personal effects coverage, optional replacement cost coverage, RV storage coverage and full-time liability coverage, as well as the ability to bundle coverage for RVs and passenger cars in a single policy billed on a combined statement.
- **Small Business Auto** – We provide liability and physical damage coverage for light-to-medium duty commercial vehicles, focused on artisan vehicles, with an average of two vehicles per policy.
- **Motorcycle** – We provide coverage for most types of motorcycles, as well as golf carts and all-terrain vehicles.

\$2.8 billion Auto 2017 GWP



# P&C: Non-Standard Auto

- **Higher-risk sector of the overall market**
  - New driver
  - Driver with moving violations/credit problems
  - Purchase minimum limits
  - Unusual drivers license status
- **Makes purchasing decisions based on availability of funds and affordability**
- **Shorter policy duration with lower limits than standard policies**
- **High lapse-rate**
- **More susceptible to fraud**



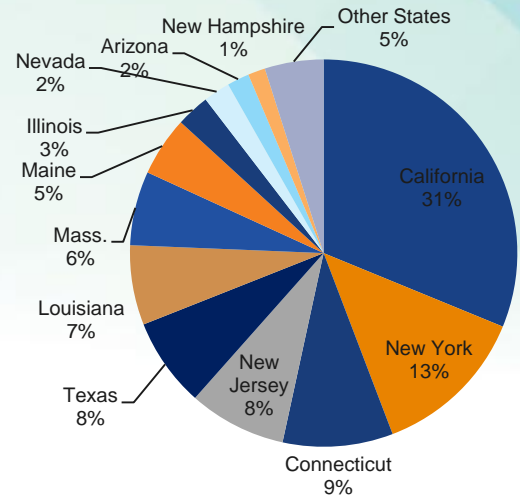
## P&C: Automobile – Market Opportunity

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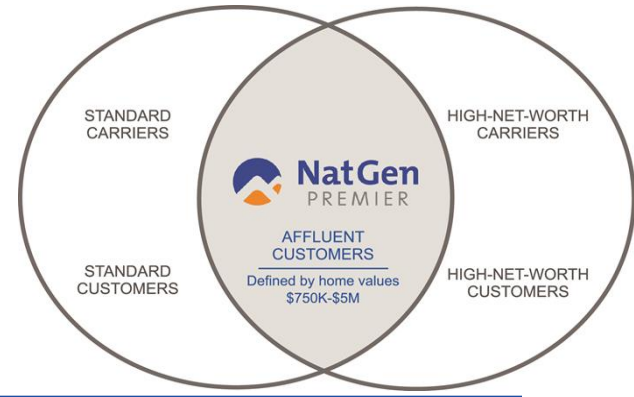
- **Loss Cost Trends** – Loss cost trends have been increasing over the last few years, as both frequency and severity have experienced upticks.
  - Miles driven (healthy economy, gas prices)
  - More cars on the road
  - Distracted driving
  - Increasing cost of auto technology
- **Technology** – Transaction heavy industry that benefits from data analytics, greater access to loss trend information and pricing sophistication. The market is highly fragmented, with the majority of smaller/more regional players under-invested in technology. Competitors that have not kept pace with technological advancements are more susceptible to adverse selection.
- **Scale** – Thin underwriting margins and low investment returns have made it difficult to sustain market share and profitability.
- **These Dynamics Create a Growth Opportunity for NGHC**
  - **Organic** – Above expected organic growth rates experienced in 2017 and the first half of 2018
  - **Acquisition** – Acquisition opportunities of struggling providers

# P&C Overview: Home and Package

**\$560 million Home 2017 GWP**



- **Homeowners/Umbrella/Package** – Our homeowners policies are generally multiple-peril, providing property and liability coverages for one- and two-family, owner-occupied residences. We also provide additional coverage to the homeowner for personal umbrella.
  - Target standard/preferred customer base
  - Package offering with auto/umbrella improves customer retention
    - We offer one policy, one invoice
  - We have one of the best policy processing systems in the market
  
- **High Net Worth Opportunity** – NatGen Premier offers homeowners and package policies for the HNW market, with a target market of home values between \$750 thousand and \$5 million. Our focus is on home values in the \$1-3 million range, or what we define as the mass affluent market.
  - The NatGen Premier product suite is generally aligned to the HNW market: offering guaranteed replacement cost on building and contents, no time limit on loss of use with cash out options available, offering additional coverage for collections and umbrella (with limits up to \$10 million), and all properties are inspected by vendors that specialize in HNW homes. Package offering with auto/umbrella improves customer retention
  - We continue to expand our NatGen Premier product



## P&C Overview: Lender Placed

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We acquired the Lender Placed platform in 2015, which facilitated our entry into the homeowners and auto lender-placed insurance line with an industry leading platform and management team. National General Lender Placed, the second largest lender-placed insurance platform in the U.S., produced \$345 million of gross written premium in 2017. The company has an industry leading technology platform supported by comprehensive enterprise risk management capabilities, offering a full suite of lender-placed insurance products to customers through three distinct operating units:

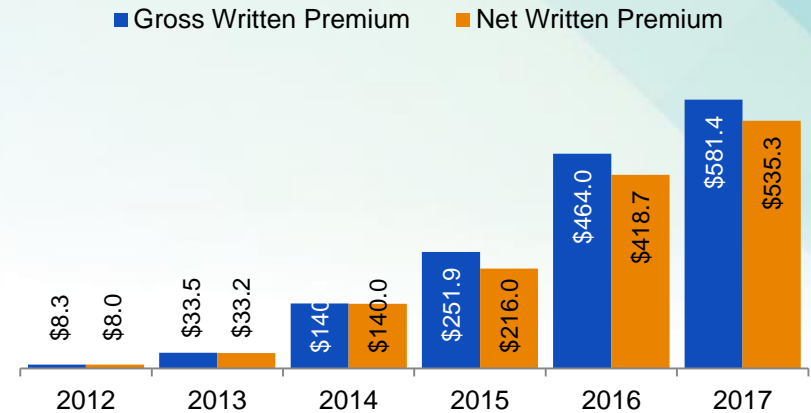
- **LPI Home** – The second largest LPI home platform in the U.S., offering fire, home, and flood products, as well as tracking and other ancillary services to financial institution clients.
- **LPI Auto** – We offer collateral protection insurance (CPI), guaranteed asset protection (GAP) and insurance recovery services for automobiles
- **Seattle Specialty Insurance Services (SSIS)** – An agency and tracking business focused on the smaller niche loan servicer that offers a full range of coverage options underwritten by third-party insurance carriers.

# ACCIDENT & HEALTH

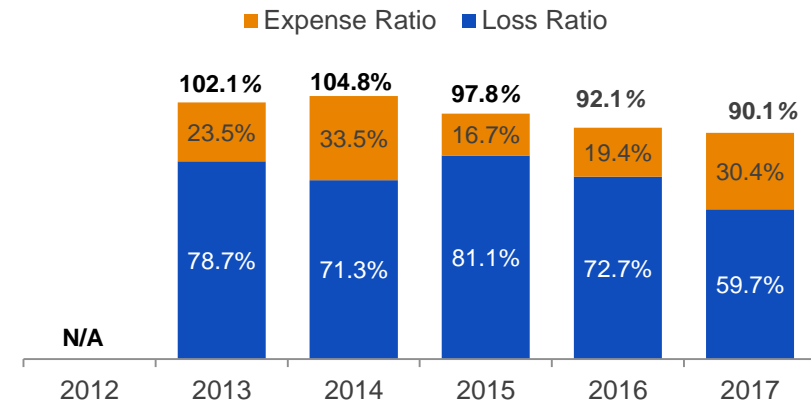
# Accident & Health

- **History:** Entered in 2012
- **Premium Volume:** \$581 million of GWP in 2017, \$981 million of managed premium in 2017
- **Geography:** Operates in the U.S. and Europe
- **Business Detail:**
  - **U.S. Domestic** – Through various distribution sources, we provide niche supplemental and non-major medical insurance products, which are written on National Health Insurance Company (NHIC) paper, to individuals and small employer groups. Additionally, we provide major medical policies not written on our paper through our various distribution sources.
    - **Distribution:** Call Center Agency (VelaPoint), Independent Agency (AHCP), Worksite Marketing (TABS), North Star Marketing (NSM), Managing General Agency (HST), Large 3<sup>rd</sup> Party General Agencies
    - **Products:** Accident/AD&D, Limited Medical/Hospital Indemnity, Short Term Medical, Cancer/Critical Illness, Small Group Self-Funded (Stop Loss), Term Life, Dental and Vision.
  - **Europe** – Through EuroAccident, a Swedish managing general agency, we provide health insurance (predominantly personal medical insurance or PMI) to large groups and individuals in Sweden. Business is written on NGHC paper as of April 1, 2014.

**Gross and Net Written Premium (\$ in millions)\***



**Combined Ratio\***



\* **NOTES:** Expense Ratio and Combined Ratio exclude the impact of non-cash amortization of intangible assets and impairment of goodwill.

# A&H: Product Overview

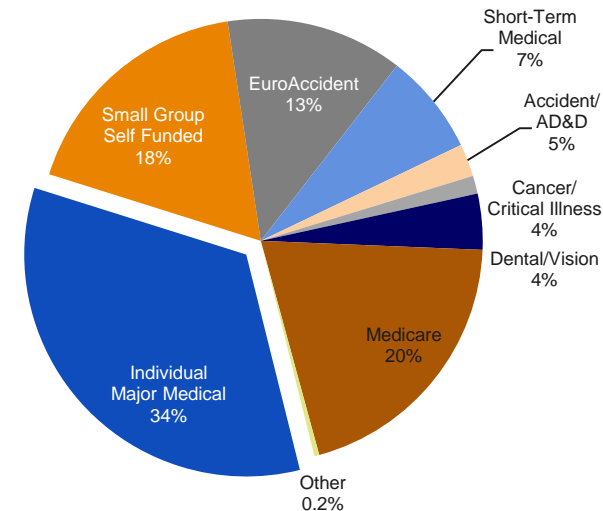
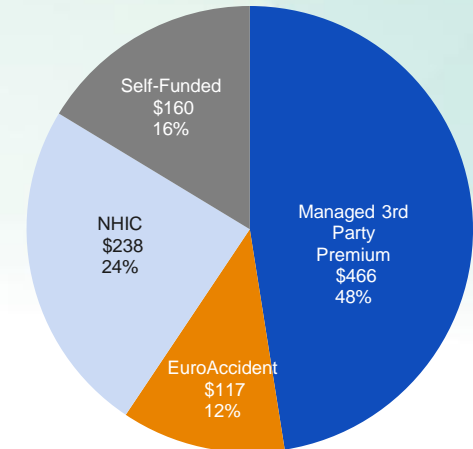
## Individual Health

- **Short Term Medical** – These plans offer major medical coverage to individuals for a prescribed short duration. Carriers may still underwrite and install basic cost protection devices like pre-existing condition limitations.
- **Supplemental Plans** – These plans are packaged with core medical coverage to help bridge the gap until the deductible in the event of a critical illness or accident or provide ancillary coverage's such as dental and vision.
- **Limited Medical/Hospital Indemnity** – These plans are excellent supplements to high deductible plans – helping mitigate high catastrophic individual out of pocket expenses. They can also be sold as stand alone programs, offering basic insurance for those that cannot afford or do not wish to pay for more expensive major medical plans.

## Group Benefits

- **Small Group Self-Funded /Stop Loss** – We offer a wide array of self-funded/stop loss programs for small and large employers, as permitted by state law. We also package our non-major medical coverages with stop loss programs.
- **EuroAccident** – We provide health insurance (predominantly personal medical insurance or PMI, which is an enhanced medical policy that supplements a national health care plan) to large groups and individuals in Sweden.

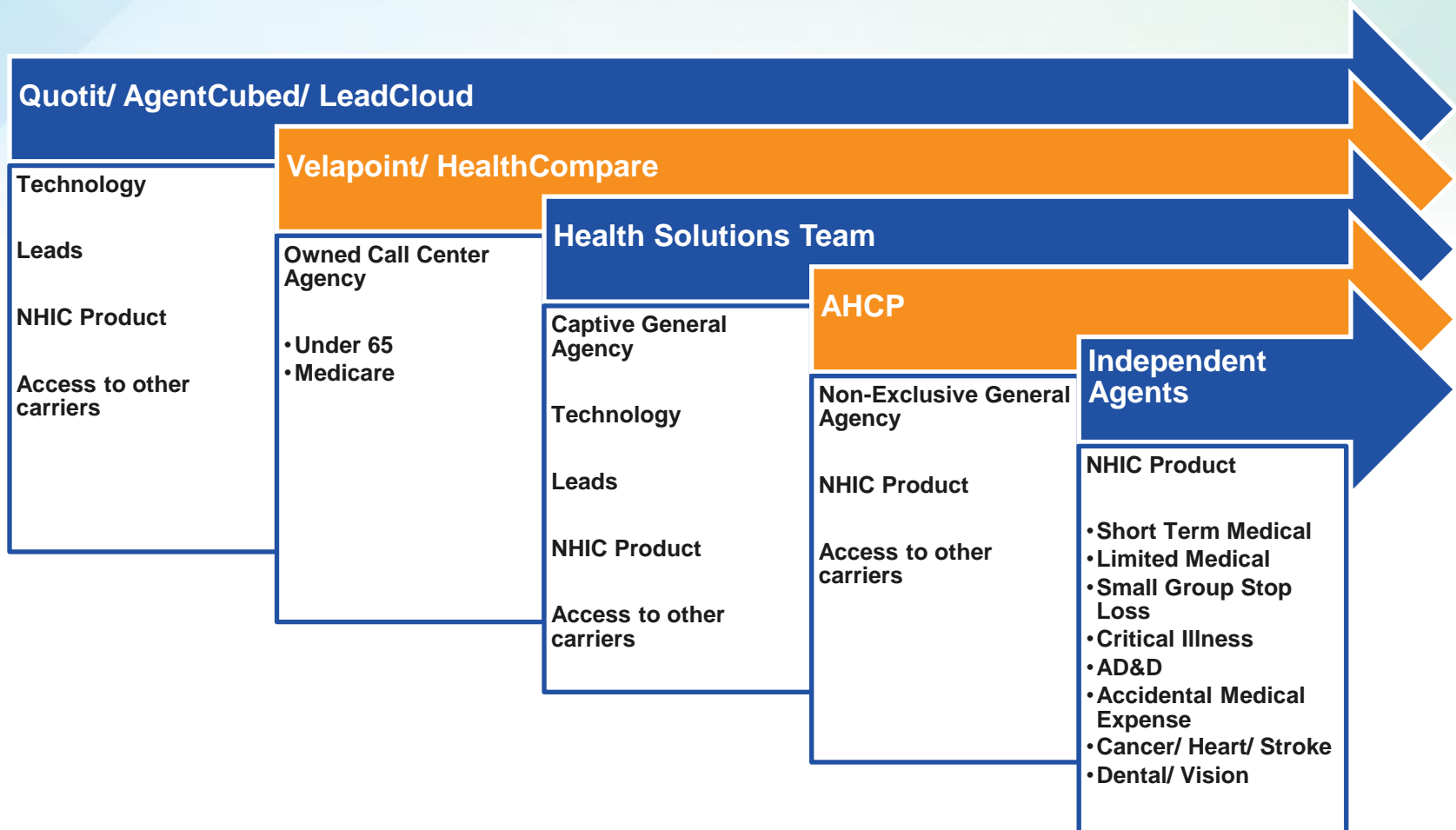
A&H 2017 managed & GWP: \$981 million





# A&H: Structure Overview

National General's A&H Segment boasts a leading carrier in its niche slice of the individual A&H and small group markets, leading product distribution and technology



## Accident & Health Expansion

The A&H segment presents a significant opportunity – with the continuing evolution of the Patient Protection and Affordable Care Act (PPACA), there is substantial demand for alternative and supplemental products. The key acquisitions we have completed to build out the segment are as follows:

<b>VelaPoint</b>	<ul style="list-style-type: none"> <li>Acquired in February 2012.</li> <li>General agency call center that sells a full range of supplemental &amp; individual major medical policies via state/federal exchanges and third-party carriers.</li> </ul>
<b>America's HealthCare Plan (AHCP)</b>	<ul style="list-style-type: none"> <li>Acquired in February 2012.</li> <li>MGA/program manager that works with &gt; 4,300 independent agents/general agents across the U.S. to provide an array of insurance products, including those from third-party insurers.</li> </ul>
<b>The Association Benefits Solutions (TABS)</b>	<ul style="list-style-type: none"> <li>Acquired in September 2012.</li> <li>Administers specialty self-insurance arrangements, offering ERISA qualified self-insured plans to employers in affinity associations or trade groups and selling medical stop loss coverage to employers.</li> </ul>
<b>National Health Insurance Company (NHIC)</b>	<ul style="list-style-type: none"> <li>Acquired in November 2012.</li> <li>Texas domiciled life/health insurer established in 1979 and licensed in 48 states &amp; DC.</li> <li>NHIC serves as the underwriting company for our A&amp;H segment.</li> </ul>
<b>Healthcare Solutions Team (HST)</b>	<ul style="list-style-type: none"> <li>Acquired in January 2015.</li> <li>MGA that partners with ~500 independent agents across U.S. to provide a wide range of A&amp;H products.</li> </ul>
<b>Assurant Health</b>	<ul style="list-style-type: none"> <li>Transaction closed October 2015.</li> <li>The transaction includes certain business lines and assets from Assurant Health, including the small group self-funded and supplemental product lines, as well as North Star Marketing, a proprietary small group sales channel.</li> </ul>
<b>HealthCompare, Quotit</b>	<ul style="list-style-type: none"> <li>Acquired in January 2017.</li> <li>HealthCompare is a consumer facing website and call center that sells health insurance products primarily to seniors.</li> <li>Quotit is a comparative rater that connects carriers, brokers, and consumers with insurance rates and benefits online.</li> </ul>
<b>AgentCubed</b>	<ul style="list-style-type: none"> <li>Acquired in June 2017.</li> <li>Lead distribution and CRM software solution specific to the insurance industry.</li> </ul>

## Recent Accomplishments

✓	Fully Integrated accretive acquisition/renewal rights	<ul style="list-style-type: none"> <li>▪ Century National</li> <li>▪ Standard Mutual</li> <li>▪ Direct General Insurance</li> <li>▪ Nationwide Non-Standard Auto Renewal Rights Transaction</li> <li>▪ Quotit and HealthCompare</li> </ul>
✓	Entered into quota share reinsurance agreement with highly rated third parties	<ul style="list-style-type: none"> <li>▪ 15% quota share reinsurance agreement on our auto book with Hannover Re</li> <li>▪ 42% quota share reinsurance agreement on our home book led by Everest Re and Munich Re</li> </ul>
✓	Continued profitability despite challenging macro conditions in P&C	<ul style="list-style-type: none"> <li>▪ GWP growth of 25% in year 2017 in our core markets at solid margins achieving or surpassing our target combined ratio</li> </ul>
✓	Moved to “Big Four” audit firm	<ul style="list-style-type: none"> <li>▪ Hired Ernst and Young to act as our audit firm for 2017</li> <li>▪ Received a clean audit</li> </ul>
✓	Transitioned asset management	<ul style="list-style-type: none"> <li>▪ Moved our \$3B+ dollar investment portfolio to Blackrock</li> </ul>
✓	Acquired our own policy system	<ul style="list-style-type: none"> <li>▪ Brought NPS (New Policy System - our policy administration system) in-house, strengthening our underwriting capabilities</li> </ul>
✓	Entered into a new homeowner’s market	<ul style="list-style-type: none"> <li>▪ Successfully launched the NatGen Premier product in the affluent homeowner’s market</li> <li>▪ Outperformed the market in both the CA Wildfires and Hurricane CAT events in 2017, demonstrating our expertise in exposure and risk management</li> </ul>
✓	Collaboration with MS & AD affiliate	<ul style="list-style-type: none"> <li>▪ Will support and be the underwriting insurer for Toyota Insurance Management solutions in the sale of behavior-based telematics auto insurance for Toyota connected cars</li> <li>▪ Issued \$30M in non-cumulative convertible preferred stock to Aioi Nissay Dowa Insurance Co., Ltd. in conjunction with the collaboration</li> </ul>

# The National General Advantage

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1

We have **proven leadership with an experienced management team** that has a history of creating shareholder value

2

We have built a **technology driven infrastructure** which creates operational efficiencies that result in reduced expenses and increased profitability

3

We have an intense focus on **profitable underwriting and disciplined expense management**

4

We will **opportunistically pursue acquisitions** to augment our organic growth opportunities

5

Our **sizable fee income stream increases our capital flexibility** and is expected to continue to grow

6

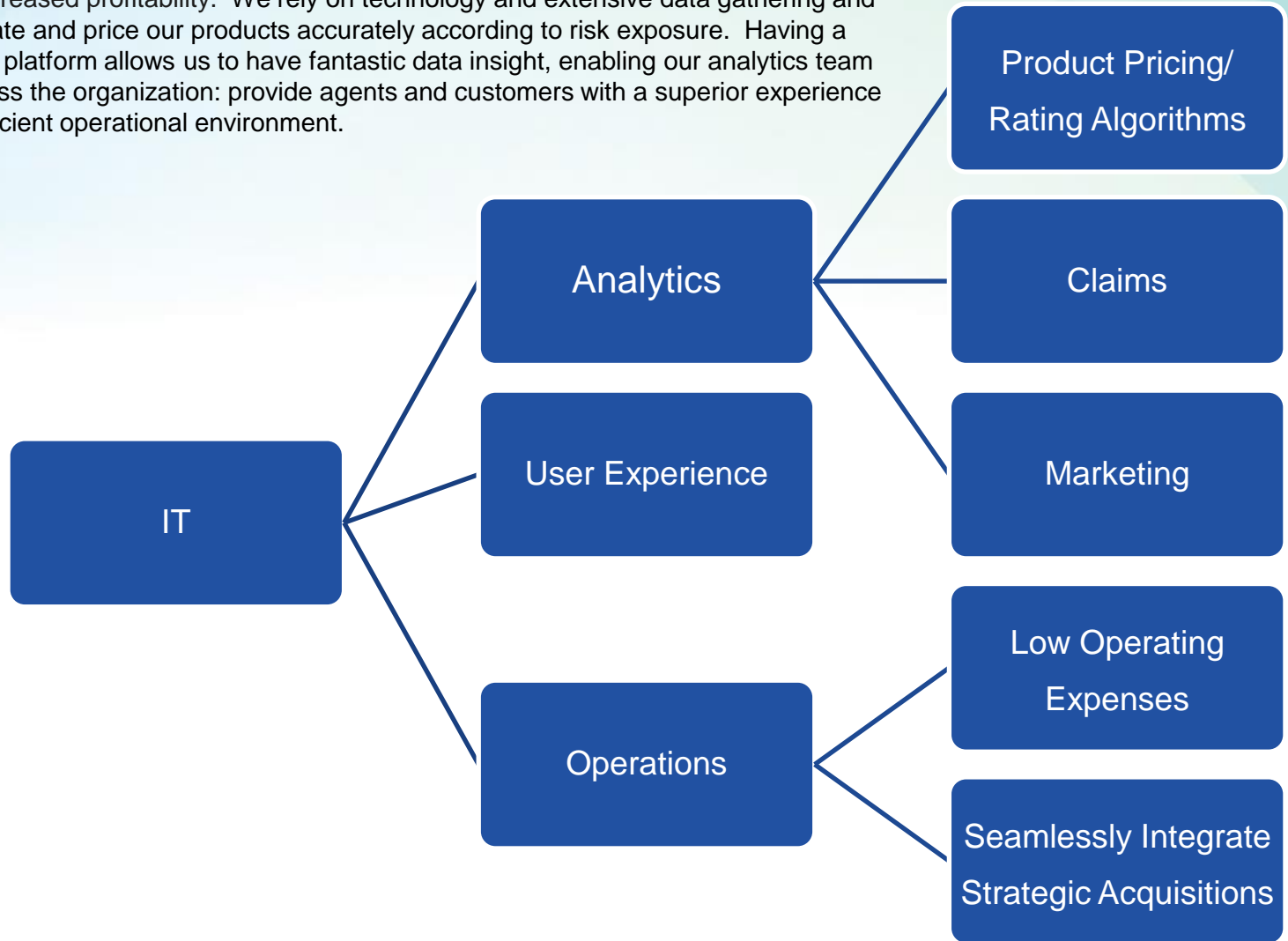
We have a **strong balance sheet** with a conservative investment portfolio, stable loss reserves, and a solid capital position

# Management Team

<b>Barry Karfunkel</b> Co-Chairman Chief Executive Officer	<ul style="list-style-type: none"> <li>9+ years experience in the financial services industry</li> <li>Joined National General at inception in 2010, where he has served on the Board of Directors and as Executive Vice President, President, and now Chief Executive Officer</li> <li>Previous experience: Maiden Capital Solutions, AmTrust Capital Partners</li> </ul>
<b>Robert Karfunkel</b> Co-Chairman President	<ul style="list-style-type: none"> <li>Joined National General at inception in 2010, where he has served on the Board of Directors and as Executive Vice President – Strategy and Development, Chief Marketing Officer, and now President.</li> <li>Serves as a director of many National General subsidiaries and prior experience includes Maiden Reinsurance</li> </ul>
<b>Michael Weiner</b> Executive Vice President Chief Financial Officer	<ul style="list-style-type: none"> <li>20+ years of experience in the financial services and insurance industry</li> <li>Joined National General in March 2010</li> <li>Previous experience: Cerberus, Citigroup, KPMG LLP and Bankers Trust Co.</li> </ul>
<b>Jeffrey Weissmann</b> Executive Vice President General Counsel & Secretary	<ul style="list-style-type: none"> <li>15+ years of experience in financial services and insurance industry legal affairs</li> <li>Joined National General as General Counsel &amp; Secretary in 2011</li> <li>Previous Experience: Cadwalader, Wickersham &amp; Taft, LLP in securities, mergers &amp; acquisitions and corporate governance</li> </ul>
<b>Doug Hanes</b> Executive Vice President P&C Product Management	<ul style="list-style-type: none"> <li>10+ years of experience in the insurance industry</li> <li>Joined National General (via GMAC Insurance) in February 2006</li> <li>Previous experience: FirmLogic LLC (Litigation Consulting Firm), National Institutes of Health</li> </ul>
<b>Andy McGuire</b> Executive Vice President National General Preferred	<ul style="list-style-type: none"> <li>20+ years of experience in the insurance industry</li> <li>Joined National General (via Tower transaction) in September 2014</li> <li>Previous experience: Tower Group, Fireman's Fund, Zurich North America, Allstate and Safeco</li> </ul>
<b>Art Castner</b> President National General Lender Services	<ul style="list-style-type: none"> <li>20+ years of experience in the insurance industry</li> <li>Joined National General in October 2015 (via QBE Lender-Placed Insurance acquisition)</li> <li>Previous experience: QBE North America, Ocwen Financial Corporation</li> </ul>
<b>Jim McCoy</b> Senior Vice President Chief Actuary and Chief Risk Officer	<ul style="list-style-type: none"> <li>20 years of actuarial experience in pricing and reserving capacities for both commercial and personal lines</li> <li>Joined National General in 2018</li> <li>Pervious experience: Chief Actuary at AIG's international business. Fellow of the Casualty of Actuaries (FCAS).</li> </ul>
<b>Peter Rendall</b> Executive Vice President Chief Operating Officer, CRO & Treasurer	<ul style="list-style-type: none"> <li>16+ years of experience in the insurance industry</li> <li>Joined National General (via GMAC Insurance) in August 2002</li> <li>Previous experience: various roles at GMAC/National General, Integrated Services, Inc. (software)</li> </ul>
<b>Aaron Kuluk</b> Executive Vice President Retail Distribution	<ul style="list-style-type: none"> <li>14+ years of experience in the insurance industry</li> <li>Joined National General in November 2013</li> <li>Previous experience: various management roles at National General and subsidiaries, Sequoia Insurance</li> </ul>
<b>Mike Bentz</b> Senior Vice President National General Benefits Solution	<ul style="list-style-type: none"> <li>10+ years of experience in the Insurance Industry</li> <li>Joined National General in October 2015</li> <li>Previous experience: Assurant Health, Mickinsey &amp; Company</li> </ul>
<b>Tom Newgarden</b> Executive Vice President Business Development	<ul style="list-style-type: none"> <li>25+ years of experience in the insurance industry</li> <li>Joined National General in August 2010</li> <li>Previous experience: Safeco and AIG</li> </ul>

# Technology Infrastructure

We seek to leverage technology to create operational efficiencies which result in reduced expenses and increased profitability. We rely on technology and extensive data gathering and analysis to evaluate and price our products accurately according to risk exposure. Having a fully integrated IT platform allows us to have fantastic data insight, enabling our analytics team to add value across the organization: provide agents and customers with a superior experience and create an efficient operational environment.



# Technology Platform

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## NPS

### *Policy Administration*

- Our comprehensive state of the art policy administration system.
- NPS allows for policy quoting, binding, and servicing and allows agents to more quickly sell our products while providing tools to help them service business and bind more National General policies.
- NPS is scalable to allow for future organic and acquisition growth.

## RAD 5.0

### *Underwriting/Pricing*

- An underwriting pricing tool developed by our predictive analytics team that more accurately prices specific risk exposures to assist us in profitably underwriting P&C products.
- RAD 5.0 offers numerous additional components and pricing strategies such as supplemental risk and improved credit modeling, and facilitates better pricing over the lifetime of a policy by employing lifetime value modeling.
- We believe that RAD 5.0 provides us with a competitive advantage for pricing our products relative to other auto insurers of our size.

## EPIC

### *Claims*

- Our proprietary Siebel-based claims system.
- We believe we are ahead of the curve from an industry standpoint with EPIC, which is a fully paperless and scalable claims system that includes workload management, document management, automatic assignment logic and seamless integration with over twenty different interfaces.
- The claims system has been upgraded to the latest Siebel platform, which allows for the latest browsers and mobile applications.

# Focus on Profitable Underwriting

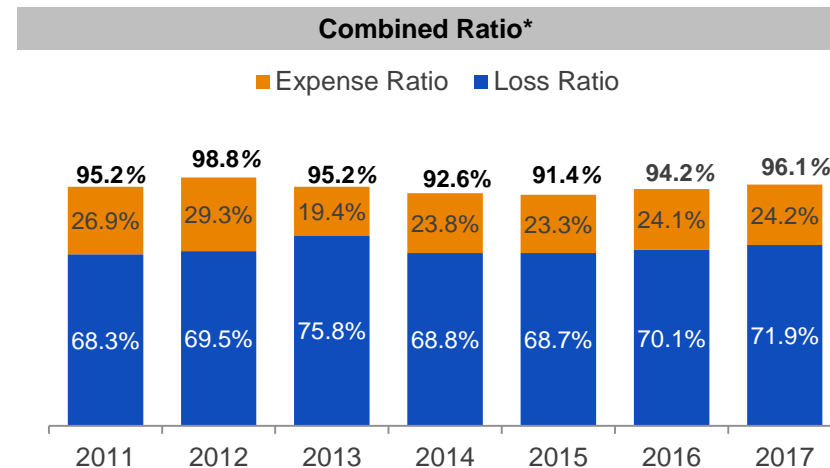
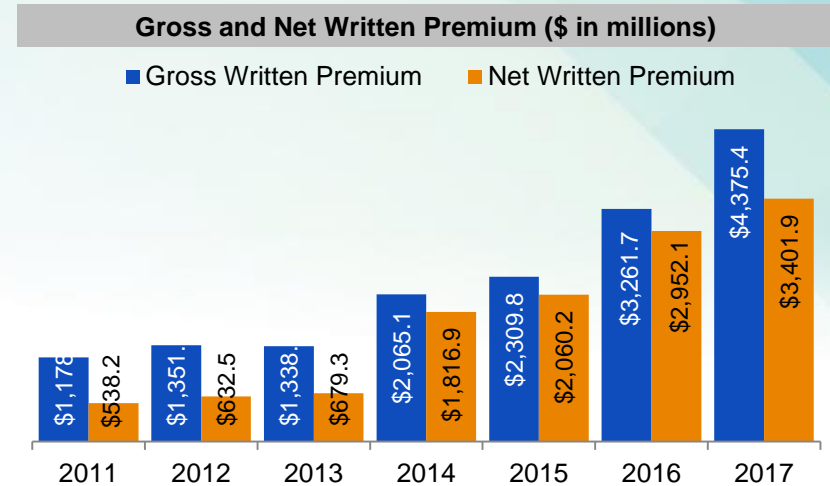
**We target mid-single digit organic growth with a companywide combined ratio\* of 92-94%.**

## Focus on Profitable Underwriting:

- Our focus on specialty markets and niche distribution channels provides the greatest opportunity for achieving superior long-term growth and profitability.
- Our sophisticated analytics drives better risk selection and improved margins.

## Disciplined Expense Management:

- We seek to leverage technology to create operational efficiencies which result in reduced expenses.
- We maintain a flat organizational structure where high level executives review sizable companywide expenses on a weekly basis to ensure that costs are properly controlled.
- Since acquiring GMAC Insurance in 2010, we have taken numerous steps to right-size the expense base of the company in order to improve overall profitability.



\* NOTE: Expense Ratio and Combined Ratio exclude the impact of non-cash amortization of intangible assets and impairment of goodwill.



# Growth Through Strategic Transactions

Since taking over the company in 2010, we have completed multiple acquisitions which have built National General into the well diversified personal lines insurer it is today. We target acquisitions of carriers with good underwriting and high expenses; and will look at renewal rights transactions, book rolls, new products, distribution, underwriting teams, etc.

<b>1939:</b> Motors Insurance Corporation (MIC) is formed by GMAC	<b>1980:</b> MIC starts offering automobile liability insurance to GM employees	<b>1991:</b> GMAC purchases National General Insurance Companies and now provides insurance through affinity groups and a broader product offering to GM and GMAC employees	<b>1997:</b> GMAC purchases Integon, a publicly traded NC-based insurance group with independent agency distribution in 20 states	<b>1999:</b> MIC, National General Insurance and Integon start operating under the GMAC Insurance name	<b>2006:</b> GMAC Insurance acquires MEEMIC and GM sells 51% controlling interest in GMAC to a consortium of investors led by Cerberus Capital Management	<b>2008:</b> GMAC launches strategic review of insurance operations
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## PRIOR OWNERSHIP

## CURRENT OWNERSHIP

<b>March 2010:</b> NGHC purchases GMAC Insurance	<b>September 2011:</b> Acquisition of Agent Alliance	<b>February 2012:</b> Acquisition of VelaPoint/ America's Health Care Plan (AHCP)	<b>November 2012:</b> Acquisition of National Health Insurance Company (NHIC)	<b>April 2013:</b> Acquisition of Euro Accident	<b>June 2014:</b> Acquisition of Imperial	<b>September 2014:</b> Tower Group Personal Lines Transaction closes	<b>April 2015:</b> Acquisition of Assigned Risk Solutions	<b>October 2015:</b> Acquisition of QBE Lender-Placed Insurance	<b>October 2016:</b> Acquisition of Standard Property and Casualty Insurance Company (f/k/a Standard Mutual)	<b>December 2016:</b> Renewal Rights of Nationwide Non-Standard Auto	<b>July 2018:</b> Acquisition of LeadCloud
<b>July 2011:</b> Renewal Rights of American Modern	<b>December 2011:</b> Acquisition of ClearSide General	<b>September 2012:</b> Acquisition of TABS companies	<b>2013:</b> Form European life and non-life insurers	<b>April 2014:</b> Acquisition of Personal Express	<b>July 2014:</b> Acquisition of Agent Alliance Insurance Company	<b>January 2015:</b> Acquisition of Healthcare Solutions Team	<b>October 2015:</b> Acquisition of Certain Businesses from Assurant Health	<b>June 2016:</b> Acquisition of Century National Insurance Company	<b>November 2016:</b> Acquisition of Direct General Corporation	<b>January 2017:</b> Acquisition of Quotit® and HealthCompare®	

## NGHC: Investment Opportunity

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*We are a diversified insurance holding company with the ability to leverage a unique portfolio of differentiated products to generate industry leading underwriting and overall profitability, driven by:*

- **Strong Premium Growth** – we expect to continue to produce strong top line growth through continued selective acquisitions, the integration of a homeowners product offering, further expansion of A&H lines, organic growth within our core P&C book, and additional technology-driven product offerings.
- **Disciplined Expense Management** – we aim to produce peer-group leading expense ratios, driven by our new policy administration system, state of the art technology and an intense focus on disciplined expense management.
- **Focus on Acquisitions** – we expect acquisitions to boost results, and we will continue to look at opportunistic M&A as a way to build our company.
- **A&H Opportunity** –we expect significant demand for supplemental and small group self-funded products to continue, and we see a significant opportunity for growth in this space.
- **Experienced Management Team** – our senior management team has extensive experience in insurance and financial services, with a demonstrated track record of delivering shareholder value.
- **Strong Balance Sheet** – our balance sheet is well positioned with a conservative investment portfolio, a solid capital position, and adequate reserves.

**We target a low-teens ROE across market cycles**

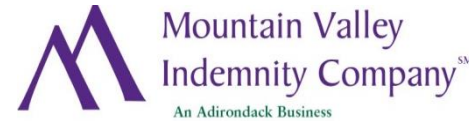
# Companies and Partners



North Star Marketing



ADIRONDACK INSURANCE EXCHANGE®



Healthcare Solutions Team®  
A Plan for Everyone®



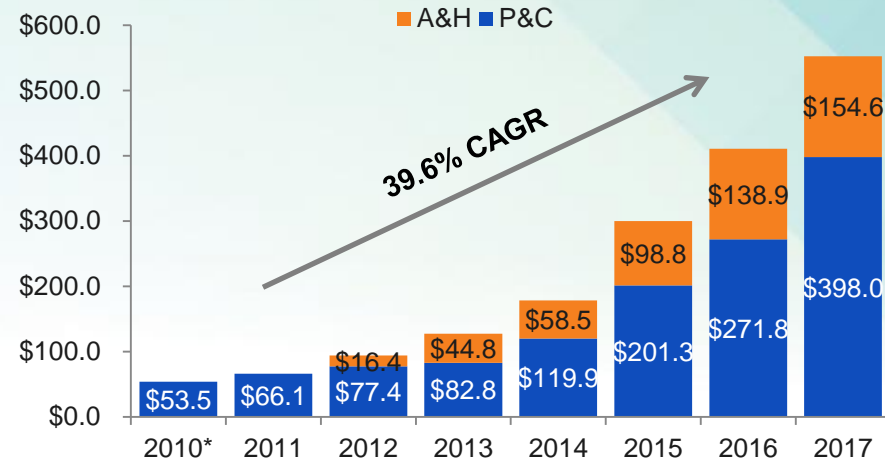
# APPENDIX: SUPPLEMENTARY INFORMATION

# Fee Income

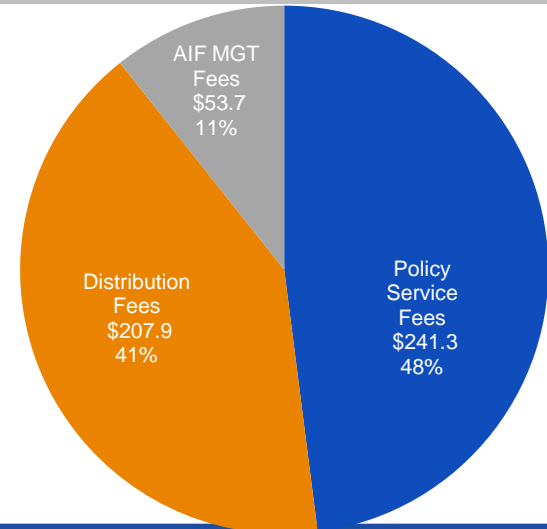
We generate fee income, which increases our capital flexibility, within both our P&C and A&H segments. Our core agency auto states have historically been the primary contributor to fee income, but we expect continued fee growth to come from the expansion of our A&H segment, the addition of fee income from acquisitions, and the addition of management fees from the Attorneys-in-Fact (AIF) that manage the reciprocal exchanges. Our main sources of our fee income include:

- **Policy Service Fees** – We charge policy service fees (including fees for installment plans, policy renewal, non-sufficient funds, late payments, cancellations and various financial responsibility filing fees) which are generally designed to offset expenses incurred in the administration of our insurance business (both P&C and A&H segments).
- **Distribution Fees** – We collect service fees as commissions and general agent fees for selling policies issued by third-party insurance companies, on which we do not bear underwriting risk (both P&C and A&H segments).
- **AIF Management Fees** – We charge a fee for managing the reciprocal exchanges through the Attorneys-in-Fact, which were included in the Tower Personal Lines transaction that closed on September 15, 2014 (P&C segment). We note that these fees are eliminated in consolidated GAAP results.

Service and Fee Revenue (\$ in millions)



2017 Service and Fee Revenue by Category (\$ millions)



\* NOTE: Period from March 1, 2010 (Inception) to December 31, 2010.

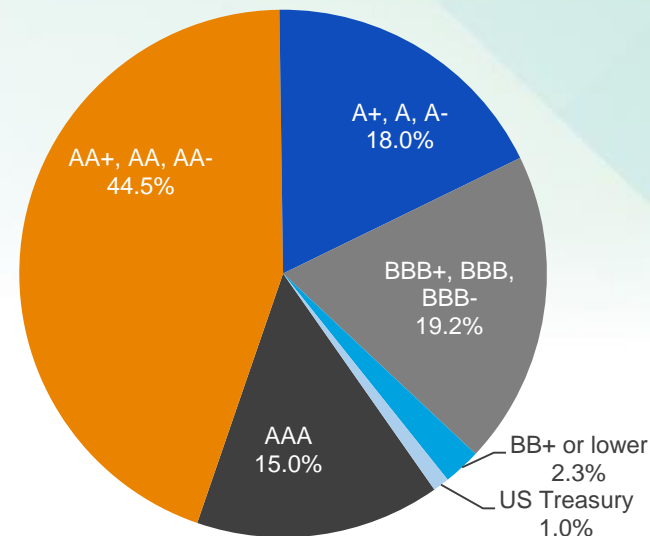
# Conservative Investment Portfolio

## Composition by Asset Class (\$ in millions) at June 30, 2018

### Fair Value at June 30, 2018

	Consolidated Total	% of Portfolio
Preferred Stock	\$ 0.5	0.0%
Common Stock	42.0	1.0%
<b>Total Equities, available-for-sale</b>	<b>42.5</b>	<b>1.1%</b>
Corporate Bonds	1,064.9	26.4%
Residential MBS	951.3	23.5%
Commercial MBS	379.8	9.4%
Structured Securities	296.3	7.3%
Municipal Bonds	287.3	7.1%
Foreign Government	83.1	2.1%
U.S. Treasuries & Federal Agency	59.4	1.5%
Asset-Backed Securities	16.7	0.4%
<b>Total Fixed Maturities, available-for-sale</b>	<b>3,138.8</b>	<b>77.7%</b>
<b>Subtotal Equities &amp; Fixed Maturities, available-for-sale</b>	<b>3,181.3</b>	<b>78.7%</b>
<i>Other Investments</i>		
Cash & Cash Equivalents	338.3	8.4%
Equity in Unconsolidated Subsidiaries	233.1	5.8%
Other Investments	76.5	1.9%
Short Term Investments	145.5	3.6%
Restricted Cash and Cash Equivalents	66.1	1.6%
<b>Total Investment Portfolio</b>	<b>\$ 4,040.6</b>	<b>100.0%</b>

## Fixed Income Composition by Ratings at June 30, 2018



## Fixed Income Portfolio Key Statistics at June 30, 2018

**Average Yield: 3.0%**

**Average Duration: 4.0 years**



## Capital Position

Recent capital actions include:

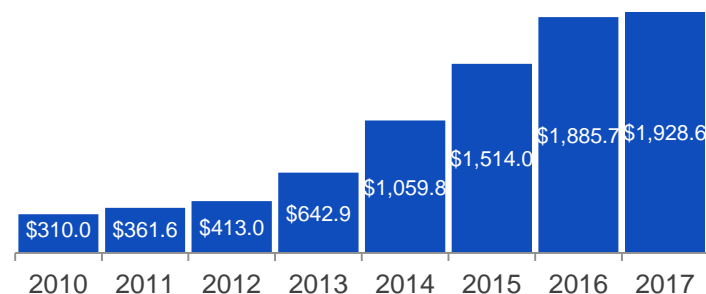
- On March 27, 2015, we closed on \$150.0 million of 7.50% Series B Non-Cumulative Preferred Stock redeemable on or after April 15, 2020. On April 6, 2015, the underwriters over-allotment option was exercised for an additional \$15.0 million.
- On August 18, 2015 we closed a Follow-On Offering of 11.5 million common shares at \$19.00 per share (including the underwriters over-allotment option), generating approximately \$210.9 million of net proceeds.
- On August 18, 2015 we closed an offering of \$100 million in aggregate principal amount of 7.625% Subordinated Notes due 2055, resulting in net proceeds of \$96.85 million.
- On October 8, 2015 we closed on a private issuance of \$100 million in aggregate principal amount of 6.75% Senior Unsecured Notes due 2024, resulting in net proceeds of approximately \$98.85 million.
- On January 25, 2016, we entered into a \$225 million revolving credit facility with a letter of credit sub-limit of \$25 million and an expansion feature up to \$50 million. The facility has a maturity date of January 25, 2020, and replaces our previous \$135 million credit agreement.
- On July 7, 2016, we closed on \$200.0 million of 7.50% Series C Non-Cumulative Preferred Stock redeemable on or after July 15, 2021.

**We expect to be able to write business with operating leverage of up to approximately 1.8x total capital.**

### NGHC Capital Position (\$ in millions)

	<u>June 30, 2018</u>
<b>Shareholders' Equity</b>	<b>\$1,981.3</b>
Debt	\$705.1
<b>Total Capital</b>	<b>\$2,686.4</b>
Undrawn Amount of \$245m LOC	\$55.0
Total Available Capital	\$2,741.4
<b>Debt to Equity Ratio</b>	<b>35.6%</b>
<b>Debt to Total Capital Ratio</b>	<b>26.2%</b>

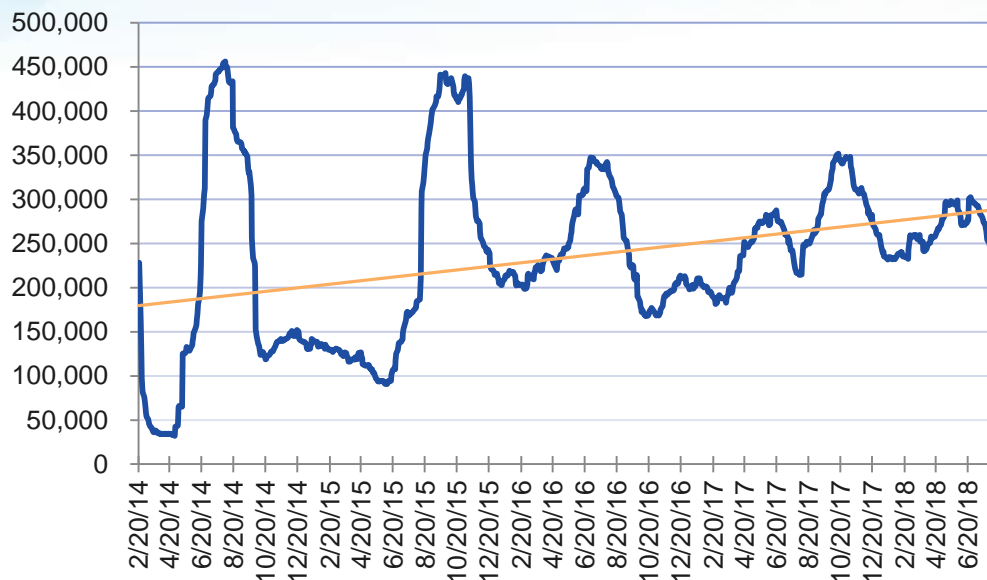
### NGHC Shareholders' Equity (\$ in millions)



# Liquidity & Ownership

- Average Daily Volume: 241,268 shares (3 month average daily volume as of August 6, 2018)
- Currently approximately 43% of our shares are owned by Affiliated Shareholders, with approximately 57% publicly floating.

3 Month Average Daily Volume



Affiliated Shareholders/Available Floating Shares

Holder	Shares (millions)	% of Shares
Karfunkel Family Trusts	45.6	42.6%
June 2013 Equity Issuance	34.2	31.9%
February 2014 Follow-On Equity Issuance	13.6	12.7%
August 2015 Follow-On Equity Issuance	11.5	10.8%
October 2016 Standard Mutual Subscription Rights	0.3	0.3%
Exercised Options/RSUs	1.8	1.7%
<b>Total</b>	<b>107.0</b>	<b>100.0%</b>

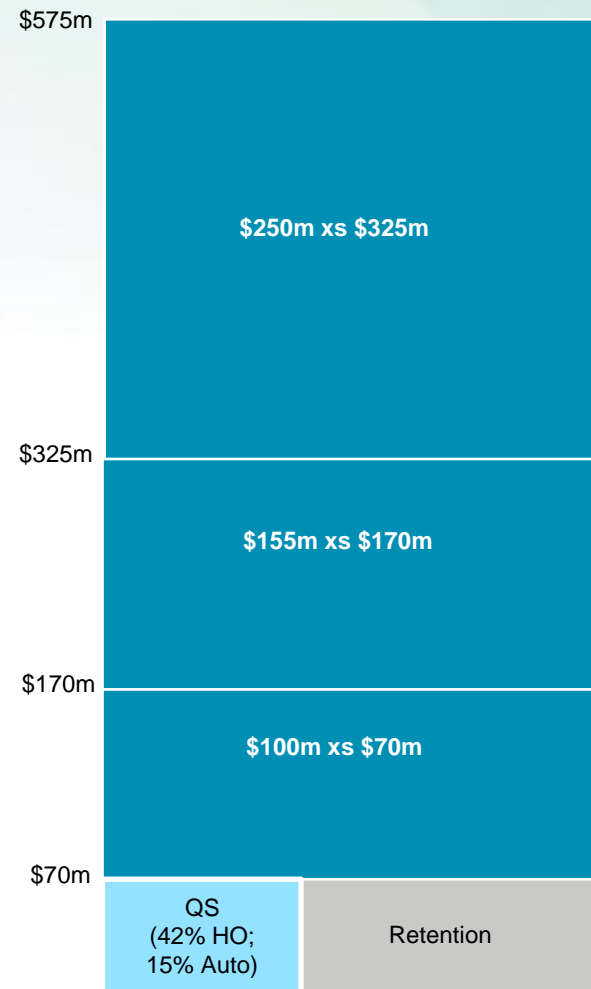


# Catastrophe Reinsurance

*We have a sizable reinsurance program that we believe conservatively protects our capital position in the case of a catastrophic event*

- Cover provides protection to the 156 year All Perils (RMS/AIR Blend) return time and to above the 250 year Northeast only Hurricane return time (AIR)
- Tower has a reinstatement for second event coverage
- Within the \$70 mln retention are the 42% homeowners' quota share and 15% auto quota share, which inures to the benefit of the company
- Panel of financially strong reinsurers
- The property catastrophe program for the Reciprocal Exchanges, which was effective July 1, 2017, provides \$355 million of coverage in excess of a \$20 million per event retention (exposure is reduced further by a 50.5% quota share arrangement), with one reinstatement.
- Our casualty catastrophe program provides \$45 million of coverage in excess of a \$5 million retention.
- For umbrella policies, we have \$9 million of coverage in excess of \$1 million retention.

May 1, 2018 – April 30, 2019



## Quota Share Reinsurance

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***Effective July 1, 2017, we entered into two separate third party quota share arrangements, each with a duration of two years***

***The quota share arrangements support the growth we are experiencing in our auto and homeowners lines of business, and have provided sideways protection to large loss events***

### Auto

- 15% of net liability under auto policies in force at 7/1/2017 and new and renewal policies issued during the term of the arrangement
- 31.2% ceding commission, subject to a sliding scale adjustment to a max of 32.8% if the loss ratio is <63.4% or a minimum of 29.6% if the loss ratio is >66.6%
- Reinsurance agreement is with Hannover Re

### Home

- 29.6% of net liability under home policies in force at 7/1/2017 and new and renewal policies issued during the term of the arrangement, which was increased to 42% effective May 1, 2018
- 42.5% ceding commission on 29.6% of the cede and 38% ceding commission on 12.4% of the cede (effective May 1, 2018)
- Reinsurance agreement is led by Everest Re and Munich Re

# APPENDIX: FINANCIAL INFORMATION

# Summary Income Statement (\$ in thousands)

	Twelve Months Ended December 31, 2016			Twelve Months Ended December 31, 2017			Three Months Ended June 30, 2018		
	NGHC	Reciprocal Exchanges	Consolidated	NGHC	Reciprocal Exchanges	Consolidated	NGHC	Reciprocal Exchanges	Consolidated
<b>Revenues:</b>									
Gross written premium	\$3,261,670	\$241,540	\$3,500,898 <sup>(A)</sup>	\$4,375,414	\$383,773	\$4,755,985 <sup>(G)</sup>	\$1,222,468	\$117,981	\$1,340,449
Net written premium	2,952,148	120,548	3,072,696	3,401,946	175,649	3,577,595	823,127	66,848	889,975
Net earned premium	2,884,776	110,395	2,995,171	3,484,305	169,871	3,654,176	891,103	51,803	942,906
Ceding commission income	2,078	43,522	45,600	56,276	60,180	116,456	41,982	13,426	55,408
Service, fees, and other income	410,771	3,862	380,817 <sup>(B)</sup>	552,580	5,794	502,927 <sup>(I)</sup>	148,108	445	130,501 <sup>(O)</sup>
Net investment income	112,977	8,716	115,187 <sup>(C)</sup>	102,229	9,325	101,950 <sup>(J)</sup>	26,183	2,205	25,995 <sup>(P)</sup>
Net realized gain/(loss) on investments	29,491	515	30,006	40,665	6,123	46,788	(18,736)	(968)	(19,704)
Other than temporary impairment losses	(22,102)	0	(22,102)	(25)	0	(25)	0	0	0
Bargain purchase gain and other revenue	24,308	0	24,308	(198)	0	(198)	0	0	0
<b>Total revenues</b>	<b>3,442,299</b>	<b>167,010</b>	<b>3,568,987 <sup>(D)</sup></b>	<b>4,235,832</b>	<b>251,293</b>	<b>4,422,074 <sup>(K)</sup></b>	<b>1,088,640</b>	<b>66,911</b>	<b>1,135,106 <sup>(Q)</sup></b>
<b>Expenses:</b>									
Loss and loss adjustment expense	2,023,064	69,216	2,092,280	2,506,242	119,840	2,626,082	628,650	41,678	670,328
Acquisition and other underwriting costs	481,865	15,148	497,007 <sup>(E)</sup>	622,269	50,160	672,429	171,300	10,560	181,860
General and administrative	677,582	65,376	709,148 <sup>(F)</sup>	887,472	80,971	912,996 <sup>(L)</sup>	219,662	22,819	224,429 <sup>(R)</sup>
Interest expense	40,180	6,506	40,180 <sup>(G)</sup>	47,086	9,604	47,086 <sup>(M)</sup>	15,038	2,393	15,038 <sup>(S)</sup>
<b>Total expenses</b>	<b>3,222,691</b>	<b>156,246</b>	<b>3,338,615 <sup>(H)</sup></b>	<b>4,063,069</b>	<b>260,575</b>	<b>4,258,593 <sup>(N)</sup></b>	<b>1,034,650</b>	<b>77,450</b>	<b>1,091,655 <sup>(T)</sup></b>
Pre-Tax Income	219,608	10,764	230,372	172,763	(9,282)	163,481	53,990	(10,539)	43,451
Provision for income taxes	43,789	(9,791)	33,998	66,918	(5,645)	61,273	9,442	(2,901)	6,541
Net income	175,819	20,555	196,374	105,845	(3,637)	102,208	44,548	(7,638)	36,910
Less: Net income attributable to Non Controlling Interest	113	20,555	20,668	0	(3,637)	(3,637)	0	(7,638)	(7,638)
Net income attributable to NGHC	175,706	0	175,706	105,845	0	105,845	44,548	0	44,548
Less: dividends on preferred shares	24,333	0	24,333	31,500	0	31,500	7,875	0	7,875
<b>Net income available to common stockholders</b>	<b>\$151,373</b>	<b>\$0</b>	<b>\$151,373</b>	<b>\$74,345</b>	<b>\$0</b>	<b>\$74,345</b>	<b>\$36,673</b>	<b>\$0</b>	<b>\$36,673</b>

NOTE: Consolidated column includes eliminations as follows: (A) \$(2,312), (B) \$(33,816), (C) \$(6,506), (D) \$(40,322), (E) \$(6), (F) \$(33,810), (G) \$(6,506), (H) \$(40,322),

(I) \$(3,202), (J) \$(55,447), (K) \$(9,604), (L) \$(65,051), (M) \$(9,604), (N) \$(65,051), (O) \$(800), (P) \$(13,880), (Q) \$(2,381), (R) \$(16,261), (S) \$(13,880), (T) \$(2,381), (U) \$(16,261)

## Balance Sheet Highlights (\$ in thousands)

	December 31, 2016			December 31, 2017			June 30, 2018		
	NGHC	Reciprocal Exchanges	Consolidated	NGHC	Reciprocal Exchanges	Consolidated	NGHC	Reciprocal Exchanges	Consolidated
<b>Assets</b>									
Total investments	\$3,413,727	\$306,345	\$3,631,064 <sup>(A)</sup>	\$3,411,730	\$327,213	\$3,649,788 <sup>(K)</sup>	\$3,415,421	\$322,114	\$3,636,306 <sup>(T)</sup>
Cash and cash equivalents	212,894	7,405	\$220,299	286,840	5,442	\$292,282	399,484	1,844	401,328
Premiums and other receivables	1,045,377	47,198	\$1,091,774 <sup>(B)</sup>	1,268,330	56,792	\$1,324,321 <sup>(L)</sup>	1,634,837	59,426	1,692,662 <sup>(U)</sup>
Reinsurance recoverable on unpaid losses	892,264	55,972	\$948,236	1,199,961	94,204	\$1,294,165	1,856,515	200,967	2,057,482
Intangible assets, net	456,695	11,025	\$467,720	400,385	3,685	\$404,070	386,258	3,595	389,853
Goodwill	158,364	0	\$158,364	174,153	0	\$174,153	181,827	0	181,827
Other assets	652,932	89,764	\$720,571 <sup>(C)</sup>	1,186,056	130,763	\$1,300,964 <sup>(M)</sup>	718,608	31,994	730,276 <sup>(V)</sup>
<b>Total Assets</b>	<b>\$6,832,253</b>	<b>\$517,709</b>	<b>\$7,238,028 <sup>(D)</sup></b>	<b>\$7,927,455</b>	<b>\$618,099</b>	<b>\$8,439,743 <sup>(N)</sup></b>	<b>\$8,592,950</b>	<b>\$619,940</b>	<b>\$9,089,734 <sup>(W)</sup></b>
<b>Liabilities</b>									
Unpaid loss and loss adjustment expense reserves	\$2,136,791	\$137,075	\$2,273,866	\$2,520,204	\$143,353	\$2,663,557	\$2,560,233	\$167,256	\$2,727,489
Unearned premiums & other service revenue	1,502,562	198,724	\$1,701,286	1,807,210	225,395	\$2,032,605	2,055,260	246,763	2,302,023
Reinsurance payable	78,949	20,662	\$98,810 <sup>(E)</sup>	329,772	69,076	\$398,047 <sup>(O)</sup>	546,300	36,455	581,154 <sup>(X)</sup>
Accounts payable and accrued expenses	331,129	13,179	\$337,910 <sup>(F)</sup>	423,054	24,682	\$431,881 <sup>(P)</sup>	659,704	25,456	664,834 <sup>(Y)</sup>
Debt	752,001	89,008	\$752,001 <sup>(G)</sup>	713,710	89,155	\$713,710 <sup>(Q)</sup>	705,077	101,229	705,077 <sup>(Z)</sup>
Other Liabilities	145,138	27,386	\$156,797 <sup>(H)</sup>	204,936	41,582	\$246,518	84,160	43,722	127,882
<b>Total Liabilities</b>	<b>\$4,946,570</b>	<b>\$486,034</b>	<b>\$5,320,670 <sup>(I)</sup></b>	<b>\$5,998,886</b>	<b>\$593,243</b>	<b>\$6,486,318 <sup>(R)</sup></b>	<b>\$6,610,734</b>	<b>\$620,881</b>	<b>\$7,108,459 <sup>(AA)</sup></b>
<b>Stockholders' Equity</b>	<b>\$1,885,683</b>	<b>\$31,675</b>	<b>\$1,917,358</b>	<b>\$1,928,569</b>	<b>\$24,865</b>	<b>\$1,953,434</b>	<b>\$1,982,216</b>	<b>(\$941)</b>	<b>\$1,981,275</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$6,832,253</b>	<b>\$517,709</b>	<b>\$7,238,028 <sup>(J)</sup></b>	<b>\$7,927,455</b>	<b>\$618,108</b>	<b>\$8,439,752 <sup>(S)</sup></b>	<b>\$8,592,950</b>	<b>\$619,940</b>	<b>\$7,244,981 <sup>(AB)</sup></b>

\* **NOTE:** Consolidated column includes eliminations as follows: (A) \$(89,008), (B) \$(801), (C) \$(22,125), (D) \$(111,934), (E) \$(801), (F) \$(6,398), (G) \$(89,008), (H) \$(15,727), (I) \$(89,155), (J) \$(105,811), (K) \$(89,155), (L) \$(801), (M) \$(15,855), (N) \$(105,811), (O) \$(801), (P) \$(15,855), (Q) \$(89,155), (R) \$(105,811), (S) \$(105,811), (T) \$(101,229), (U) \$(1,601), (V) \$(20,326), (W) \$(123,156), (X) \$(1,601), (Y) \$(20,326), (Z) \$(101,226), (AA) \$(123,156), (AB) \$(123,156)

## Segment Performance: Quarterly (\$ in thousands)

	Three Months Ended June 30,							
	2018				2017			
	P&C	A&H	NGHC	Reciprocal Exchanges	P&C	A&H	NGHC	Reciprocal Exchanges
Gross written premium	\$1,065,632	\$156,836	\$1,222,468	\$117,981	\$904,578	\$130,974	\$1,035,552	\$99,157
Net written premium	683,869	139,258	823,127	66,848	822,508	118,249	940,757	51,243
Net earned premium	734,934	156,169	891,103	51,803	804,643	134,852	939,495	42,256
Ceding commission income (primarily related parties)	41,720	262	41,982	13,426	3,128	271	3,399	18,109
Service, fees, and other income	105,167	42,941	148,108	445	94,519	43,043	137,562	1,494
<b>Total underwriting revenue</b>	<b>\$881,821</b>	<b>\$199,372</b>	<b>\$1,081,193</b>	<b>\$65,674</b>	<b>\$902,290</b>	<b>\$178,166</b>	<b>\$1,080,456</b>	<b>\$61,859</b>
Loss and loss adjustment expense	\$540,216	\$88,434	\$628,650	\$41,678	\$591,844	\$85,530	\$677,374	\$33,820
Acquisition costs and other	123,183	48,117	171,300	10,560	126,496	46,759	173,255	15,540
General and administrative	172,530	47,132	219,662	22,819	168,023	38,842	206,865	18,509
<b>Total underwriting expenses</b>	<b>\$835,929</b>	<b>\$183,683</b>	<b>\$1,019,612</b>	<b>\$75,057</b>	<b>\$886,363</b>	<b>\$171,131</b>	<b>\$1,057,494</b>	<b>\$67,869</b>
Underwriting income (loss)	\$45,892	\$15,689	\$61,581	(\$9,383)	\$15,927	\$7,035	\$22,962	(\$6,010)
Non-cash amortization of intangible assets and goodwill	6,179	2,038	8,217	(26)	10,278	1,412	11,690	(91)
<b>Underwriting income (loss) before amortization and impairment</b>	<b>\$52,071</b>	<b>\$17,727</b>	<b>\$69,798</b>	<b>(\$9,409)</b>	<b>\$26,205</b>	<b>\$8,447</b>	<b>\$34,652</b>	<b>(\$6,101)</b>
<b>Underwriting ratios</b>								
Loss and loss adjustment expense ratio <sup>(2)</sup>	73.5%	56.6%	70.5%	80.5%	73.6%	63.4%	72.1%	80.0%
Operating expense ratio (Non-GAAP) <sup>(3,4)</sup>	20.3%	33.3%	22.5%	37.7%	24.5%	31.4%	25.5%	34.2%
<b>Combined Ratio (Non-GAAP) <sup>(3,5)</sup></b>	<b>93.8%</b>	<b>89.9%</b>	<b>93.0%</b>	<b>118.2%</b>	<b>98.1%</b>	<b>94.8%</b>	<b>97.6%</b>	<b>114.2%</b>
<b>Underwriting ratios (before amortization and impairment)</b>								
Loss and loss adjustment expense ratio <sup>(2)</sup>	73.5%	56.6%	70.5%	80.5%	73.6%	63.4%	72.1%	80.0%
Operating expense ratio (Non-GAAP) <sup>(3,6)</sup>	19.4%	32.0%	21.6%	37.7%	23.2%	30.3%	24.2%	34.4%
<b>Combined Ratio (Non-GAAP) <sup>(5,7)</sup></b>	<b>92.9%</b>	<b>88.6%</b>	<b>92.1%</b>	<b>118.2%</b>	<b>96.8%</b>	<b>93.7%</b>	<b>96.3%</b>	<b>114.4%</b>

## Non-GAAP Reconciliation (\$ in thousands)

### Three Months Ended June 30,

	2018				2017			
	P&C	A&H	NGHC	Reciprocal Exchanges	P&C	A&H	NGHC	Reciprocal Exchanges
<b>Operating expense ratio (Non-GAAP)</b>								
Total underwriting expenses	\$835,929	\$183,683	\$1,019,612	\$75,057	\$886,363	\$171,131	\$1,057,494	\$67,869
Less: Loss and loss adjustment expense	540,216	88,434	628,650	41,678	591,844	85,530	677,374	33,820
Less: Ceding commission income	41,720	262	41,982	13,426	3,128	271	3,399	18,109
Less: Service, fees and other income	105,167	42,941	148,108	445	94,519	43,043	137,562	1,494
Operating expense	148,826	52,046	200,872	19,508	196,872	42,287	239,159	14,446
Net earned premium	\$734,934	\$156,169	\$891,103	\$51,803	\$804,643	\$134,852	\$939,495	\$42,256
<b>Operating expense ratio (Non-GAAP)</b>	<b>20.3%</b>	<b>33.3%</b>	<b>22.5%</b>	<b>37.7%</b>	<b>24.5%</b>	<b>31.4%</b>	<b>25.5%</b>	<b>34.2%</b>
<b>Operating expense ratio before amortization and impairment (Non-GAAP)</b>								
Total underwriting expenses	\$835,929	\$183,683	\$1,019,612	\$75,057	\$886,363	\$171,131	\$1,057,494	\$67,869
Less: Loss and loss adjustment expense	540,216	88,434	628,650	41,678	591,844	85,530	677,374	33,820
Less: Ceding commission income	41,720	262	41,982	13,426	3,128	271	3,399	18,109
Less: Service, fees and other income	105,167	42,941	148,108	445	94,519	43,043	137,562	1,494
Less: Non cash amortization of intangible assets	6,179	2,038	8,217	(26)	10,278	1,412	11,690	(91)
Operating expense before amortization and impairment	142,647	50,008	192,655	19,534	186,594	40,875	227,469	14,537
Net earned premium	\$734,934	\$156,169	\$891,103	\$51,803	\$804,643	\$134,852	\$939,495	\$42,256
<b>Operating expense ratio (Non-GAAP)</b>	<b>19.4%</b>	<b>32.0%</b>	<b>21.6%</b>	<b>37.7%</b>	<b>23.2%</b>	<b>30.3%</b>	<b>24.2%</b>	<b>34.4%</b>

# Additional Disclosures

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1. Results for the twelve months ended December 31, 2014 include only 107 days of results of the Reciprocal Exchanges as the Attorneys-in-Fact were acquired with the closing of the Tower Personal Lines transaction on September 15, 2014.
2. Loss and loss adjustment expense ratio is calculated by dividing loss and loss adjustment expenses by net earned premium.
3. Operating expense ratio and combined ratio are considered non-GAAP financial measures under applicable SEC rules because a component of those ratios, operating expense, is calculated by offsetting acquisition and other underwriting costs and general and administrative expense by ceding commission income and service and fee income.
4. Operating expense ratio is a non-GAAP measure defined by the Company, that 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 expense less ceding commission income and service and fee income. The ratio is used as an indicator of the Company's efficiency in acquiring and servicing its business. 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 presentation for the reconciliation of these non-GAAP measures to the most directly comparable GAAP measure.
5. Combined ratio is a non-GAAP measure defined by the Company, that is commonly used in the insurance industry. The Company calculates the ratio by adding the loss and loss adjustment expense ratio and the operating expense ratio (non-GAAP) 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. A combined ratio under 100% generally indicates an underwriting profit, while over 100% an underwriting loss. 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 presentation for the reconciliation of these non-GAAP measures to the most directly comparable GAAP measure.
6. Operating expense ratio before amortization and impairment is a non-GAAP measure defined by the Company, that 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 expense less ceding commission income and service and fee income 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. 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 presentation for the reconciliation of these non-GAAP measures to the most directly comparable GAAP measure.
7. Combined ratio before amortization and impairment is a non-GAAP measure defined by the Company, that is commonly used in the insurance industry. The Company calculates the ratio by adding the loss and loss adjustment expense ratio and the operating expense ratio before amortization and impairment (non-GAAP) 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. A combined ratio under 100% generally indicates an underwriting profit, while over 100% an underwriting loss. 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 presentation for the reconciliation of these non-GAAP measures to the most directly comparable GAAP measure.