



**Results of Operations for the Six Months Ended June 30, 2019** - American Overseas Group Limited announces Net Loss Of \$3.8 Million and Operating Loss of \$7.8 Million For the Six Months Ended June 30, 2019.

HAMILTON, Bermuda, September 23, 2019 (BUSINESS WIRE) -- American Overseas Group Limited (BSX: AOREF.BH) (Pink Sheets: AOREF.PK) ("AOG" or the "Company") today reported consolidated net loss available to common shareholders of \$3.8 million, or \$82.18 per diluted share, for the six months June 30, 2019. This compares to consolidated net loss available to common shareholders of \$2.4 million, or \$51.30 per diluted share, for the six months ended June 30, 2018.

The results for the six months was driven by losses in the Company's financial guaranty segment related to commuted policies and Puerto Rico related credits. Book value per share at June 30, 2019 was \$1,186.27, a decline from the book value per share of \$1,212.83 at December 31, 2018.

For the six months ended June 30, 2019, the Company had an operating loss of \$7.8 million, or \$169.26 per diluted share, compared to an operating loss of \$1.5 million, or \$32.4 per diluted share for the six months ended June 30, 2018. Operating income for the property and casualty segment in 2019 was \$1.7 million, compared to the \$1.4 million operating income in 2018 for this segment. The financial guaranty segment had operating losses of \$9.8 million for 2019, compared to operating losses of \$2.6 million for 2018.

Net earned property and casualty premiums increased \$2.5 million from \$1.4 million in 2018 to \$3.9 million in 2019, driven by the addition of new agency relationships. Loss and loss adjustment expenses as a percentage of earned premiums improved from 67.2% to 25.1% driven by both current and prior accident year results. Fee income increased from \$6.0 million to \$6.1 million, while operating expenses for property and casualty decreased from \$4.7 million to \$4.5 million. Overall operating income improved 29.1% from \$1.4 million to \$1.7 million within property and casualty.

The legacy financial guaranty portfolio of American Overseas Reinsurance Company Limited ("AORE") continues to run-off within expectations. The financial guaranty operating loss of \$9.8 million in 2019 is driven by net losses associated with the commutation of \$1.065 billion of outstanding par during the second quarter of 2019, as well as unfavorable development on outstanding losses. As of June 30, 2019, outstanding par within the financial guaranty segment is \$372 million compared to \$1.949 billion at June 30, 2018.

Overall operating expenses declined \$0.3 million to \$6.7 million in 2019 compared to \$7.0 million in 2018.

As part of its ongoing capital management efforts, the Company will continue to redirect excess capital within the group to debt reduction unless other compelling opportunities present themselves.

### **Forward-Looking Statements**

This release contains statements that may be considered "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, without limitation, the Company's expectations respecting the volatility of its insured portfolio, losses, loss reserves and loss development, the adequacy and availability of its liquidity and capital

resources, its current run off strategy, its strategy for writing other reinsurance businesses and its expense reduction measures. These statements are based on current expectations and the current views of the economic and operating environment and are not guarantees of future performance. A number of risks and uncertainties, including economic competitive conditions, could cause actual results to differ materially from those projected in forward-looking statements. The Company's actual results could differ materially from those expressed or implied in the forward-looking statements. Among the factors that could cause actual results to differ materially are: (i) the Company's reviewing the results of our entire portfolio of policies. Management considers credit derivative policies as a normal extension of AORE's financial guaranty business and reinsurance in substance.

### **Explanation of Non-GAAP Financial Measures**

The Company believes that the following non-GAAP financial measure included in this press release serve to supplement GAAP information and is meaningful to investors.

***Operating income (loss):*** The Company believes operating income (loss) is a useful measure because it measures income from operations, unaffected by non-operating items such as realized investment gains or losses. Operating income (loss) is typically used by research analysts and rating agencies in their analysis of the Company.

### **Information About the Company**

American Overseas Group Limited is an insurance holding company incorporated in Bermuda and a tax resident of the United Kingdom. Its operating subsidiaries provide specialty property/casualty insurance, reinsurance and insurance management services. More information can be found at [www.aoreltd.com](http://www.aoreltd.com)

**American Overseas Group Limited**  
**Consolidated Balance Sheets**  
**(unaudited)**  
**As at June 30, 2019 and December 31, 2018**  
**(dollars in thousands)**

|  | <u>June 30, 2019</u>  | <u>December 31, 2018</u> |
|--|-----------------------|--------------------------|
| <b><u>Assets</u></b>   |                       |                          |
| Investments:   |                       |                          |
| Fixed-maturity securities held as available for sale, at fair value  | \$ 129,811            | \$ 135,896               |
| Equity investments held as available for sale, at fair value   | 6,421                 | 5,730                    |
| Cash and cash equivalents  | 30,436                | 34,708                   |
| Restricted cash  | 1,605                 | 6,554                    |
| Accrued investment income  | 732                   | 662                      |
| Premiums receivable  | 77,979                | 78,610                   |
| Reinsurance balances receivable, net   | 224,019               | 322,338                  |
| Deferred insurance premiums  | 128,991               | -                        |
| Salvage and subrogation recoverable  | 25                    | 333                      |
| Deferred policy acquisition costs  | 225                   | 161                      |
| Intangible assets  | 4,800                 | 4,800                    |
| Goodwill   | 33,050                | 33,050                   |
| Other assets   | 4,097                 | 1,712                    |
| <b>Total Assets</b>  | <b>\$ 642,191</b>     | <b>\$ 624,554</b>        |
| <br><b><u>Liabilities and Equity</u></b>   |                       |                          |
| <b>Liabilities:</b>  |                       |                          |
| Loss and loss expense reserve  | \$ 276,303            | \$ 266,727               |
| Unearned premiums  | 130,449               | 110,812                  |
| Ceded premium payable  | 92,343                | 94,330                   |
| Payable to general agents  | 2,247                 | 1,428                    |
| Funds withheld   | 53,768                | 54,440                   |
| Accounts payable and accrued liabilities   | 6,118                 | 2,524                    |
| Redeemable preference shares: (\$0.10 par value and \$1,000 redemption value; authorized shares - 75,000; issued and outstanding shares - 38,600 at June 30, 2019 and December 31, 2018) | 7,165                 | 7,038                    |
| Derivative liabilities   | 12                    | 266                      |
| Notes payable  | 16,521                | 16,521                   |
| Non-owned interest in VIE  | 300                   | 300                      |
| Interest payable   | 451                   | 451                      |
| Fair value adjustment  | 1,697                 | 13,741                   |
| Deferred tax liability   | 37                    | 35                       |
| <b>Total Liabilities</b>   | <b>587,411</b>        | <b>568,613</b>           |
| <br><b>Shareholders' Equity:</b>   |                       |                          |
| Common shares  | 4,618                 | 4,613                    |
| Additional paid-in capital   | 188,851               | 188,729                  |
| Accumulated other comprehensive income   | 2,736                 | 237                      |
| Retained deficit   | (147,478)             | (143,691)                |
| <b>Total Shareholders' Equity</b>  | <b>48,727</b>         | <b>49,888</b>            |
| Non-controlling interest of preferred shares of subsidiaries   | 6,053                 | 6,053                    |
| <b>Total Equity</b>  | <b>54,780</b>         | <b>55,941</b>            |
| <br><b>Total Liabilities and Equity</b>  | <br><b>\$ 642,191</b> | <br><b>\$ 624,554</b>    |

See Notes to 2018 Consolidated Financial Statements available on American Overseas Group Ltd. Website at [www.aoreltd.com](http://www.aoreltd.com)

**American Overseas Group Limited**  
**Consolidated Statements of Operations**  
(unaudited)  
**For six months ended June 30, 2019 and 2018**  
(dollars in thousands, except share and per share amounts)

|   | <u>Six Months ended June 30,</u> |                   |
|---|----------------------------------|-------------------|
|   | <u>2019</u>                      | <u>2018</u>       |
| <b>Revenues</b>                                       |                                  |                   |
| Net premiums earned                                   | \$ (10,382)                      | \$ 999            |
| Fee income  | 6,052                            | 5,969             |
| Change in fair value of credit derivatives            |                                  |                   |
| Realized gains and other settlements                  | 72                               | (0)               |
| Unrealized gains                                      | 189                              | 59                |
| Net change in fair value of credit derivatives        | 261                              | 59                |
| Net investment income                                 | 1,336                            | 1,123             |
| Net realized gains on investments                     | 87                               | 1                 |
| Fair value adjustment                                 | 11,917                           | (274)             |
| Other income  | 31                               | 41                |
| <b>Total revenues</b>                                 | <b>9,302</b>                     | <b>7,918</b>      |
| <b>Expenses</b>                                       |                                  |                   |
| Losses and loss adjustment expenses                   | 5,957                            | 1,363             |
| Acquisition expenses                                  | (444)                            | 174               |
| Operating expenses                                    | 6,677                            | 6,974             |
| Other expense   | -                                | 74                |
| Interest expense                                      | 902                              | 1,096             |
| <b>Total expenses</b>                                 | <b>13,092</b>                    | <b>9,681</b>      |
| <b>Net (loss) available to common shareholders</b>    | <b>\$ (3,790)</b>                | <b>\$ (1,763)</b> |
| Income tax (expense)                                  | (2)                              | (2)               |
| <b>Net (loss) before dividends</b>                    | <b>(3,792)</b>                   | <b>(1,765)</b>    |
| Dividends on preference shares of subsidiary          | -                                | (585)             |
| <b>Net (loss) available to common shareholders</b>    | <b>\$ (3,792)</b>                | <b>\$ (2,350)</b> |
| Net (loss) per common share:                          |                                  |                   |
| Basic   | \$ (82.18)                       | \$ (51.30)        |
| Diluted   | (82.18)                          | (51.30)           |
| Weighted-average number of common shares outstanding: |                                  |                   |
| Basic   | 46,142                           | 45,808            |
| Diluted   | 46,142                           | 45,808            |

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AMERICAN OVERSEAS GROUP LTD.

NET INCOME AND OPERATING INCOME BY SEGMENT

(dollars in thousands)

June 30, 2019

|  | Net income available<br>to common<br>shareholders | Net realized loss<br>on sales of<br>investments | Net change in<br>fair value of<br>credit derivatives | Fair value<br>adjustment<br>s | Amortization<br>of intangibles | Operating income |
|--|---|---|--|-------------------------------|--------------------------------|------------------|
| <b>Property and casualty:</b>                  |   |   |  |                               |                                |                  |
| Net premiums earned                            | \$ 3,881  |   |  |                               |                                | \$ 3,881         |
| Losses and loss adjustment expenses            | (972)   |   |  |                               |                                | (972)            |
| Acquisition expenses                           | (2,689)   |   |  |                               |                                | (2,689)          |
| Fee income                                     | 6,052   |   |  |                               |                                | 6,052            |
| Operating expenses                             | (4,525)   |   |  |                               |                                | (4,525)          |
| Amortization expense                           | -   |   |  |                               |                                | -                |
| Income tax                                     | (2)   |   |  |                               |                                | (2)              |
| Property and casualty                          | 1,745   | -   | -  | -                             | -                              | 1,745            |
| <b>Financial guaranty:</b>                     |   |   |  |                               |                                |                  |
| Net premiums earned                            | (14,263)  |   |  | 12,852                        |                                | (1,411)          |
| Net change in fair value of credit derivatives | 261   |   | (189)  |                               |                                | 72               |
| Losses and loss adjustment expenses            | (4,985)   |   |  | (1,822)                       |                                | (6,807)          |
| Acquisition expenses                           | 3,133   |   |  | (2,855)                       |                                | 278              |
| Operating expenses                             | (1,899)   |   |  |                               |                                | (1,899)          |
| Financial guaranty                             | (17,753)  | -   | (189)  | 8,175                         | -                              | (9,767)          |
| <b>Corporate and Investing</b>                 |   |   |  |                               |                                |                  |
| Net investment income                          | 1,336   |   |  |                               |                                | 1,336            |
| Net realized loss on sales of investments      | 87  | (87)  |  |                               |                                | -                |
| Fair value adjustment                          | 11,917  |   |  | (11,917)                      |                                | -                |
| Operating expenses                             | (253)   |   |  |                               |                                | (253)            |
| Interest expense                               | (902)   |   |  |                               |                                | (902)            |
| Other expense, net of other income             | 31  |   |  |                               |                                | 31               |
| Corporate and investing                        | 12,216  | (87)  | -  | (11,917)                      | -                              | 212              |
| Group total                                    | \$ (3,792)  | \$ (87)   | \$ (189)   | \$ (3,742)                    | \$ -                           | \$ (7,810)       |

AMERICAN OVERSEAS GROUP LTD.

NET INCOME AND OPERATING INCOME BY SEGMENT

(dollars in thousands)

June 30, 2018

|  | Net income available<br>to common<br>shareholders | Net realized loss<br>on sales of<br>investments | Net change in<br>fair value of<br>credit derivatives | Fair value<br>adjustment<br>s | Amortization<br>of intangibles | Operating income |
|--|---|---|--|-------------------------------|--------------------------------|------------------|
| <b>Property and casualty:</b>                  |   |   |  |                               |                                |                  |
| Net premiums earned                            | \$ 1,408  |   |  |                               |                                | \$ 1,408         |
| Losses and loss adjustment expenses            | (946)   |   |  |                               |                                | (946)            |
| Acquisition expenses                           | (355)   |   |  |                               |                                | (355)            |
| Fee income                                     | 5,969   |   |  |                               |                                | 5,969            |
| Operating expenses                             | (4,722)   |   |  |                               |                                | (4,722)          |
| Amortization expense                           | -   |   |  |                               |                                | -                |
| Income tax                                     | (2)   |   |  |                               |                                | (2)              |
| Property and casualty                          | 1,352   | -   | -  | -                             | -                              | 1,352            |
| <b>Financial guaranty:</b>                     |   |   |  |                               |                                |                  |
| Net premiums earned                            | (409)   |   |  | 2,560                         |                                | 2,151            |
| Net change in fair value of credit derivatives | 59  |   | (59)   |                               |                                | 0                |
| Losses and loss adjustment expenses            | (417)   |   |  | (1,924)                       |                                | (2,341)          |
| Acquisition expenses                           | 181   |   |  | (569)                         |                                | (388)            |
| Operating expenses                             | (1,990)   |   |  |                               |                                | (1,990)          |
| Financial guaranty                             | (2,576)   | -   | (59)   | 67                            | -                              | (2,568)          |
| <b>Corporate and Investing</b>                 |   |   |  |                               |                                |                  |
| Net investment income                          | 1,123   |   |  |                               |                                | 1,123            |
| Net realized loss on sales of investments      | 1   | (15,601)  |  | 15,600                        |                                | -                |
| Fair value adjustment                          | (274)   |   |  | 274                           |                                | -                |
| Operating expenses                             | (263)   |   |  |                               |                                | (263)            |
| Interest expense                               | (1,095)   |   |  |                               |                                | (1,095)          |
| Other expense, net of other income             | (33)  |   |  |                               |                                | (33)             |
| Corporate and investing                        | (541)   | (15,601)  | -  | 15,874                        | -                              | (268)            |
| Group total                                    | \$ (1,765)  | \$ (15,601)                                     | \$ (59)  | \$ 15,941                     | \$ -                           | \$ (1,484)       |