



Results of Operations for the Year Ended December 31, 2018 - American Overseas Group Limited Announces Net Loss Of \$3.2 Million and Operating Loss of \$0.6 Million For The Year Ended December 31, 2018.

HAMILTON, Bermuda, June 26, 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 \$3.2 million, or \$69.12 per diluted share, for the year ended December 31, 2018. This compares to consolidated net loss available to common shareholders of \$10.6 million, or \$233.62 per diluted share, for the year ended December 31, 2017.

Year over year improvement in results were driven by improved results associated with the Company's reinsurance of Puerto Rico-related credits in its financial guaranty segment, as well as improved underwriting results in the property and casualty segment. Book value per share at December 31, 2018 was \$1,212.83, a decline from the book value per share of \$1,308.58 at December 31, 2017.

For the year ended December 31, 2018, the Company had an operating loss of \$0.6 million, or \$11.97 per diluted share, compared to an operating loss of \$20.8 million, or \$456.94 per diluted share for the year ended December 31, 2017. Operating income for the property and casualty segment in 2018 was \$2.9 million, compared to the \$1.1 million operating income in 2017 for this segment. The financial guaranty segment had operating losses of \$4.5 million for 2018, compared to financial guaranty operating losses of \$21.2 million for 2017.

Net earned property and casualty premiums were \$2.4 million for 2018, which is 31.4% lower compared to \$3.5 million for 2017. Loss and loss adjustment expenses were \$1.1 million for 2018, which was \$2.9 million lower than 2017. Operating income in the property and casualty segment increased \$1.9 million primarily due to improved underwriting margin.

The legacy financial guaranty portfolio of American Overseas Reinsurance Company Limited ("AORE") continues to run-off satisfactorily. The financial guaranty operating loss of \$4.5 million in 2018 is significantly lower than the operating loss of \$21.2 million in 2017 primarily due to reduced unfavorable development on outstanding losses.

Operating expenses of \$13.4 million in 2018 were comparable to 2017 of \$13.8 million.

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

American Overseas Group Limited
Consolidated Balance Sheets
(unaudited)
As at December 31, 2018 and December 31, 2017
(dollars in thousands)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Assets</u>		
Investments:		
Fixed-maturity securities held as available for sale, at fair value	\$ 135,896	\$ 81,028
Equity investments held as available for sale, at fair value	5,730	6,437
Cash and cash equivalents	34,708	40,173
Restricted cash	6,554	66,535
Accrued investment income	662	256
Premiums receivable	78,610	81,264
Reinsurance balances receivable, net	322,338	340,700
Salvage and subrogation recoverable	333	1,708
Deferred policy acquisition costs	161	101
Intangible assets	4,800	4,800
Goodwill	33,050	33,050
Other assets	1,712	1,899
Total Assets	\$ 624,554	\$ 657,951
 <u>Liabilities and Equity</u>		
Liabilities:		
Loss and loss expense reserve	\$ 266,727	\$ 304,773
Unearned premiums	110,812	105,690
Ceded premium payable	94,330	95,195
Payable to general agents	1,428	1,479
Funds withheld	54,440	44,985
Accounts payable and accrued liabilities	2,524	3,057
Redeemable preference shares: (\$0.10 par value and \$1,000 redemption value; authorized shares - 75,000; issued and outstanding shares - 38,600 and 58,600 at December 31, 2018 and December 31, 2017, respectively)	7,038	10,312
Derivative liabilities	266	342
Notes payable	16,521	16,521
Non-owned interest in VIE	300	300
Interest payable	451	451
Fair value adjustment	13,741	15,199
Deferred tax liability	35	31
Total Liabilities	568,613	598,335
 Shareholders' Equity:		
Common shares	4,613	4,556
Additional paid-in capital	188,729	188,331
Accumulated other comprehensive income	237	1,190
Retained deficit	(143,691)	(140,514)
Total Shareholders' Equity	49,888	53,563
Non-controlling interest of preferred shares of subsidiaries	6,053	6,053
Total Equity	55,941	59,616
 Total Liabilities and Equity	\$ 624,554	\$ 657,951

See Notes to 2018 Consolidated Financial Statements available on American Overseas Group Ltd. Website at www.aoreltd.com

American Overseas Group Limited
Consolidated Statements of Operations
(unaudited)
For years ended December 31, 2018 and 2017
(dollars in thousands, except share and per share amounts)

	<u>Year ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Revenues		
Net premiums earned	\$ (215)	\$ 1,947
Fee income	11,470	11,531
Change in fair value of credit derivatives		
Realized gains and other settlements	14	113
Unrealized gains	61	8,125
Net change in fair value of credit derivatives	75	8,238
Net investment income	2,809	1,762
Net realized gains on investments	8	154
Fair value adjustment	332	1,452
Other income	532	591
Total revenues	15,011	25,675
Expenses		
Losses and loss adjustment expenses	2,593	19,783
Acquisition expenses	(577)	447
Operating expenses	13,392	13,772
Other expense	-	-
Interest expense	2,191	2,304
Total expenses	17,599	36,306
Net (loss) available to common shareholders	\$ (2,588)	\$ (10,631)
Income tax (expense) benefit	(4)	14
Net (loss) before dividends	(2,592)	(10,617)
Dividends on preference shares of subsidiary	(585)	-
Net (loss) available to common shareholders	\$ (3,177)	\$ (10,617)
Net (loss) per common share:		
Basic	\$ (69.12)	\$ (233.62)
Diluted	(69.12)	(233.62)
Weighted-average number of common shares outstanding:		
Basic	45,965	45,444
Diluted	45,965	45,444

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AMERICAN OVERSEAS GROUP LTD.

NET INCOME AND OPERATING INCOME BY SEGMENT

(dollars in thousands)

December 31, 2018

	Net income available to common shareholders	Net realized loss on sales of investments	Net change in fair value of credit derivatives	Fair value adjustment s	Amortization of intangibles	Operating income
Property and casualty:						
Net premiums earned	\$ 2,361					\$ 2,361
Losses and loss adjustment expenses	(1,060)					(1,060)
Acquisition expenses	(556)					(556)
Fee income	11,470					11,470
Operating expenses	(9,278)					(9,278)
Amortization expense	-					-
Income tax	(4)					(4)
Property and casualty	2,933	-	-	-	-	2,933
Financial guaranty:						
Net premiums earned	(2,576)			8,649		6,073
Net change in fair value of credit derivatives	75		(60)			15
Losses and loss adjustment expenses	(1,533)			(3,848)		(5,381)
Acquisition expenses	1,133			(2,360)		(1,227)
Operating expenses	(3,975)					(3,975)
Financial guaranty	(6,877)	-	(60)	2,441	-	(4,495)
Corporate and Investing						
Net investment income	2,809					2,809
Net realized loss on sales of investments	8	(15,608)		15,600		-
Fair value adjustment	332			(332)		-
Operating expenses	(139)					(139)
Interest expense	(2,191)					(2,191)
Other expense, net of other income	532					532
Corporate and investing	1,351	(15,608)	-	15,268	-	1,011
Group total	\$ (2,592)	\$ (15,608)	\$ (60)	\$ 17,709	\$ -	\$ (551)

AMERICAN OVERSEAS GROUP LTD.

NET INCOME AND OPERATING INCOME BY SEGMENT

(dollars in thousands)

December 31, 2017

	Net income available to common shareholders	Net realized loss on sales of investments	Net change in fair value of credit derivatives	Fair value adjustment s	Amortization of intangibles	Operating income
Property and casualty:						
Net premiums earned	\$ 3,497					\$ 3,497
Losses and loss adjustment expenses	(3,960)					(3,960)
Acquisition expenses	(430)					(430)
Fee income	11,531					11,531
Operating expenses	(9,593)					(9,593)
Amortization expense	-					-
Income tax	14					14
Property and casualty	1,060	-	-	-	-	1,060
Financial guaranty:						
Net premiums earned	(1,550)			7,242		5,692
Net change in fair value of credit derivatives	8,238		(8,125)			113
Losses and loss adjustment expenses	(15,823)			(4,078)		(19,901)
Acquisition expenses	(17)			(3,580)		(3,597)
Operating expenses	(3,532)					(3,532)
Financial guaranty	(12,684)	-	(8,125)	(416)	-	(21,225)
Corporate and Investing						
Net investment income	1,762					1,762
Net realized loss on sales of investments	154	(1,034)		880		-
Fair value adjustment	1,453			(1,453)		-
Operating expenses	(648)					(648)
Interest expense	(2,304)					(2,304)
Other expense, net of other income	591					591
Corporate and investing	1,008	(1,034)	-	(573)	-	(599)
Group total	\$ (10,617)	\$ (1,034)	\$ (8,125)	\$ (989)	\$ -	\$ (20,764)