



Results of Operations for the Year Ended December 31, 2019 - American Overseas Group Limited Announces Net Loss Of \$3.7 Million and Operating Loss of \$9.1 Million For the Year Ended December 31, 2019.

HAMILTON, Bermuda, June 26, 2020 (BUSINESS WIRE) -- American Overseas Group Limited (BSX: AORE.BH) (Pink Sheets: AOREF.PK) ("AOG" or the "Company") today reported consolidated net loss available to common shareholders of \$3.7 million, or \$80.13 per diluted share, for the year ended December 31, 2019. This compares to consolidated net loss available to common shareholders of \$3.2 million, or \$69.12 per diluted share, for the year ended December 31, 2018.

The results for the year were driven by losses in the Company's financial guaranty segment related to commuted policies and Puerto Rico related credits. Book value per share at December 31, 2019 was \$1,159.08, a decline from the book value per share of \$1,212.83 at December 31, 2018.

For the year ended December 31, 2019, the Company had an operating loss of \$9.1 million, or \$196.78 per diluted share, compared to an operating loss of \$0.6 million, or \$11.97 per diluted share for the year ended December 31, 2018. Operating income for the property and casualty segment in 2019 was \$0.9 million, compared to the \$2.9 million operating income in 2018 for this segment. The financial guaranty segment had operating losses of \$11.0 million for 2019, compared to financial guaranty operating losses of \$4.5 million for 2018.

Net earned property and casualty premiums increased \$6.4 million from \$2.4 million in 2018 to \$8.8 million in 2019, driven by the addition of new agency relationships. Loss and loss adjustment expenses as a percentage of earned premiums improved slightly, 44.9% to 41.9% driven by both current and prior accident year results. Operating income in the property and casualty segment decreased \$2.0 million primarily due to increase in acquisition costs resulting from significant increases in written premium.

The legacy financial guaranty portfolio of American Overseas Reinsurance Company Limited ("AORE") continued to run-off satisfactorily. The financial guaranty operating loss of \$11.0 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 December 31, 2019, outstanding par within the financial guaranty segment is \$362 million compared to \$1.474 billion at December 31, 2018.

AORE entered into a Commutation Agreement, effective April 1, 2020, to commute the remaining portfolio of financial guaranty reinsurance business it had assumed from Assured Guaranty Municipal Corp ("AGMC"). The aggregate outstanding par value of the reinsurance portfolio being commuted was \$345.0 million as of April 1, 2020, therefore eliminating the financial guaranty reinsurance business at AORE.

Operating expenses of \$13.6 million in 2019 were comparable to 2018 of \$13.4 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 regarding its ability to continue to write insurance

or reinsurance for its operations. 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 the current COVID-19 pandemic and its impact on the global economy and general economic competitive conditions, could cause actual results to differ materially from those expected 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 include the Company's review of the results of its entire portfolio of policies, changes in general economic conditions, including from COVID-19, unemployment rates, inflation, foreign currency exchange rates, interest rates and other factors and other risks and uncertainties that have not yet been identified at this time. The Company undertakes no obligation to revise or update any forward-looking statement to reflect changes in conditions, events, or expectations, except as required by law.

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, 2019 and December 31, 2018
(dollars in thousands)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Assets</u>		
Investments:		
Fixed-maturity securities held as available for sale, at fair value	\$ 129,748	\$ 135,896
Equity investments held as available for sale, at fair value	1,181	5,730
Cash and cash equivalents	22,602	34,708
Restricted cash	10,557	6,554
Accrued investment income	675	662
Premiums receivable	81,000	78,610
Deferred insurance premiums	125,728	-
Reinsurance balances receivable, net	210,405	322,338
Salvage and subrogation recoverable	386	333
Deferred policy acquisition costs	515	161
Intangible assets	4,800	4,800
Goodwill	33,050	33,050
Other assets	3,184	1,712
Total Assets	\$ 623,831	\$ 624,554
 <u>Liabilities and Equity</u>		
Liabilities:		
Loss and loss expense reserve	\$ 263,686	\$ 266,727
Unearned premiums	128,793	110,812
Ceded premium payable	89,078	94,330
Payable to general agents	3,087	1,428
Funds withheld	52,794	54,440
Accounts payable and accrued liabilities	5,071	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 December 31, 2019 and December 31, 2018, respectively)	7,292	7,038
Derivative liabilities	10	266
Notes payable	16,521	16,521
Non-owned interest in VIE	300	300
Interest payable	451	451
Fair value adjustment	2,901	13,741
Deferred tax liability	322	35
Total Liabilities	570,306	568,613
 Shareholders' Equity:		
Common shares	4,618	4,613
Additional paid-in capital	189,002	188,729
Accumulated other comprehensive income	1,323	237
Retained deficit	(147,471)	(143,691)
Total Shareholders' Equity	47,472	49,888
Non-controlling interest of preferred shares of subsidiaries	6,053	6,053
Total Equity	53,525	55,941
 Total Liabilities and Equity	 \$ 623,831	 \$ 624,554

See Notes to 2019 Consolidated Financial Statements available on American Overseas Group Ltd. Website at www.aoreltd.com

American Overseas Group Limited
Consolidated Statements of Operations
(unaudited)

For twelve months ended December 31, 2019 and 2018
(dollars in thousands, except share and per share amounts)

	Year ended December 31,	
	2019	2018
Revenues		
Net premiums earned	\$ (5,423)	\$ (215)
Fee income	11,591	11,470
Change in fair value of credit derivatives		
Realized gains and other settlements	74	14
Unrealized gains	191	61
Net change in fair value of credit derivatives	265	75
Net investment income	2,447	2,809
Net realized gains on investments	1,824	8
Fair value adjustment	10,586	332
Other income	383	532
Total revenues	21,673	15,011
Expenses		
Losses and loss adjustment expenses	7,474	2,593
Acquisition expenses	1,627	(577)
Operating expenses	13,605	13,392
Interest expense	1,803	2,191
Total expenses	24,509	17,599
Net (loss) available to common shareholders	\$ (2,836)	\$ (2,588)
Income tax (expense)	(287)	(4)
Net (loss) before dividends	(3,123)	(2,592)
Dividends on preference shares of subsidiary	(585)	(585)
Net (loss) available to common shareholders	\$ (3,708)	\$ (3,177)
Net (loss) per common share:		
Basic	\$ (80.34)	\$ (69.12)
Diluted	(80.13)	(69.12)
Weighted-average number of common shares outstanding:		
Basic	46,161	45,965
Diluted	46,281	45,965

See Notes to 2019 Consolidated Financial Statements available on American Overseas Group Ltd. Website at www.aog.ac

AMERICAN OVERSEAS GROUP LTD.

NET INCOME AND OPERATING INCOME BY SEGMENT

(dollars in thousands)	December 31, 2019				
	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	Operating income
Property and casualty:					
Net premiums earned	\$ 8,824			\$	8,824
Losses and loss adjustment expenses	(3,701)				(3,701)
Acquisition expenses	(4,752)				(4,752)
Fee income	11,591				11,591
Operating expenses	(10,741)				(10,741)
Income tax	(287)				(287)
Property and casualty	934	-	-	-	934
Financial guaranty:					
Net premiums earned	(14,247)			13,129	(1,118)
Net change in fair value of credit derivatives	265		(191)		74
Losses and loss adjustment expenses	(3,773)			(3,644)	(7,417)
Acquisition expenses	3,125			(2,868)	257
Operating expenses	(2,753)				(2,753)
Financial guaranty	(17,383)	-	(191)	6,617	(10,957)
Corporate and Investing					
Net investment income	2,447				2,447
Net realized loss on sales of investments	1,824	(1,824)			-
Fair value adjustment	10,586			(10,586)	-
Operating expenses	(111)				(111)
Interest expense	(1,803)				(1,803)
Other income, net of other expense	383				383
Corporate and investing	13,326	(1,824)	-	(10,586)	916
Group total	\$ (3,123)	\$ (1,824)	\$ (191)	\$ (3,969)	\$ (9,107)

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	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)
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		(61)		14
Losses and loss adjustment expenses	(1,533)			(3,848)	(5,381)
Acquisition expenses	1,133			(2,359)	(1,226)
Operating expenses	(3,975)				(3,975)
Financial guaranty	(6,877)	-	(61)	2,442	(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 income, net of other expense	532				532
Corporate and investing	1,351	(15,608)	-	15,268	1,011
Group total	\$ (2,592)	\$ (15,608)	\$ (61)	\$ 17,710	\$ (551)