



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) |