



Results of Operations for the Year Ended December 31, 2020 - American Overseas Group Limited Announces Net Loss Of \$5.0 Million and Operating Loss of \$22.4 Million For the Year Ended December 31, 2020 as it exits financial guaranty line of business.

HAMILTON, Bermuda, June 25, 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 \$5.0 million, or \$106.53 per diluted share, for the year ended December 31, 2020. This compares to consolidated net loss available to common shareholders of \$3.7 million, or \$80.13 per diluted share, for the year ended December 31, 2019.

The result for the year was heavily impacted by losses in the Company's financial guaranty segment related to a commutation of the remaining portfolio of financial guaranty reinsurance business it had assumed from Assured Guaranty Municipal Corp ("AGMC"). Book value per share at December 31, 2020 was \$1,062.22 a decline from the book value per share of \$1,159.08 at December 31, 2019.

For the year ended December 31, 2020, the Company had an operating loss of \$22.4 million, or \$476.64 per diluted share, compared to an operating loss of \$9.1 million, or \$196.78 per diluted share for the year ended December 31, 2019. The financial guaranty segment produced a \$22.8 million operating loss for 2020 which was \$11.8 million above the prior year operating loss of \$11.0 million. In April of 2020, the financial guaranty reinsurance business at AORE was eliminated as a result of the commutation with AGMC. The aggregate outstanding par value of the reinsurance portfolio commuted was \$345.0 million. This commutation was the primary driver of the operating loss of \$22.8 million in 2020, compared to operating losses of \$11.0 million in 2019. As of December 31, 2019, outstanding par within the financial guaranty segment was \$362 million. As of December 31, 2020, AORE no longer has any financial guaranty exposure remaining.

Operating income for the property and casualty segment in 2020 was \$1.2 million, compared to the \$0.9 million operating income in 2019 for this segment. Despite lower written premiums in 2020 due to temporary business contractions related to COVID-19, net earned property and casualty premiums increased \$7.0 million from \$8.8 million in 2019 to \$15.8 million in 2020, driven both by a full year of new programs in key states outside of Texas as well as increased reinsurance participation on underlying non standard auto programs in Texas. Loss and loss adjustment expenses as a percentage of earned premium increased from 41.9% to 56.5% primarily due to both lower favorable prior year loss and loss adjustment expense development and higher loss and loss adjustment expense on current accident year claims, however underwriting income increased from \$0.4 million to \$1.9 million driven by higher earned premiums. Fee income decreased from \$11.6 million to \$9.9 million as underlying direct written premium volumes declined primarily impacted by temporary business contractions related to COVID-19.

Operating expenses decreased \$0.8 million or 5.9% from \$13.6 million in 2019 to \$12.8 million in 2020 mainly due to savings in the financial guaranty segment subsequent to the April 2020 exit from line of business.

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.

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

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American Overseas Group Limited
Consolidated Balance Sheets
(unaudited)
As at December 31, 2020 and December 31, 2019
(dollars in thousands)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Assets</u>		
Investments:		
Fixed-maturity securities held as available for sale, at fair value	\$ 72,642	\$ 129,748
Equity investments held as available for sale, at fair value	4,143	1,181
Cash and cash equivalents	24,254	22,602
Restricted cash	548	10,557
Accrued investment income	355	675
Premiums receivable	73,073	81,000
Deferred insurance premiums	101,843	125,728
Reinsurance balances receivable, net	194,914	210,405
Salvage and subrogation recoverable	-	386
Deferred policy acquisition costs	3,590	515
Intangible assets	4,800	4,800
Goodwill	33,050	33,050
Other assets	3,767	3,184
Total Assets	\$ 516,979	\$ 623,831
 <u>Liabilities and Equity</u>		
Liabilities:		
Loss and loss expense reserve	\$ 192,943	\$ 263,686
Deferred commission income	2,482	-
Unearned premiums	105,678	128,793
Ceded premium payable	71,989	89,078
Payable to general agents	4,331	3,087
Funds withheld	64,980	52,794
Accounts payable and accrued liabilities	7,922	5,071
Redeemable preference shares: (\$0.10 par value and \$1,000 redemption value; authorized shares - 75,000; issued and outstanding shares - nil and 38,600 at December 31, 2020 and December 31, 2019, respectively)	-	7,292
Derivative liabilities	-	10
Notes payable	16,521	16,521
Non-owned interest in VIE	300	300
Interest payable	451	451
Fair value adjustment	-	2,901
Deferred tax liability	-	322
Total Liabilities	467,597	570,306
 Shareholders' Equity:		
Common shares	4,698	4,618
Additional paid-in capital	189,151	189,002
Accumulated other comprehensive income	1,962	1,323
Retained deficit	(152,482)	(147,471)
Total Shareholders' Equity	43,329	47,472
Non-controlling interest of preferred shares of subsidiaries	6,053	6,053
Total Equity	49,382	53,525
 Total Liabilities and Equity	 \$ 516,979	 \$ 623,831

See Notes to 2020 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, 2020 and 2019
(dollars in thousands, except share and per share amounts)

	Twelve Months ended December 31,	
	2020	2019
Revenues		
Net premiums earned	\$ 12,323	\$ (5,423)
Fee income	9,946	11,591
Change in fair value of credit derivatives		
Realized gains and other settlements	2	74
Unrealized gains	-	191
Net change in fair value of credit derivatives	2	265
Net investment income	709	2,447
Net realized gains on investments	1,580	1,824
Fair value adjustment	(173)	10,586
Other income	323	383
Total revenues	24,710	21,673
Expenses		
Losses and loss adjustment expenses	10,522	7,474
Acquisition expenses	4,837	1,627
Operating expenses	12,802	13,605
Other expense	78	-
Interest expense	1,803	1,803
Total expenses	30,042	24,509
Net (loss) available to common shareholders	\$ (5,332)	\$ (2,836)
Income tax benefit (expense)	322	(287)
Net (loss) before dividends	(5,010)	(3,123)
Dividends on preference shares of subsidiary	-	(585)
Net (loss) available to common shareholders	\$ (5,010)	\$ (3,708)
Net (loss) per common share:		
Basic	\$ (107.76)	\$ (80.34)
Diluted	(106.53)	(80.13)
Weighted-average number of common shares outstanding:		
Basic	46,490	46,161
Diluted	47,027	46,281

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AMERICAN OVERSEAS GROUP LTD.

NET INCOME AND OPERATING INCOME BY SEGMENT

(dollars in thousands)	December 31, 2020				
	Net Income Available to Common Shareholders	Net Realized Loss on Sales of Investments	Net Change in Fair Value of Credit Derivatives	Fair Value Adjustments	Operating Income
Property and casualty:					
Net premiums earned	\$ 15,836				\$ 15,836
Losses and loss adjustment expenses	(8,945)				(8,945)
Acquisition expenses	(4,968)				(4,968)
Property/Casualty Underwriting Income	1,923				1,923
Fee income	9,946				9,946
Operating expenses	(11,040)				(11,040)
Income tax	322				322
Property and casualty	1,151	-	-	-	1,151
Financial guaranty:					
Net premiums earned	(3,513)			3,703	190
Net change in fair value of credit derivatives	2		(2)		-
Losses and loss adjustment expenses	(1,577)			(19,546)	(21,123)
Acquisition expenses	130			(153)	(23)
Operating expenses	(1,825)				(1,825)
Financial guaranty	(6,783)	-	(2)	(15,996)	(22,781)
Corporate and Investing					
Net investment income	709				709
Net realized gain/(loss)	1,580	(29,814)		28,234	-
Fair value adjustment	(173)			173	-
Gain on the sale of real estate	323				323
Operating expenses	64				64
Interest expense	(1,803)				(1,803)
Other expense, net of other income	(78)				(78)
Corporate and investing	622	(29,814)	-	28,407	(785)
Group total	\$ (5,010)	\$ (29,814)	\$ (2)	\$ 12,411	\$ (22,415)

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 Adjustments	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)
Property/Casualty Underwriting Income	371				371
Fee income	11,591				11,591
Operating expenses	(10,741)				(10,741)
Amortization expense	-				-
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 gain/(loss)	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)