



**Investor Presentation**  
Fourth Quarter 2016

# Forward Looking Statements

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This presentation contains certain forward-looking statements that are intended to be covered by the safe harbors created by The Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this presentation are forward-looking statements, including statements accompanied by words such as “believe,” “expect,” “anticipate,” “intend,” “estimate,” “plan,” “project” and “continue” or future or conditional verbs such as “will,” “would,” “should,” “could” or “may.” These statements include the plans and objectives of management for future operations, including those relating to future growth of the Company’s business activities and availability of funds, and are based on current expectations that involve assumptions that are difficult or impossible to predict accurately many of which are beyond the control of the Company. There can be no assurance that actual developments will be consistent with our assumptions. Actual results may differ materially from those expressed or implied in these statements as a result of significant risks and uncertainties. The projections and statements in this presentation speak only as of the date of this presentation and the Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

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# National General Holdings Corp. (NGHC)

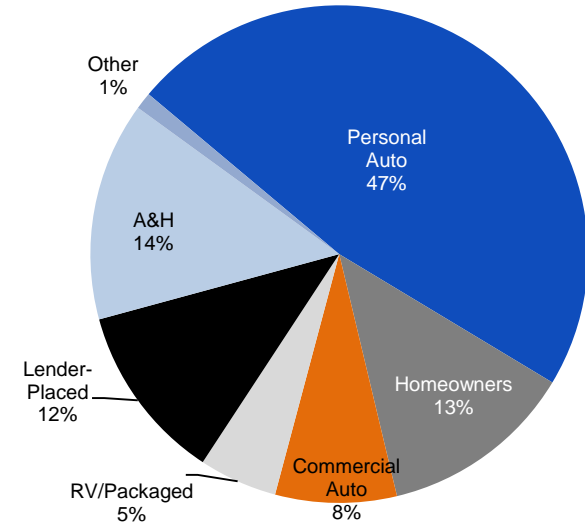
<b>Ticker Symbol*</b>	<b>NGHC</b>
<b>Current Price</b>	\$22.40 (as of close of trading on March 22, 2017)
<b>Shares Outstanding</b>	106.4 million / 48.5 million public float (as of March 22, 2017)
<b>Market Capitalization</b>	\$2.35 billion
<b>Dividend &amp; Yield</b>	\$0.04 per share quarterly / \$0.16 per share annually (0.7% annual dividend yield)
<b>Average Daily Volume</b>	182,640 shares (3 month average daily volume as of February 28, 2017)
<b>Fully Diluted Book Value Per Share</b>	\$13.52 (December 31, 2016)
<b>Capital Raises</b>	<ul style="list-style-type: none"> <li>▪ June 2013: private placement of 21.88 mm shares at \$10.50 for \$213 mm net proceeds</li> <li>▪ Feb. 2014: follow-on private placement of 13.57 mm shares at \$14.00 for \$178.5 mm net proceeds</li> <li>▪ May 2014: private issuance of \$250 mm of 6.75% senior notes due May 15, 2024</li> <li>▪ June 2014: issuance of \$55 mm in 7.50% non-cumulative series A preferred stock</li> <li>▪ March/April 2015: issuance of \$165 mm in 7.50% non-cumulative series B preferred stock</li> <li>▪ August 2015: issuance of \$100 mm in 7.625% subordinated notes due 2055</li> <li>▪ August 2015: follow-on offering of 11.5 mm shares at \$19.00 for \$211 mm net proceeds</li> <li>▪ October 2015: private issuance of \$100 mm of 6.75% senior notes due May 15, 2024</li> <li>▪ July 2016: issuance of \$200 mm in 7.50% non-cumulative series C preferred stock</li> </ul>
<b>Analyst Coverage</b>	<ul style="list-style-type: none"> <li>▪ <i>Randy Binner</i> – FBR Capital Markets &amp; Co.</li> <li>▪ <i>Matthew Carletti</i> – JMP Securities</li> <li>▪ <i>Adam Klauber, CFA</i> – William Blair &amp; Company, L.L.C.</li> <li>▪ <i>Kai Pan</i> – Morgan Stanley</li> <li>▪ <i>Meyer Shields, FCAS</i> – Keefe, Bruyette &amp; Woods. Inc.</li> </ul>
<b>Company Contacts</b>	<ul style="list-style-type: none"> <li>▪ <i>Mike Weiner, CFA</i> – Chief Financial Officer, (212) 380-9492, <a href="mailto:Mike.Weiner@NGIC.com">Mike.Weiner@NGIC.com</a></li> <li>▪ <i>Christine Worley</i> – Director of Investor Relations, (212) 380-9462, <a href="mailto:Christine.Worley@NGIC.com">Christine.Worley@NGIC.com</a></li> </ul>

# National General Overview

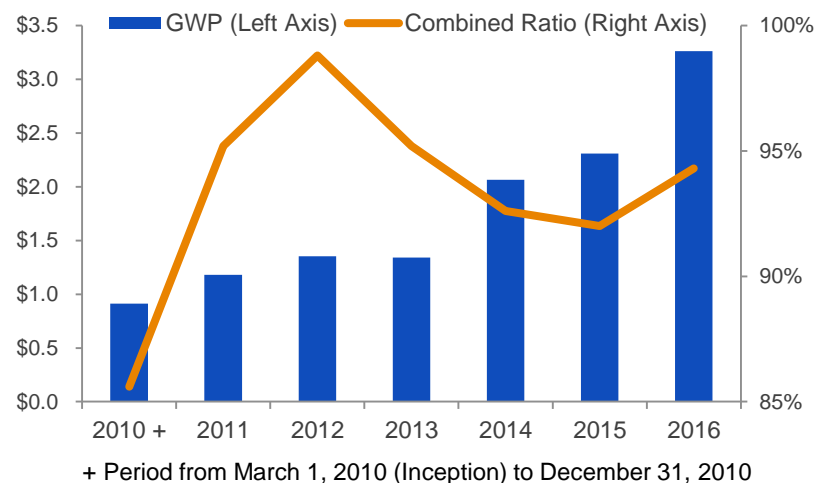
We are a specialty personal lines insurance holding company that provides personal and commercial automobile, homeowners, recreational vehicle, accident and health, and various other niche insurance products in the U.S. and internationally.

- \$3.3 billion of 2016 GWP / ~\$3.5 billion managed premium
- \$1.9 billion of shareholders' equity and \$2.6 billion total capital at December 31, 2016
- "A-" rating from A.M. Best
- ~6,900 employees (including recent acquisitions)
- ~22,000 independent P&C agents & brokers / ~ 20,000 independent A&H agents & brokers
- National General was built through a combination of organic growth and opportunistic acquisitions and we expect to continue to grow through accretive M&A opportunities. Recent transactions include:
  - *Direct General* – closed November 2016
  - Nationwide Renewal Rights – December 2016
  - Quotit® and HeathCompare® - January 2017
- We operate in two distinct business segments:
  - Property & Casualty and Accident & Health

2016 GWP by Product\*



2010-2016 GWP (\$ in billions) & Combined Ratio

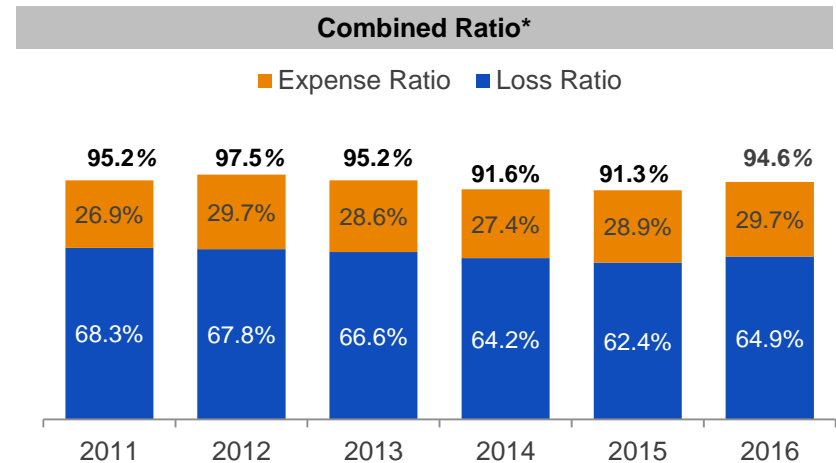
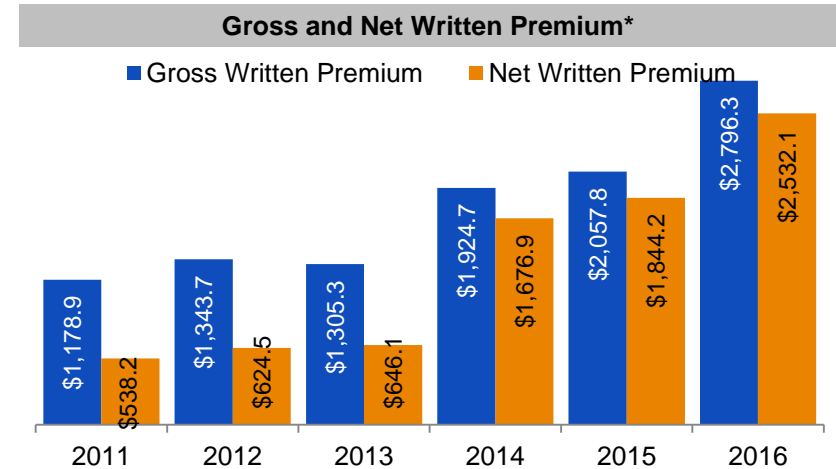


\* NOTE: 2016 GWP by Product includes only two months of GWP for Direct General, which closed on November 1, two quarters of Century National and one quarter of Standard Mutual.

# Property & Casualty

# Property & Casualty Overview

- History:** GMAC formed Motors Insurance Corporation in 1939, GMAC Insurance acquired by National General in 2010
- Premium Volume:** \$2.8 billion of GWP in 2016 with total written and managed premium (including Reciprocal Exchanges) of ~\$3.0 billion
- Geography:** We are licensed to operate in 50 states and the District of Columbia.
- Distribution:** Through more than 22,000 independent agents and brokers, our own MGAs (Clearside General, RAC Insurance Partners, and Assigned Risk Solutions), and direct through numerous long-term affinity relationships and Direct General's omni channel direct platform including more than 400 stores.
- Business Detail:** We underwrite various P&C products including: non-standard, standard, and preferred auto; homeowners, umbrella, and package; recreational vehicle; motorcycle; lender placed; and commercial auto. Additionally, we also offer federal flood policies, which are not written on National General paper.

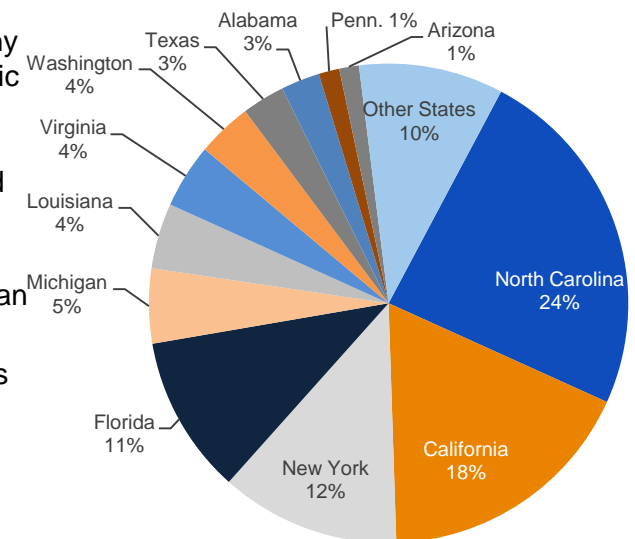
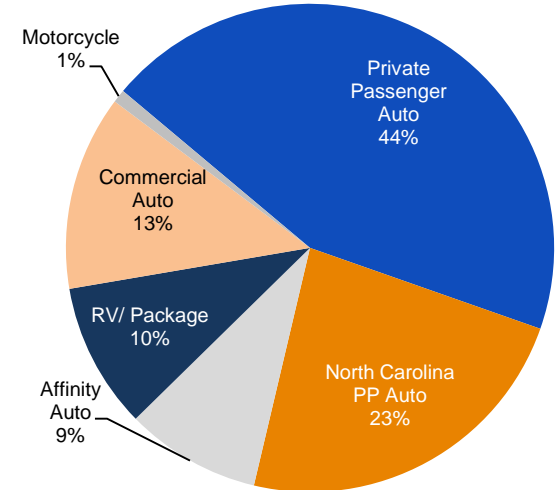


# P&C Overview: Automobile

## Product Overview

- **Private Passenger Auto** – We write coverage for liability and physical damage for standard, preferred, and non-standard risks throughout the U.S.
- **North Carolina Auto** – We are a top writer of personal auto in North Carolina, which has a unique “take all comers” market supported by the North Carolina Reinsurance Facility (NCRF), to which we cede roughly 40% of NC GWP.
- **Affinity Auto** – We offer a customized product to affinity groups on a white label basis, including coverage for employees and extended families of General Motors and their subsidiaries through the GM Family First program, insurance for the National Rural Letter Carriers’ Association, a 109 year-old labor union representing over 100,000 American rural letter carriers, and several other affinities.
- **RV/Package** – We are one of the top writers of RV coverage in the U.S. via Good Sam, an RV club with over 1 million members which also operates Camping World. Our exclusive contract runs until Jan 21, 2032. Unlike many competitors, our policies carry RV-specific endorsements, including automatic personal effects coverage, optional replacement cost coverage, RV storage coverage and full-time liability coverage, as well as the ability to bundle coverage for RVs and passenger cars in a single policy billed on a combined statement.
- **Commercial Auto** – We provide liability and physical damage coverage for light-to-medium duty commercial vehicles, focused on artisan vehicles, with an average of two vehicles per policy.
- **Motorcycle** – We provide coverage for most types of motorcycles, as well as golf carts and all-terrain vehicles.

\$2.0 billion Auto 2016 GWP

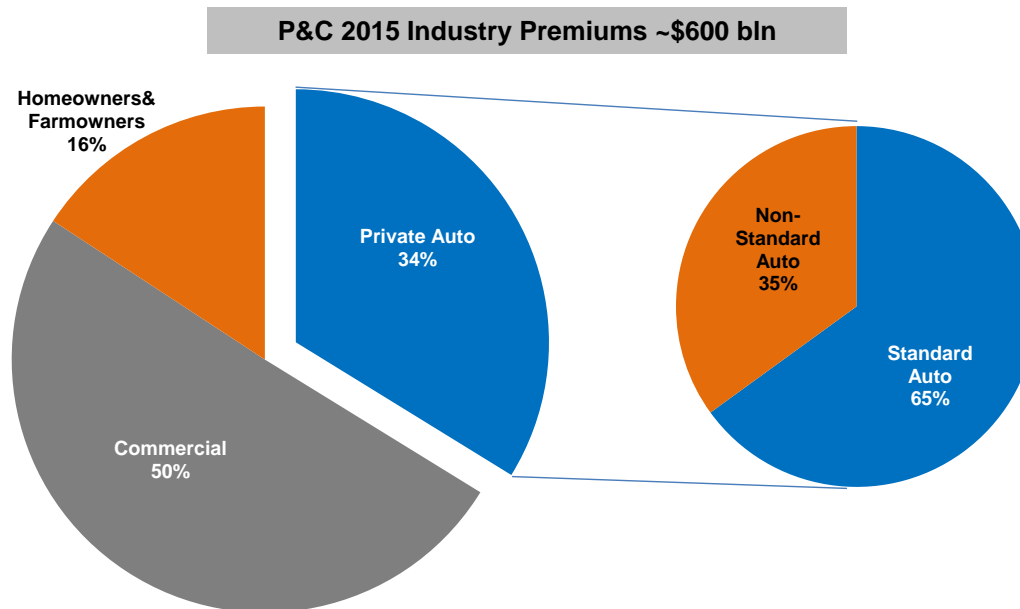


\* NOTE: 2016 GWP by Product includes only two months of GWP for Direct General, which closed on November 1.



# P&C: Non-Standard Auto

- **Higher-risk sector of the overall market**
  - New driver
  - Driver with moving violations/credit problems
  - Purchase minimum limits
  - Unusual drivers license status
- **Makes purchasing decisions based on availability of funds and affordability**
- **Shorter policy duration with lower limits than standard policies**
- **High lapse-rate**
- **More susceptible to fraud**

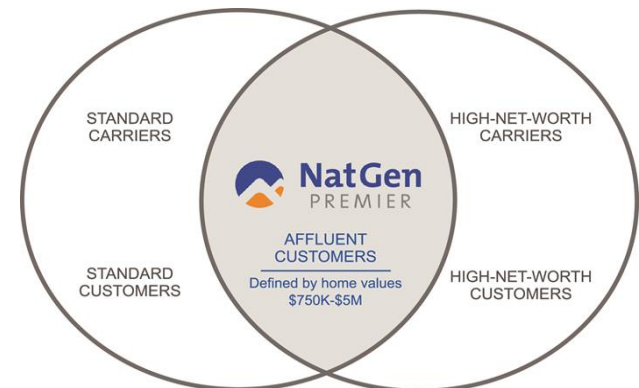
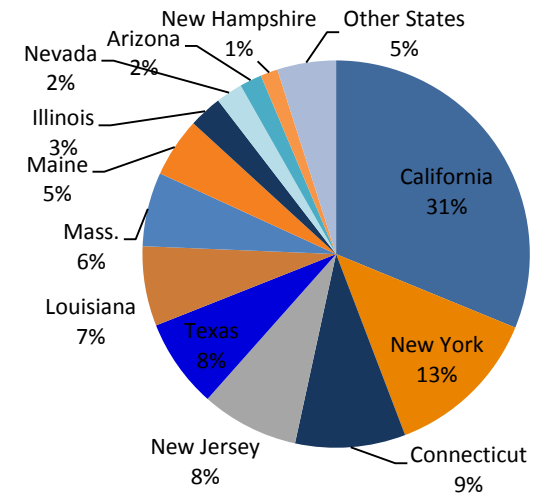


- **Loss Cost Trends** – Loss cost trends have been increasing over the last few years, as both frequency and severity have experienced upticks.
  - Miles driven (healthy economy, gas prices)
  - More cars on the road
  - Distracted driving
  - Increasing cost of auto technology
  
- **Technology** – Transaction heavy industry that benefits from data analytics, greater access to loss trend information and pricing sophistication. The market is highly fragmented, with the majority of smaller/more regional players under-invested in technology. Competitors that have not kept pace with technological advancements are more susceptible to adverse selection.
  
- **Scale** – Thin underwriting margins and low investment returns have made it difficult to sustain market share and profitability.
  
- **These Dynamics Create a Growth Opportunity for NGHC**
  - **Organic** – Above expected organic growth rates experienced in 2016
  - **Acquisition** – Acquisition opportunities of struggling providers

# P&C Overview: Home and Package

- **Homeowners/Umbrella/Package** – Our homeowners policies are generally multiple-peril, providing property and liability coverages for one- and two-family, owner-occupied residences. We also provide additional coverage to the homeowner for personal umbrella.
  - Target standard/preferred customer base
  - Package offering with auto/umbrella improves customer retention
    - We offer one policy, one invoice
  
- **High Net Worth Opportunity** – NatGen Premier offers homeowners and package policies for the HNW market, with a target market of home values between \$750 thousand and \$5 million. Our focus is on home values in the \$1-3 million range, or what we define as the mass affluent market.
  - The NatGen Premier product suite is generally aligned to the HNW market: offering guaranteed replacement cost on building and contents, no time limit on loss of use with cash out options available, offering additional coverage for collections and umbrella (with limits up to \$10 million), and all properties are inspected by vendors that specialize in HNW homes. Package offering with auto/umbrella improves customer retention
  - We currently offer NatGen Premier in seven states (California, Connecticut, Illinois, New Jersey, New York, Arizona and Michigan) and intend to expand into additional states (including Georgia, Massachusetts and Virginia) throughout 2017.

**\$412 million Home 2016 GWP**

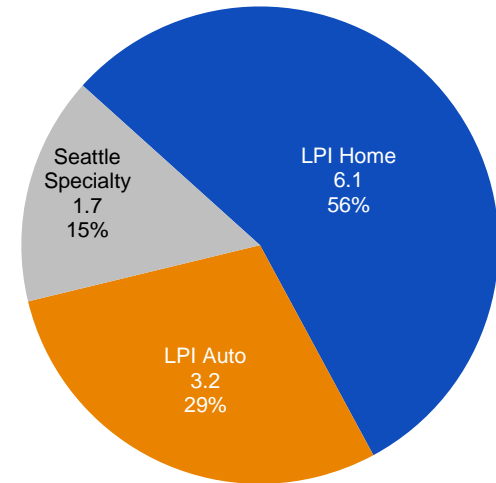


\* NOTE: 2016 GWP by Product includes only two quarters of Century National and one quarter of Standard Mutual.

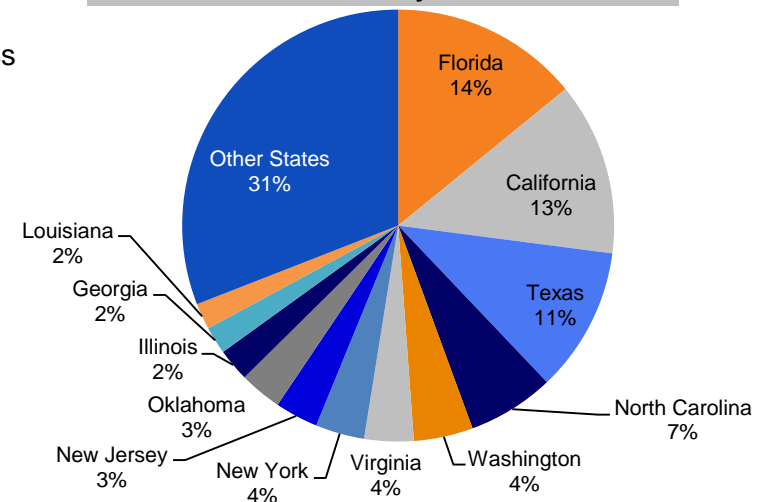
# P&C Overview: Lender Placed

- We acquired the our Lender Placed platform in 2015, which facilitated our entry into the homeowners and auto lender-placed insurance segment with an industry leading platform and management team. National General Lender Placed, the second largest lender-placed insurance platform in the U.S., produced \$376 million of gross written premium and tracked 11 million home and auto loans in 2016. The company has an industry leading technology platform supported by comprehensive enterprise risk management capabilities, offering a full suite of lender-placed insurance products to customers through three distinct operating segments:
  - **LPI Home** – The second largest LPI home platform in the U.S., offering fire, home, and flood products, as well as tracking and other ancillary services to financial institution clients. In 2016 we tracked an average of 6.1 million home loans.
  - **LPI Auto** – The largest LPI auto tracking platform in the U.S., offering collateral protection insurance (CPI), guaranteed asset protection (GAP) and insurance recovery services for automobiles. In 2016 we tracked an average of 3.2 million auto loans.
  - **Seattle Specialty Insurance Services (SSIS)** – An agency and tracking business focused on the smaller niche loan servicing segment that offers a full range of coverage options underwritten by third-party insurance carriers. In 2016 Seattle Specialty tracked an average of 1.4 million loans, primarily home.

Loans Tracked in 2016 (in millions)



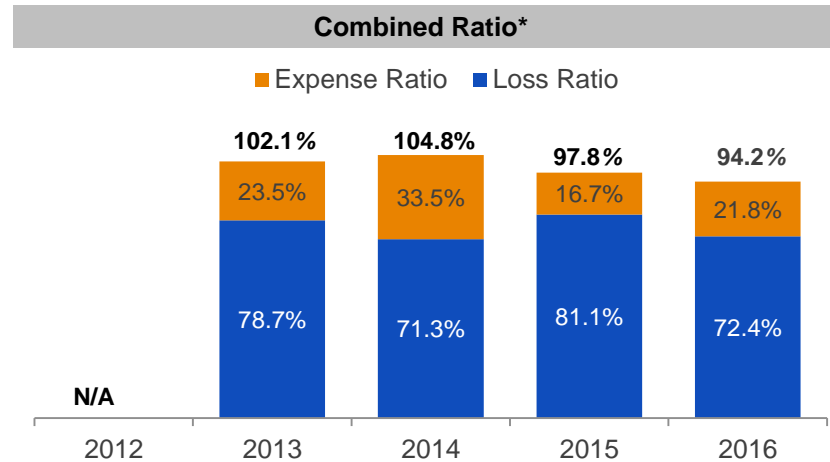
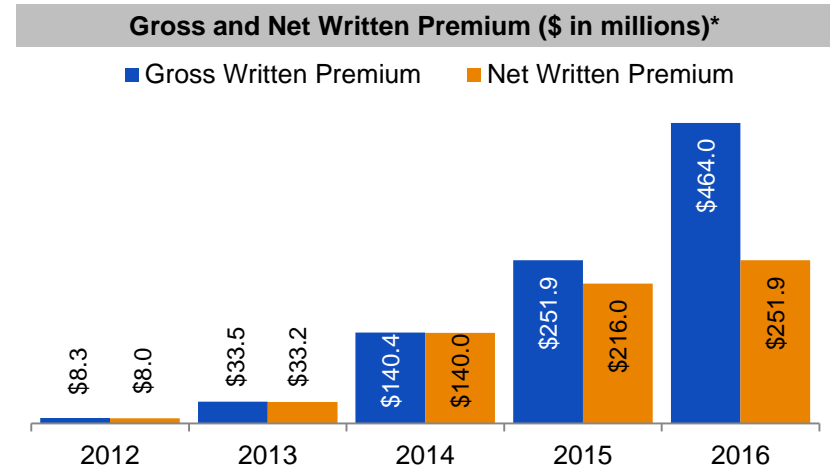
Premiums by State



# Accident & Health

# Accident & Health

- **History:** Entered in 2012
- **Premium Volume:** \$464 million of GWP in 2016, with total written and managed premium of ~\$673 million
- **Geography:** Operates in the U.S. and Europe
- **Business Detail:**
  - **U.S. Domestic** – Through various distribution sources, we provide niche supplemental and non-major medical insurance products, which are written on National Health Insurance Company (NHIC) paper, to individuals and small employer groups. Additionally, we provide major medical policies not written on our paper through our various distribution sources.
    - **Distribution:** Call Center Agency (VelaPoint), Independent Agency (AHCP), Worksite Marketing (TABS), North Star Marketing (NSM), Managing General Agency (HST), Large 3<sup>rd</sup> Party General Agencies
    - **Products:** Accident/AD&D, Limited Medical/Hospital Indemnity, Short Term Medical, Cancer/Critical Illness, Small Group Self-Funded (Stop Loss), Term Life, Dental and Vision.
  - **Europe** – Through EuroAccident, a Swedish managing general agency, we provide health insurance (predominantly personal medical insurance or PMI) to large groups and individuals in Sweden. Business is written on NHIC paper as of April 1, 2014.

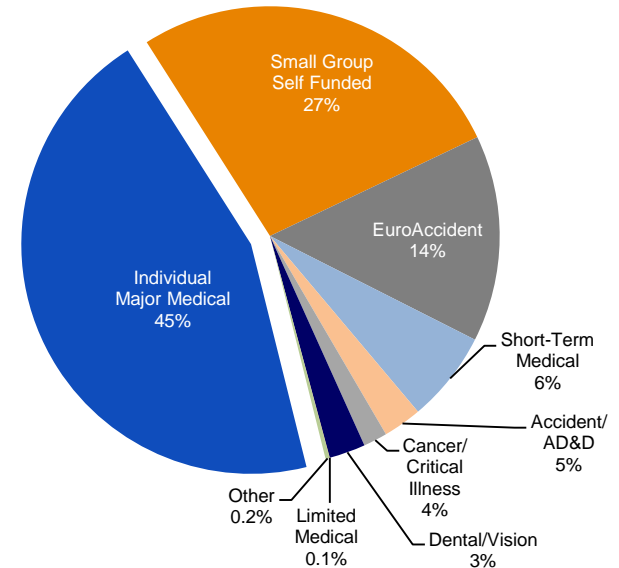
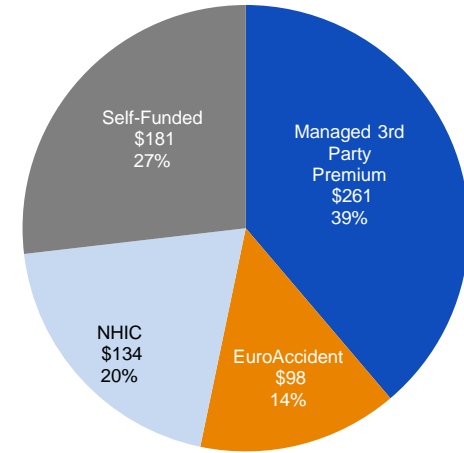


\* NOTES: Expense Ratio and Combined Ratio exclude the impact of non-cash amortization of intangible assets and impairment of goodwill.

# A&H: Product Overview

- **Accident/AD&D** – Coverage pays a stated benefit to insured or beneficiary in the event of bodily injury or death due to accidental means. For our targeted young and uninsured population, policies can provide basic insurance protection for those without coverage, and can also serve as supplemental policies underneath high deductible major medical plans.
- **Limited Medical/Hospital Indemnity** – These plans are excellent supplements to high deductible plans – helping mitigate high catastrophic individual out of pocket expenses. They can also be sold as stand alone programs, offering basic insurance for those that cannot afford or do not wish to pay for more expensive major medical plans.
- **Short Term Medical** – These plans offer major medical coverage to individuals for a prescribed short duration (generally 6 months, but can be up to a year). Carriers may still underwrite and install basic cost protection devices like pre-existing condition limitations.
- **Cancer/Critical Illness** – Policies provide excellent supplemental coverage for many costs that are not covered by traditional health insurance. Products are sold on a guarantee and simplified issue (health questionnaire) basis, and can be sold stand alone or packaged with other products.
- **Term Life** – Term life insurance sold on guarantee and simplified issue basis and employer paid or employee pay all, with a wide array of benefit features available.
- **Dental/Vision** – These policies provide basic dental or vision coverage and can be sold on a stand-alone basis or packaged with other products. They are frequently matched with discount plans.
- **Small Group Self-Funded /Stop Loss** – We offer a wide array of self-funded/stop loss programs for small and large employers, as permitted by state law. We also package our non-major medical coverages with stop loss programs.
- **EuroAccident** – We provide health insurance (predominantly personal medical insurance or PMI, which is an enhanced medical policy that supplements a national health care plan) to large groups and individuals in Sweden.

A&H 2016 managed & GWP: \$673 million



# A&H: Expansion

We believe the A&H segment presents a significant opportunity with substantial demand for supplemental products. We continue to look at potential acquisitions in the A&H space. The key acquisitions we have completed in the segment are as follows:

<b>VelaPoint</b>	<ul style="list-style-type: none"> <li>• Acquired in February 2012.</li> <li>• General agency call center that sells a full range of supplemental &amp; individual major medical policies via state/federal exchanges and third-party carriers.</li> <li>• Produced ~\$144 mm of premium in 2015, including ~\$10 mm on NHIC paper. We expect a significant percentage of VelaPoint supplemental health product sales to be written on NHIC paper going forward.</li> </ul>
<b>America's HealthCare Plan (AHCP)</b>	<ul style="list-style-type: none"> <li>• Acquired in February 2012.</li> <li>• MGA/program manager that works with &gt; 4,300 independent agents/general agents across the U.S. to provide an array of insurance products, including those from third-party insurers.</li> <li>• Produced ~\$114 mm of premium in 2015, including ~\$21 mm on NHIC paper. We expect a significant percentage of AHCP supplemental health product sales to be written on NHIC paper going forward.</li> </ul>
<b>The Association Benefits Solutions (TABS)</b>	<ul style="list-style-type: none"> <li>• Acquired in September 2012.</li> <li>• Administers specialty self-insurance arrangements, offering ERISA qualified self-insured plans to employers in affinity associations or trade groups and selling medical stop loss coverage to employers.</li> <li>• Produced ~\$35 million GWP in 2015.</li> </ul>
<b>National Health Insurance Company (NHIC)</b>	<ul style="list-style-type: none"> <li>• Acquired in November 2012.</li> <li>• Texas domiciled life/health insurer established in 1979 and licensed in 48 states &amp; DC.</li> <li>• NHIC serves as the underwriting company for our A&amp;H segment.</li> </ul>
<b>EuroAccident</b>	<ul style="list-style-type: none"> <li>• Acquired in April 2013.</li> <li>• Swedish group life and health insurance MGA which writes business on National General paper effective April 1, 2014.</li> <li>• Produced ~\$88 million GWP in 2015.</li> </ul>
<b>Healthcare Solutions Team (HST)</b>	<ul style="list-style-type: none"> <li>• Acquired in January 2015.</li> <li>• MGA based in Lombard, Illinois that partners with ~500 independent agents across U.S. to provide a wide range of A&amp;H products.</li> <li>• Produced ~\$112 mm of premium in 2015, including \$4 on NHIC paper. We expect a significant percentage of HST supplemental health product sales to be written on NHIC paper going forward.</li> </ul>
<b>Assurant Health</b>	<ul style="list-style-type: none"> <li>• Acquired in October 2015</li> <li>• The transaction includes certain business lines and assets from Assurant Health, including the small group self-funded and supplemental product lines, as well as North Star Marketing, a proprietary small group sales channel.</li> <li>• These businesses provide access to up to approximately \$280 million of potential revenues, including \$220 million of premium.</li> </ul>



# The National General Advantage

1

We have **proven leadership** with an experienced management team that has a history of creating shareholder value

2

We have built a **technology driven infrastructure** which creates operational efficiencies that result in reduced expenses and increased profitability

3

We have an intense focus on **profitable underwriting and disciplined expense management**

4

We will **opportunistically pursue acquisitions** to augment our organic growth opportunities

5

Our **sizable fee income stream increases our capital flexibility** and is expected to continue to grow

6

We have a **strong balance sheet** with a conservative investment portfolio, stable loss reserves, and a solid capital position

# Management Team

We believe we have a highly experienced and capable management team with a long history in the property and casualty insurance and financial services industries. Key members of our senior management team include:

<p><b>Barry Karfunkel</b> Chief Executive Officer</p>	<ul style="list-style-type: none"> <li>▪ 9+ years experience in the financial services industry</li> <li>▪ Joined National General at inception in 2010, where he has served on the Board of Directors and as Executive Vice President, President, and now Chief Executive Officer</li> <li>▪ Previous experience: Maiden Capital Solutions, AmTrust Capital Partners</li> </ul>
<p><b>Michael Weiner</b> Chief Financial Officer</p>	<ul style="list-style-type: none"> <li>▪ 20+ years of experience in the financial services and insurance industry</li> <li>▪ Joined National General in March 2010</li> <li>▪ Previous experience: Cerberus, Citigroup, KPMG LLP and Bankers Trust Co.</li> </ul>
<p><b>Robert Karfunkel</b> Executive Vice President Chief Marketing Officer</p>	<ul style="list-style-type: none"> <li>▪ Joined National General at inception in 2010, where he has served on the Board of Directors and as Executive Vice President – Strategy and Development, and now Chief Marketing officer</li> <li>▪ Serves as a director of many National General subsidiaries and prior experience includes Maiden Reinsurance</li> </ul>
<p><b>Tom Newgarden</b> President of National General Preferred Chief Product / Analytics Officer</p>	<ul style="list-style-type: none"> <li>▪ 25+ years of experience in the insurance industry</li> <li>▪ Joined National General in August 2010</li> <li>▪ Previous experience: Safeco and AIG</li> </ul>
<p><b>Doug Hanes</b> Executive Vice President P&amp;C Product Management</p>	<ul style="list-style-type: none"> <li>▪ 10+ years of experience in the insurance industry</li> <li>▪ Joined National General (via GMAC Insurance) in February 2006</li> <li>▪ Previous experience: FirmLogic LLC (Litigation Consulting Firm), National Institutes of Health</li> </ul>
<p><b>Andy McGuire</b> Executive Vice President National General Preferred</p>	<ul style="list-style-type: none"> <li>▪ 20+ years of experience in the insurance industry</li> <li>▪ Joined National General (via Tower Acquisition) in September 2014</li> <li>▪ Previous experience: Tower Group, Fireman’s Fund, Zurich North America, Allstate and Safeco</li> </ul>
<p><b>Art Castner</b> President National General Lender Services</p>	<ul style="list-style-type: none"> <li>▪ 23+ years of experience in the insurance industry</li> <li>▪ Joined National General in October 2015 (via QBE Lender-Placed Insurance acquisition)</li> <li>▪ Previous experience: QBE North America, Ocwen Financial Corporation</li> </ul>
<p><b>Dave Koegel</b> Chief Actuary</p>	<ul style="list-style-type: none"> <li>▪ 35+ years of experience in the insurance industry</li> <li>▪ Joined National General in February 2014</li> <li>▪ Previous experience: ISO, AIG, American Re, Deloitte &amp; Touche, Imagine Re and AmTrust</li> </ul>
<p><b>Peter Rendall</b> Chief Operating Officer &amp; Treasurer</p>	<ul style="list-style-type: none"> <li>▪ 13+ years of experience in the insurance industry</li> <li>▪ Joined National General (via GMAC Insurance) in August 2002</li> <li>▪ Previous experience: various roles at GMAC/National General, Integrated Services, Inc. (software)</li> </ul>
<p><b>M&amp;A Additions</b></p>	<ul style="list-style-type: none"> <li>▪ Added benefit of our active acquisition strategy is a consistent influx of management/operational talent</li> <li>▪ Retained substantial number of employees/management following closing of <i>Tower Personal Lines, Imperial, Healthcare Solutions Team, Assigned Risk Solutions, Assurant Health, and QBE LPI</i></li> </ul>

We seek to leverage technology to create operational efficiencies which result in reduced expenses and increased profitability. We rely on technology and extensive data gathering and analysis to evaluate and price our products accurately according to risk exposure. We have substantially upgraded our information technology capabilities in recent years. Our goal is to continue to make strategic investments in technology and develop sophisticated tools that enhance our customer service, product management and data analysis capabilities.

<b>NPS</b> <i>Policy Administration</i>	<b>RAD 5.0</b> <i>Underwriting/Pricing</i>	<b>EPIC</b> <i>Claims</i>
<ul style="list-style-type: none"><li>▪ Our comprehensive state of the art policy administration system.</li><li>▪ NPS allows for policy quoting, binding, and servicing and allows agents to more quickly sell our products while providing tools to help them service business and bind more National General policies.</li><li>▪ NPS is scalable to allow for future organic and acquisition growth.</li></ul>	<ul style="list-style-type: none"><li>▪ An underwriting pricing tool developed by our predictive analytics team that more accurately prices specific risk exposures to assist us in profitably underwriting P&amp;C products.</li><li>▪ RAD 5.0 offers numerous additional components and pricing strategies such as supplemental risk and improved credit modeling, and facilitates better pricing over the lifetime of a policy by employing lifetime value modeling.</li><li>▪ We believe that RAD 5.0 provides us with a competitive advantage for pricing our products relative to other auto insurers of our size.</li></ul>	<ul style="list-style-type: none"><li>▪ Our proprietary Siebel-based claims system.</li><li>▪ We believe we are ahead of the curve from an industry standpoint with EPIC, which is a fully paperless and scalable claims system that includes workload management, document management, automatic assignment logic and seamless integration with over twenty different interfaces.</li><li>▪ The claims system has been upgraded to the latest Siebel platform, which allows for the latest browsers and mobile applications.</li></ul>

# Focus on Profitable Underwriting

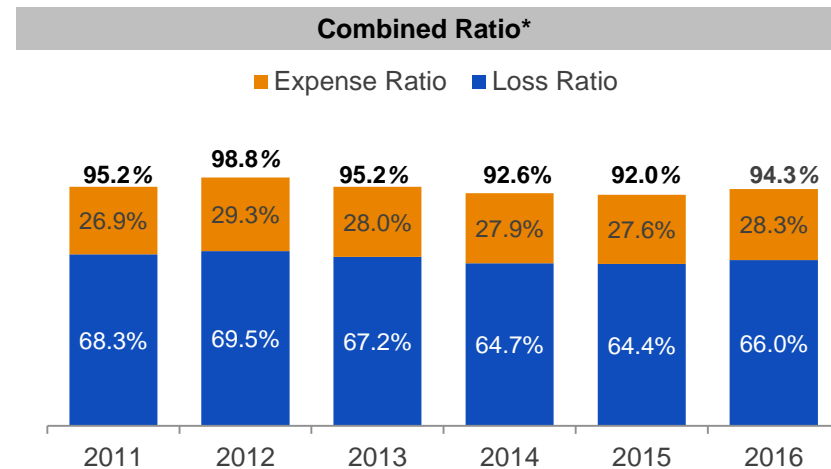
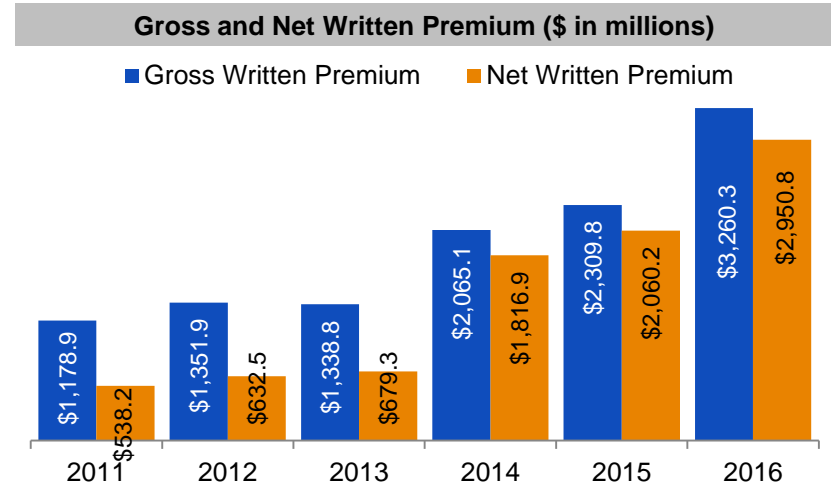
We target 3-5% organic growth with a companywide combined ratio\* of 92-94%.

## Focus on Profitable Underwriting:

- Our focus on specialty markets and niche distribution channels provides the greatest opportunity for achieving superior long-term growth and profitability.
- Our sophisticated analytics drives better risk selection and improved margins.

## Disciplined Expense Management:

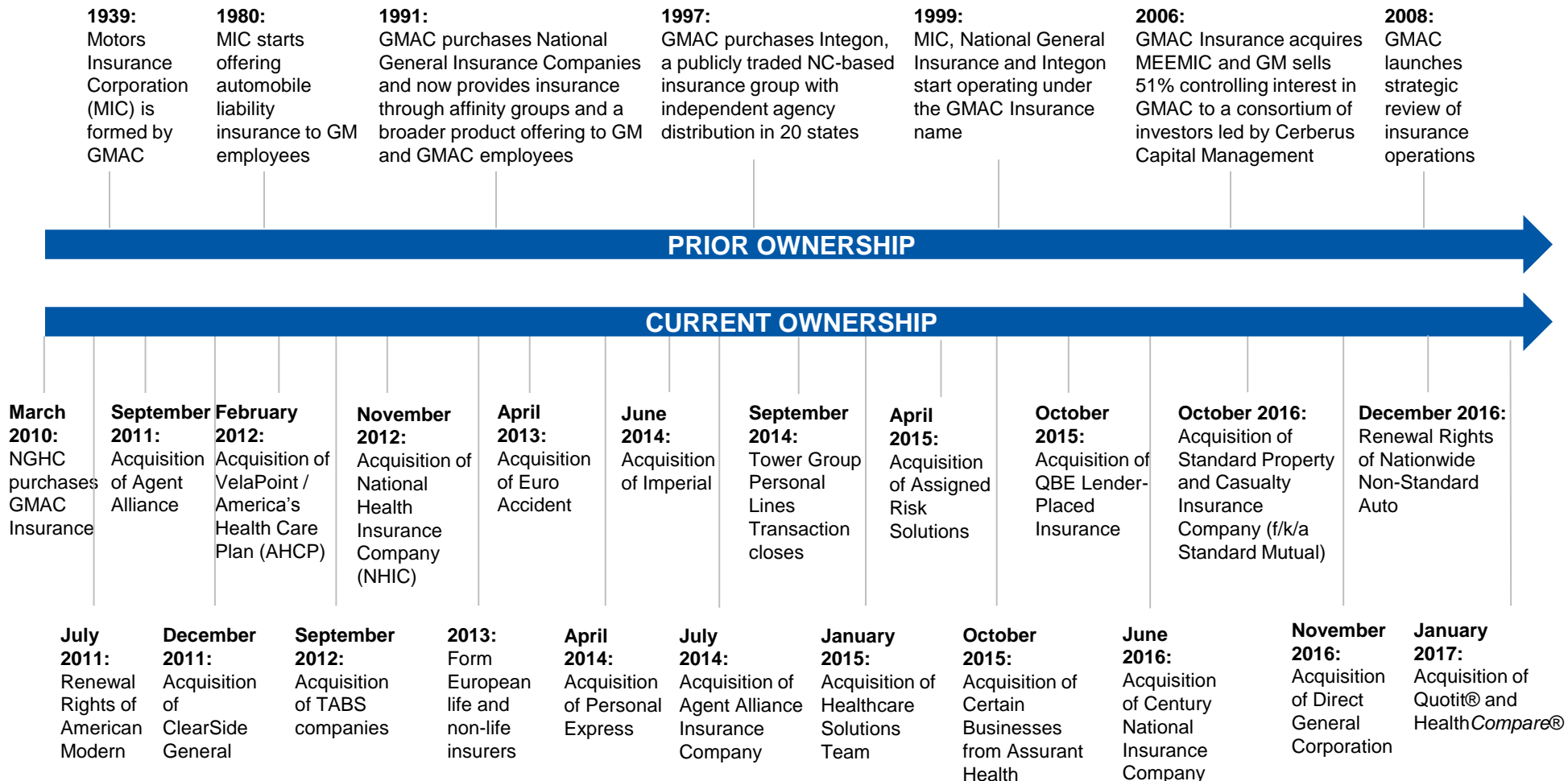
- We seek to leverage technology to create operational efficiencies which result in reduced expenses.
- We maintain a flat organizational structure where high level executives review sizable companywide expenses on a weekly basis to ensure that costs are properly controlled.
- Since acquiring GMAC Insurance in 2010, we have taken numerous steps to right-size the expense base of the company in order to improve overall profitability.
- We target a companywide expense ratio\* of 29-30%.



\* NOTE: Expense Ratio and Combined Ratio exclude the impact of non-cash amortization of intangible assets and impairment of goodwill.

# Growth Through Strategic Transactions

Since taking over the company in 2010, we have completed multiple acquisitions which have built National General into the well diversified personal lines insurer it is today. We target acquisitions of carriers with good underwriting and high expenses; and will look at renewal rights transactions, book rolls, new products, distribution, underwriting teams, etc.

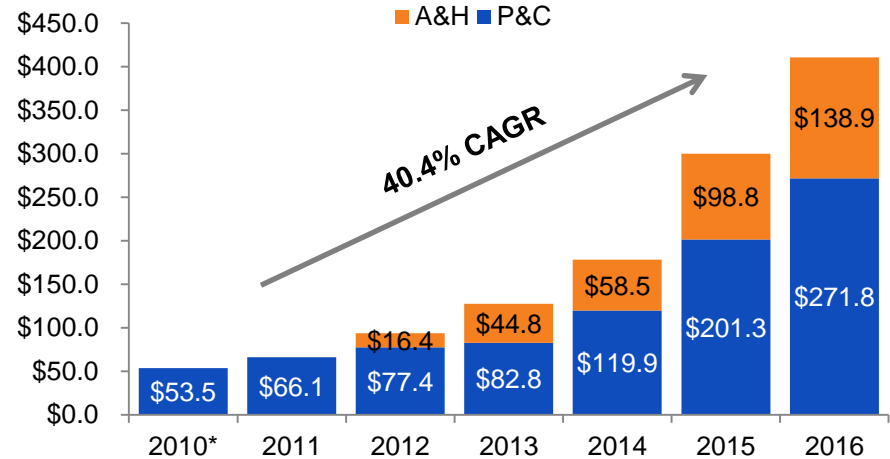


# Fee Income

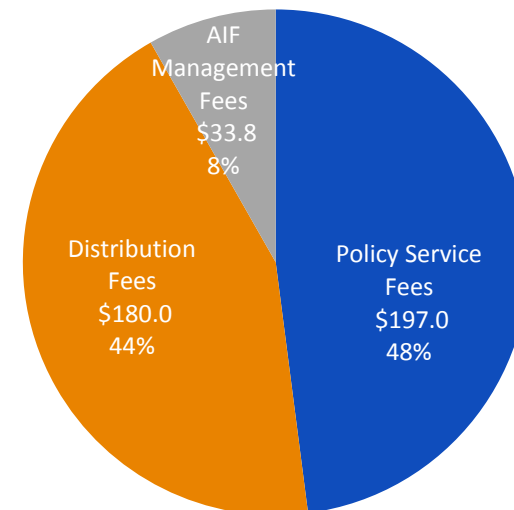
We generate fee income, which increases our capital flexibility, within both our P&C and A&H segments. Our core agency auto states have historically been the primary contributor to fee income, but we expect continued fee growth to come from the expansion of our A&H segment, the addition of fee income from acquisitions, and the addition of management fees from the Attorneys-in-Fact (AIF) that manage the reciprocal exchanges. Our main sources of our fee income include:

- **Policy Service Fees** – We charge policy service fees (including fees for installment plans, policy renewal, non-sufficient funds, late payments, cancellations and various financial responsibility filing fees) which are generally designed to offset expenses incurred in the administration of our insurance business (both P&C and A&H segments).
- **Distribution Fees** – We collect service fees as commissions and general agent fees for selling policies issued by third-party insurance companies, on which we do not bear underwriting risk (both P&C and A&H segments).
- **AIF Management Fees** – We charge a fee for managing the reciprocal exchanges through the Attorneys-in-Fact, which were included in the Tower Personal Lines transaction that closed on September 15, 2014 (P&C segment). We note that these fees are eliminated in consolidated GAAP results.

Service and Fee Revenue (\$ in millions)



2016 Service and Fee Revenue by Category



\* NOTE: Period from March 1, 2010 (Inception) to December 31, 2010.

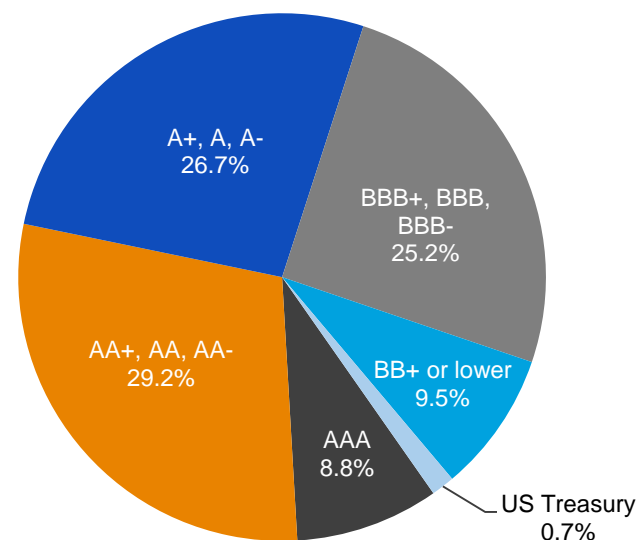
# Conservative Investment Portfolio

## Composition by Asset Class (\$ in millions) at December 31, 2016

### Fair Value at December 31, 2016

	Consolidated Total	% of Portfolio
Preferred Stock	\$ 1.6	0.0%
Common Stock	28.0	0.7%
<b>Total Equities, available-for-sale</b>	<b>29.6</b>	<b>0.8%</b>
Corporate Bonds	1,610.9	40.9%
Residential MBS	449.3	11.4%
Structured Securities	338.6	8.6%
Municipal Bonds	452.3	11.5%
Commercial MBS	107.3	2.7%
Foreign Government	56.8	1.4%
U.S. Treasuries & Federal Agency	46.6	1.2%
<b>Total Fixed Maturities, available-for-sale</b>	<b>3,061.8</b>	<b>77.7%</b>
<b>Subtotal Equities &amp; Fixed Maturities, available-for-sale</b>	<b>3,091.4</b>	<b>78.4%</b>
<i>Other Investments</i>		
Fixed maturities, trading	38.7	1.0%
Equity securities, trading	30.1	0.8%
Cash & Cash Equivalents	265.9	6.7%
Equity in Unconsolidated Subsidiaries	265.7	6.7%
Notes Receivable from Related Party	126.3	3.2%
Other Investments	106.9	2.7%
Short Term Investments	15.7	0.4%
<b>Total Investment Portfolio</b>	<b>\$ 3,940.6</b>	<b>100.0%</b>

## Fixed Income Composition by Ratings at December 31, 2016



## Fixed Income Portfolio Key Statistics at December 31, 2016

Average Yield: 3.1%

Average Duration: 5.08 years

# Loss Reserves (\$ in millions)

We believe we have a reasonable and sufficient loss reserve position that is substantiated by the latest indicated actuarial reserve range, including approximately 50% of carried IBNR as of the most current year end valuation. Our reinsurance recoverable position is due from highly rated reinsurers (A- or better with the exception of the MCCA and NCRF, state run facilities which are not rated by A.M. Best).

Loss Reserve Overview			
	2016	2015	2014
Gross Loss Reserves	\$1,623.2	\$1,450.3	\$1,259.2
Reinsurance Recoverables	\$794.1	\$888.2	\$950.8
Net Loss Reserves	\$829.1	\$562.1	\$308.4
Net Case Reserves	\$386.1	\$279.5	\$179.0
Net IBNR	\$443.1	\$282.6	\$129.4
% IBNR	53.4%	50.3%	42.0%
Favorable/(Unfavorable) Development	(\$14.4)	(\$18.4)	(\$17.9)
Development as a % of Net Reserves	-1.7%	-3.3%	-5.8%

Reinsurance Recoverables			
	2016 Recoverable	% of Total	A.M. Best Rating
Michigan Catastrophic Claims Association (MCCA)	\$663.9	83.6%	NA
North Carolina Reinsurance Facility (NCRF)	\$100.5	12.7%	NA
Maiden Insurance Company	\$13.0	1.6%	A
ACP Re.	\$7.8	1.0%	NA
Technology Insurance (AmTrust Financial subsidiary)	\$5.2	0.7%	A
Other Reinsurers	\$48.2	6.1%	NA
<b>Reinsurance Recoverables Total</b>	<b>\$838.6</b>	<b>105.6%</b>	

Actuarial Net Loss Reserve Range at 12/31/2016
High: \$1,438
<b>Carried: \$1,289</b>
Low: \$1,151



# Capital Position

Recent capital actions include:

- On March 27, 2015, we closed on \$150.0 million of 7.50% Series B Non-Cumulative Preferred Stock redeemable on or after April 15, 2020. On April 6, 2015, the underwriters over-allotment option was exercised for an additional \$15.0 million.
- On August 18, 2015 we closed a Follow-On Offering of 11.5 million common shares at \$19.00 per share (including the underwriters over-allotment option), generating approximately \$210.9 million of net proceeds.
- On August 18, 2015 we closed an offering of \$100 million in aggregate principal amount of 7.625% Subordinated Notes due 2055, resulting in net proceeds of \$96.85 million.
- On October 8, 2015 we closed on a private issuance of \$100 million in aggregate principal amount of 6.75% Senior Unsecured Notes due 2024, resulting in net proceeds of approximately \$98.85 million.
- On January 25, 2016, we entered into a \$225 million revolving credit facility with a letter of credit sub-limit of \$25 million and an expansion feature up to \$50 million. The facility has a maturity date of January 25, 2020, and replaces our previous \$135 million credit agreement.
- On July 7, 2016, we closed on \$200.0 million of 7.50% Series C Non-Cumulative Preferred Stock redeemable on or after July 15, 2021.

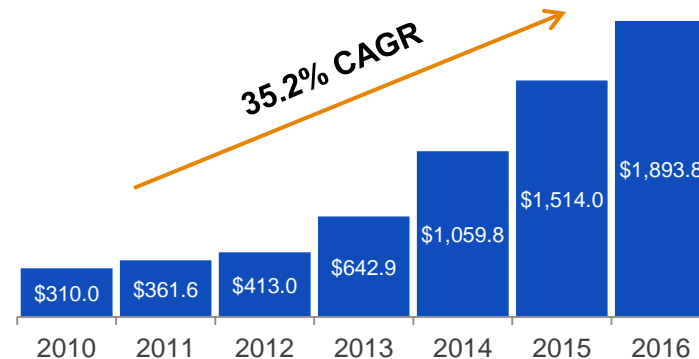
**We expect to be able to write business with operating leverage of up to approximately 1.8x total capital.**

## NGHC Capital Position (\$ in millions)

	<u>December 31, 2016</u>
<b>Shareholders' Equity</b>	<b>\$1,893.8</b>
Debt	\$752.0
<b>Total Capital</b>	<b>\$2,645.8</b>
Undrawn Amount of \$225m LOC	\$175.0
Total Available Capital	\$2,820.8

<b>Debt to Equity Ratio</b>	<b>39.7%</b>
<b>Debt to Total Capital Ratio</b>	<b>28.4%</b>

## NGHC Shareholders' Equity (\$ in millions)



# The Bottom Line: Strong Profitability



- Sophisticated data analytics enhances risk selection
  - Predictive modeling capabilities applied to each individual risk
  - Conservative reserving philosophy
  - Prudent reinsurance structure
- Full integration of legacy systems to drive cost savings
  - Proper expense controls enforced with management oversight
  - Cost centric approach towards integration of acquisitions
- Conservative investment portfolio composed largely of high-quality fixed income securities
  - Leverage resources and investment capabilities of AmTrust (AFSI), who manages over \$10 billion of combined investment assets for affiliated companies
- Utilization of debt instruments and preferred securities to minimize equity dilution
  - Capital structure predominantly high-equity content securities

Illustrative ROE Calculation*	
Combined Ratio (92%-94%)	92%
Underwriting Profit	8%
Operating Leverage (NPE/Average Total Capital)	1.8x
<b>ROE from Underwriting</b>	<b>14.4%</b>
Investment Yield	3.5%
Investment Leverage (Cash & Investments/Equity)	2.0x
<b>ROE from Investing</b>	<b>7.0%</b>
Pre-Tax ROE	21.4%
Effective Tax Rate	28.0%
<b>ROE to Common Shareholders</b>	<b>15.4%</b>

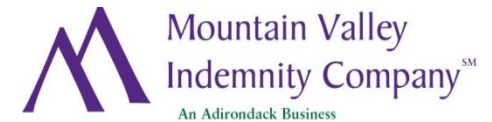
**We target an ROE of 15% across market cycles**

*We are a diversified insurance holding company with the ability to leverage a unique portfolio of differentiated products to generate industry leading underwriting and overall profitability, driven by:*

- **Strong Premium Growth** – we expect to continue to produce strong top line growth through continued selective acquisitions, the integration of a homeowners product offering, further expansion of A&H lines, organic growth within our core P&C book, and additional technology-driven product offerings.
- **Disciplined Expense Management** – we aim to produce peer-group leading expense ratios, driven by our new policy administration system, state of the art technology and an intense focus on disciplined expense management.
- **Focus on Acquisitions** – we expect recent acquisitions to boost 2016 and 2017 results, and we will continue to look at opportunistic M&A as a way to build our company.
- **A&H Opportunity** – post-PPACA implementation, we expect significant demand for supplemental and small group self-funded products, and we see a significant opportunity for growth in this space.
- **Experienced Management Team** – our senior management team has extensive experience in insurance and financial services, with a demonstrated track record of delivering shareholder value.
- **Strong Balance Sheet** – our balance sheet is well positioned with a conservative investment portfolio, a solid capital position, and adequate reserves.

**We target an ROE of 15% across market cycles**

# Companies and Partners



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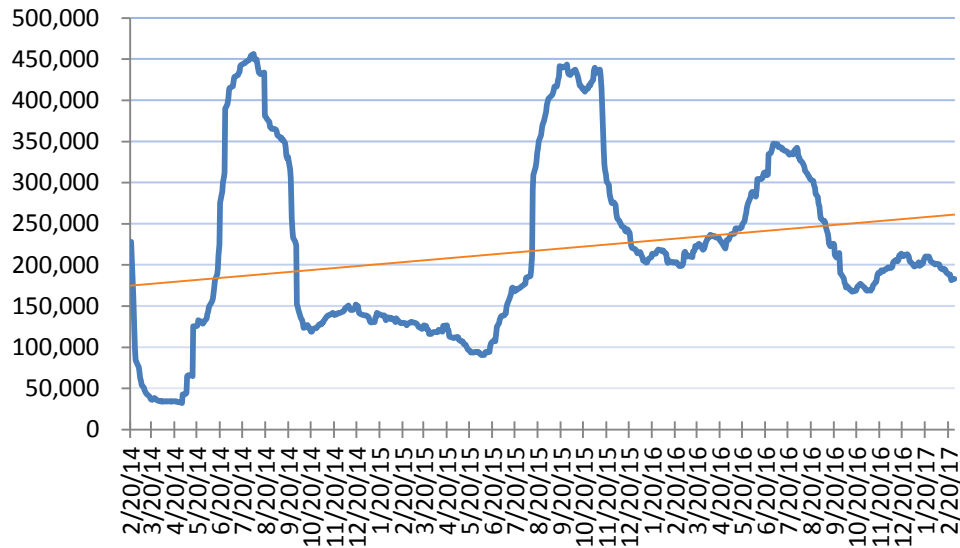
# **Appendix: Supplementary Information**

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# Liquidity & Ownership

- Average Daily Volume: 182,640 shares (3 month average daily volume as of February 28, 2017)
- Currently approximately 54% of our shares are owned by Affiliated Shareholders (including the Karfunkel Family and AmTrust Financial), with approximately 46% publicly floating.

3 Month Average Daily Volume



Affiliated Shareholders/Available Floating Shares

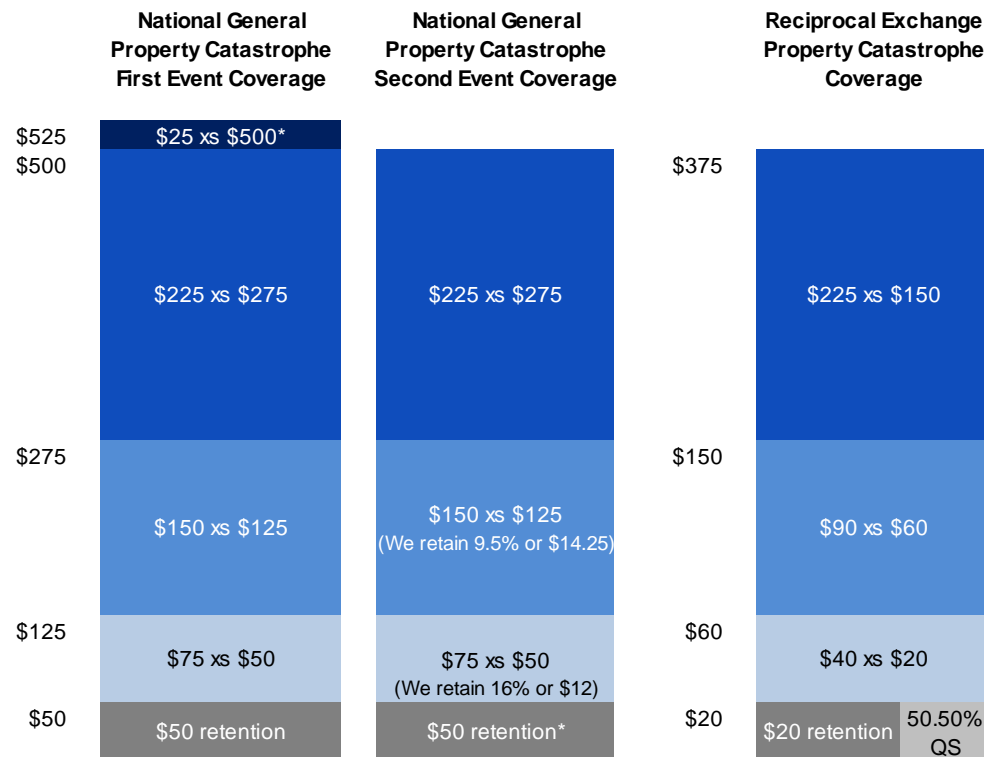
Holder	Shares (millions)	% of Shares
Karfunkel Family Trusts	33.0	31.0%
Leah Karfunkel 2016 GRAT	12.6	11.8%
AmTrust Financial	12.3	11.6%
June 2013 144A Equity Offering	21.9	20.6%
February 2014 144A Follow-On Equity Offering	13.6	12.8%
August 2015 Follow-On Equity Offering	11.5	10.8%
October 2016 Standard Mutual Subscription Rights	0.3	0.3%
Exercised Options/RSUs	1.2	1.1%
<b>Total</b>	<b>106.4</b>	<b>100.0%</b>

# Catastrophe Reinsurance

Effective May 1, 2016, we have a sizable reinsurance program that conservatively protects our capital position in the case of a catastrophic event.

- The National General property catastrophe reinsurance program provides \$475 million of coverage in excess of a \$50 million retention, and includes second event coverage. Our property catastrophe reinsurance program provides coverage for a 1-in-150 year event for any peril, and a 1-in-250 year event for a Northeast hurricane.
  - “Top or Drop” layer provides either \$15 million in excess of \$500 million on a first event OR second event protection at \$35 million retention (if \$15 million layer is unutilized in first event).
  - There is additional Florida Hurricane Catastrophe Fund (FHCF) coverage that came over with the QBE LPI acquisition.
- The property catastrophe program for the Reciprocal Exchanges, which was effective July 1, 2016, provides \$355 million of coverage in excess of a \$20 million per event retention (which is reduced further by a 50.5% quota share arrangement), with one reinstatement.
- Our casualty catastrophe program provides \$45 million of coverage in excess of a \$5 million retention.
- For umbrella policies, we have \$9 million of coverage in excess of \$1 million retention.

The following charts depict our various catastrophe reinsurance programs (\$ in millions):



\* Includes "Top or Drop" layer.

# Life Settlement Contracts (LSC)

- A life settlement contract (LSC) is a contract between the owner of a life insurance policy and a third party who obtains the ownership and beneficiary rights of the underlying life insurance policy.
- As of December 31, 2016, we have a 50% ownership interest in four LSC Entities (Tiger, AMT Alpha, AMTCH and AMTCH II) that hold certain life settlement contracts. The LSC entities currently hold 254 policies with a face value of \$1.6 billion as of December 31, 2016. The fair value of the contracts owned by the LSC Entities is \$356.9 million; our proportionate interest is \$186.0 million.
- The following tables summarize data utilized in estimating the fair value of the portfolio of life insurance policies as of December 31, 2016 as well as the sensitivity of the fair value given an increase/decrease in the life expectancy pertaining to the underlying policies or the discount rate used to determine the fair value of the policies:

<i>(\$ in thousands)</i>	December 31, 2016
Average age of insured	82.8 years
Average life expectancy, months <sup>(1)</sup>	107
Average face amount per policy	\$6,572
Effective discount rate <sup>(2)</sup>	12.4%

<i>(\$ in thousands)</i>	Change in life expectancy	
	Plus 4 Months	Minus 4 Months
Investment in life policies: December 31, 2016	(\$44,207)	\$43,492
	Change in discount rate <sup>(3)</sup>	
	Plus 1%	Minus 1%
Investment in life policies: December 31, 2016	(\$29,881)	\$33,155

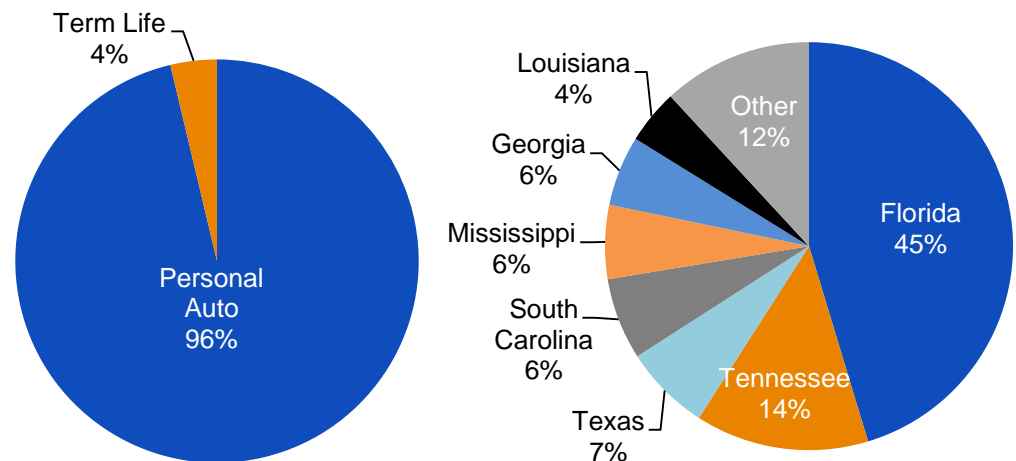


# Direct General

- **Announced:** June 24, 2016 (closed November 1, 2016)
- **Transaction Details:** National General acquired Direct General Corporation (Direct General), a Tennessee based property and casualty underwriter that predominantly writes non-standard auto business in the Southern United States.
- **Purchase Price:** The purchase price for the transaction was \$161.6 million, subject to customary post-closing adjustments.
- **Employees:** Approximately 1,800
- **Rationale:** This acquisition adds a company that is well know as a direct marketing non-standard auto leader in the Southeastern U.S. and has a track record of strong growth which will enable us to expand our product distribution channel. We expect to realize substantial benefits from transitioning Direct General to our state-of-the-art technology system, advanced pricing analytics, comprehensive reinsurance structure, and as such we expect the transaction will be immediately accretive to earnings.

- **Business Details:** Direct General wrote approximately \$483 million of new written premium in 2015.
  - Direct General provides personal lines property and casualty insurance and life insurance products to multi-cultural and predominantly low income individuals in the Southeastern United States.
  - The company utilizes a Direct to Consumer, Omni-Channel distribution approach:
    - 417 company owned storefronts (67% of NWP)
    - Web Mobile (14% of NWP)
    - Phone Sales Centers (17% of NWP)
    - Kiosks (2% of NWP)

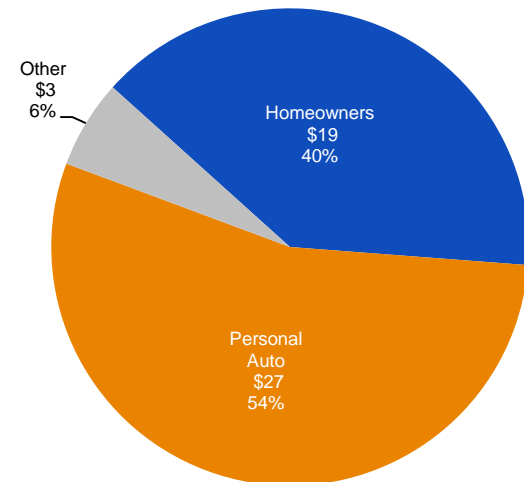
Direct General 2015 NWP by State and LOB



- **Announced:** January 27, 2016 (closed October 7, 2016)
- **Transaction Details:** National General acquired Standard Property and Casualty Insurance company (f/k/a Standard Mutual Insurance Company), an Illinois based property and casualty insurance underwriter, following the completion of the conversion of Standard Mutual Insurance Company to a stock company from a mutual company. Based in Springfield, Illinois, Standard Mutual Insurance Company is a property and casualty underwriter that began operations in 1921, has a financial strength rating of "B+" (good) from A.M. Best, and had policyholders' surplus of approximately \$22 million as of September 30, 2015.
- **Purchase Price:** NA
- **Employees:** Approximately 75
- **Rationale:** The SMIC acquisition provides National General entry into the states of Illinois and Indiana for both the homeowners and package products, and adds to our expansion efforts of standard and preferred personal lines products. We believe this combination will enhance both companies, and we expect to realize substantial benefits from transitioning Standard Mutual to our state-of-the-art technology system, our comprehensive reinsurance structure, and our shared services platform. We expect the transaction will be immediately accretive to earnings.

- **Business Details:** Standard Mutual wrote approximately \$49 million of direct written premium in 2015.
  - SMIC predominantly underwrites private passenger automobile and homeowners lines in Illinois and Indiana.
  - The company distributes products through approximately 250 independent agents.

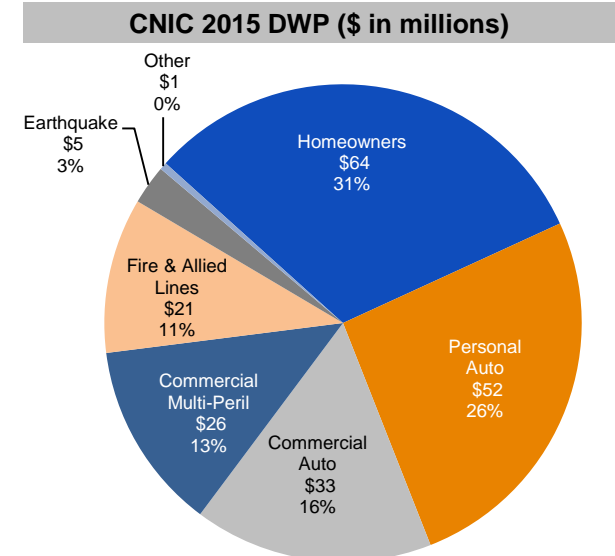
**SMIC 2015 DWP (\$ in millions)**



# Century-National Insurance Company

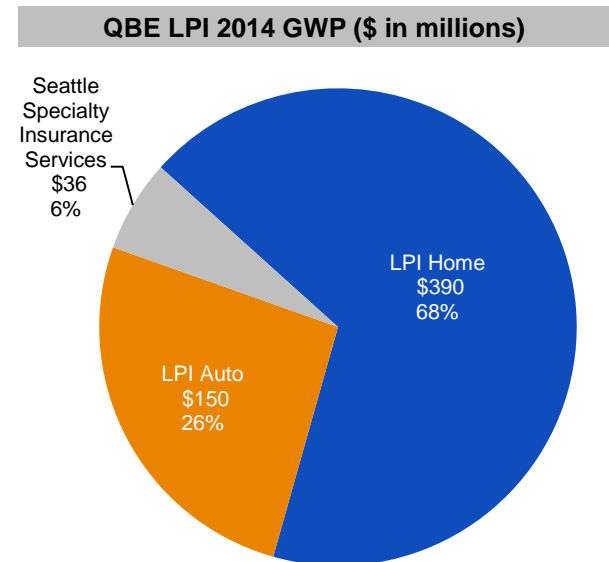
- **Announced:** January 25, 2016 (closed June 1, 2016)
- **Transaction Details:** National General acquired Century-National Insurance Company (CNIC), a California based property and casualty underwriter that is based in Van Nuys, California and began operations in 1956.
- **Purchase Price:** The purchase price for the transaction was approximately \$323.0 million, subject to an adjustment based on the final closing balance sheet. The purchase price equates to a \$50.0 million premium to tangible book value, and includes an upfront cash payment of approximately \$143.8 million with the remaining balance of \$178.9 million payable over a period of two years pursuant to a promissory note.
- **Employees:** Approximately 250
- **Rationale:** The company has a track record of impressive growth, a diverse portfolio of business composed primarily of homeowners, personal auto, and commercial auto, and a geographic footprint that is complementary to our current portfolio. The Century-National book fits well with our goal of expanding the standard and preferred products in both homeowners and personal auto, as well as enhancing our ability to bundle these products together and improve customer retention. We expect to realize substantial benefits from transitioning CNIC to our state-of-the-art technology system, advanced analytics, comprehensive reinsurance structure, and shared services platform.

- **Business Details:** CNIC wrote approximately \$203 million of direct written premium in 2015.
- CNIC predominantly underwrites homeowners, personal auto, and commercial auto liability, but also offers fire and allied lines, earthquake, and commercial multi-peril coverages.
  - The company is licensed in 41 states with a heavy concentration of business coming from four key states: California (more than two-thirds of premiums), Nevada, Arizona, and Illinois.
  - The company employs a multi-channel distribution strategy that includes approximately 800 independent agents and brokers, MGAs, lender-affiliated agencies, and direct response marketing.



# QBE Lender-Placed Insurance (LPI)

- **Announced:** July 15, 2015 (closed October 1, 2015)
- **Transaction Details:** The acquisition of certain assets, including loan-tracking systems and technology, client servicing accounts, intellectual property, and vendor relationships, as well as the assumption of all related insurance liabilities in a reinsurance transaction through which National General will receive the loss reserves, unearned premium reserves, and invested assets at closing.
- **Purchase Price:** An aggregate cash payment of \$95.7 million, subject to certain adjustments
- **Employees:** 1,300 (including outside contractors)
- **Rationale:** This acquisition facilitates National General's entry into the homeowners and auto lender-placed insurance segments with an industry leading platform and management team, is a natural fit with our existing homeowners and auto product portfolio, and provides the opportunity to leverage technology expertise to operate the business under a more efficient cost structure and extract additional expense synergies. The transaction was immediately accretive to earnings.
- **Business Details:** QBE LPI, the second largest lender-placed insurance platform in the U.S., produced \$576 million of gross written and managed premium and tracked 10.7 million home and auto loans in 2014. The company has an industry leading technology platform supported by comprehensive enterprise risk management capabilities, and a seasoned management team with significant operational expertise. QBE LPI offers a full suite of lender-placed insurance products to customers through three distinct operating segments:
  - **LPI Home** – The second largest LPI home platform in the U.S., offering fire, home, and flood products, as well as tracking and other ancillary services to financial institution clients. Produced \$390 million GWP with 160,300 policies in force and 7.8 million loans tracked in 2014. Approximately 49% of LPI Home GWP is produced through an exclusive long-term relationship with Bank of America.
  - **LPI Auto** – The largest LPI auto tracking platform in the U.S., offering collateral protection insurance (CPI), guaranteed asset protection (GAP) and insurance recovery services for automobiles. Produced \$150 million GWP with 66,600 policies in force and 2.9 million loans tracked in 2014. Approximately 42% of LPI Auto GWP comes from Wells Fargo.
  - **Seattle Specialty Insurance Services (SSIS)** – An agency and tracking business focused on the smaller niche loan servicing segment that offers a full range of coverage options underwritten by third-party insurance carriers. In 2014 SSIS produced \$36 million of third-party GWP with 4,236 policies in force, and tracked 595,000 loans. SSIS placed roughly one-third of its premium with QBE LPI.



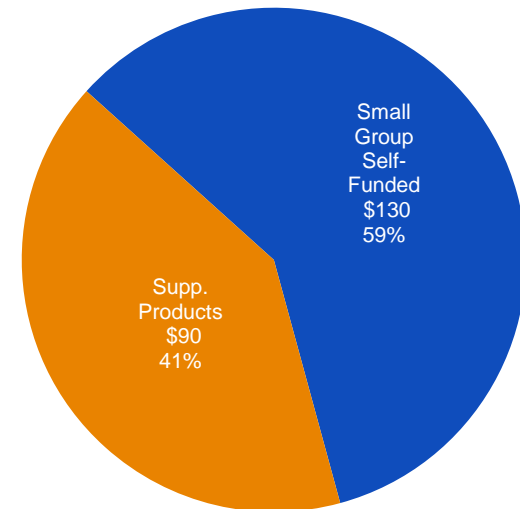
# Assurant Health

- **Announced:** June 10, 2015 (closed October 1, 2015)
- **Transaction Details:** The acquisition of certain business lines and assets from Assurant Health, including the small group self-funded and supplemental product lines, as well as the right to acquire certain other assets including North Star Marketing, a proprietary small group sales channel. In total, these businesses will provide access to up to approximately \$220 million of potential additional A&H premiums.
- **Purchase Price:** \$14 million aggregate cash payment
- **Employees:** Approximately 175
- **Rationale:** This transaction substantially enhances the scale of our A&H business and makes us a more important player in a growing and changing marketplace which we believe presents a sizable opportunity following implementation of PPACA. Specifically, the acquisition enhances our market presence in the small-group medical stop-loss and supplemental health sectors.

- **Business Details:**

- **Small Group Self-Funded (Stop Loss)** – This business provides a platform and products to employers with 5-100 employees who have or are establishing a company sponsored health benefit plan. Business is written in 36 states. The business is distributed with the help of *North Star Marketing*, a proprietary small group sales channel with approximately 80 employees that support roughly 45,000 independent appointed agents and provide high levels of personalized support and customized product expertise. 2015E GWP is expected to be roughly \$130 million, with approximately \$60 million of service and fee income associated with the book.
- **Supplemental Products** – This business offers a broad portfolio of supplemental health products, including dental, accident/AD&D, cancer/critical illness, term life, and others. Business is written in 47 states and DC. The business is distributed through independent agents and MGAs. 2015E GWP is expected to be roughly \$90 million.

Assurant Health 2015E GWP (\$ in millions)



# Assigned Risk Solutions (ARS)

- **Announced:** April 1, 2015 (simultaneous closing)
- **Transaction Details:** National General acquired ARS, a New Jersey based managing general agency that services assigned risk, personal auto, and commercial lines of business.
- **Purchase Price:** \$48 million in cash and potential future earnout payments
- **Rationale:** ARS has a solid track record of profitability, managed over \$100 million in premium in 2014 across their multi-state distribution platform, and is a dominant player in this niche market which is a unique and complementary business to our current portfolio. The transaction provides a valuable stream of fee income which we believe we can grow in the years to come, increased geographic diversification, expansion into a new product line. We took over the underwriting of the book on National General paper during the first quarter of 2016.
- **Employees:** Approximately 230
- **Business Details:**
  - Based in Saddle Brook, New Jersey, Assigned Risk Solutions, Ltd. (ARS) is a full service managing general agency that services assigned risk auto, private passenger auto and commercial lines of business, and is the only assigned risk operation of its kind that has continually been in operation for more than a half-century.
  - ARS also offers a comprehensive suite of claims, investigative, and cost containment services that are cost effective and complementary to client companies.
  - ARS is licensed in 22 states with a heavy concentration of business coming from New York, New Jersey, and Pennsylvania.

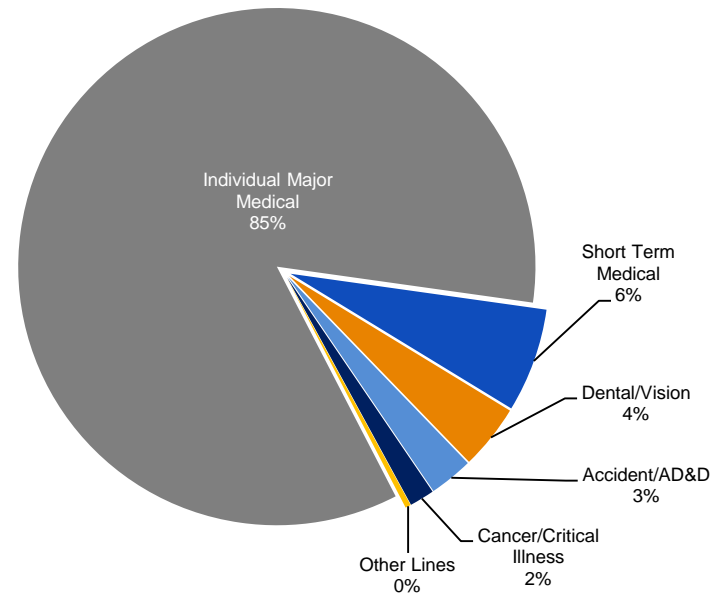
# Healthcare Solutions Team (HST)

- **Announced:** January 26, 2015 (simultaneous closing)
- **Transaction Detail:** National General acquired Healthcare Solutions Team, LLC (HST), an Illinois based healthcare insurance managing general agency
- **Purchase Price:** An upfront cash payment of \$15 million and potential future earn out payments based on HST's overall profitability.
- **Rationale:** HST has a strong track record of growth and profitability in products consistent with and complementary to our current portfolio, and provides a broad distribution platform which we can leverage to further grow our existing business.

▪ **Business Details:**

- Based in Lombard, Illinois, Healthcare Solutions Team (HST) was created in 2007 with the goal of providing families, individuals and groups with the best health insurance coverage for their needs and budgets.
- In addition to health care insurance, HST offers an array of coverages including: short-term medical coverage; critical illness plans; dental insurance; Medicare supplements and life insurance; simple Health Savings Accounts (HSA); small business, self-employed and group health care; and major medical plans for individuals and families.
- HST partners with approximately 500 independent agents across the country.
- The company managed approximately \$112 million in gross written premium on behalf of third parties and NHIC in 2015.

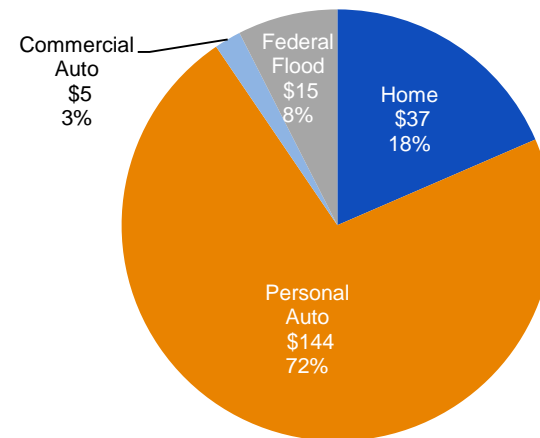
**HST 2015 Managed GWP of ~\$112 million by Product Type**



\* **NOTE:** Individual Major Medical business is not written on National General paper.

- **History:** Founded in 1990, acquired on June 26, 2014
- **Geography:** South/Southeast, with key states including FL, TX, and LA
- **Premium Volume\*:** \$200 mm managed and GWP in 2014, including: \$152 million GWP at underwriting subsidiaries and \$48 million of managed premium written by ABC insurance agencies (~\$9 million on Imperial paper)
- **Distribution:** Through over 2,000 independent agents, an in-house independent retail agency and an internal MGA
- **Business Detail:** Underwrites personal auto, homeowners, commercial auto, and Federal Flood policies through four operating subsidiaries:

Imperial 2014 managed & GWP\*: \$200 million



*Imperial Fire & Casualty Insurance Company* - Underwrites personal auto in AR, FL, LA, OK and TX; homeowners in LA and TX; a commercial auto program in LA; and is licensed to write Federal Flood policies in 20 states.



*National Automotive Insurance Company* - Acquired in December 2013 and provides non-standard personal auto insurance through independent agents across LA, with a heavy policyholder concentration in New Orleans.



*ABC Insurance Agencies* - Acquired in 2001, an independent agency group that sells auto, homeowners, and RV insurance products through 32 retail locations in LA and TX.



*RAC Insurance Partners* - Acquired in 2009, a Managing General Agency that produces specialty auto programs and non-standard auto business, operating in FL with a concentration in Miami-Dade County.

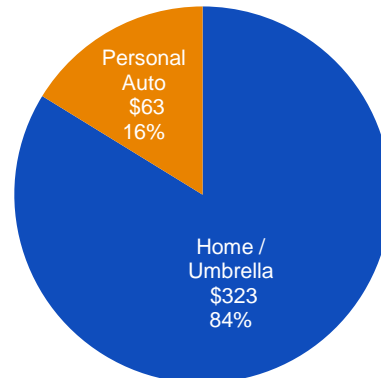
\* NOTE: NGHC results include Imperial results after June 26, 2014 closing; Imperial managed premium and GWP above reflect a full year of underwriting results.



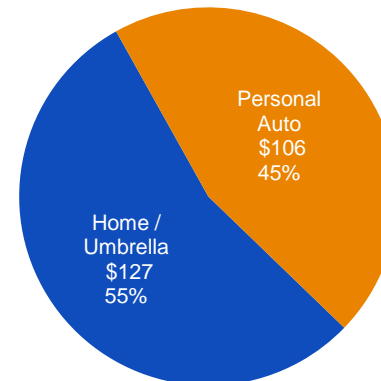
# Tower Personal Lines

- **History:** Origins date to late 1800s, transaction closed September 15, 2014
- **Geography:** Operates throughout U.S., key states include: CA, CT, MA, ME, NH, NJ, NY, RI, and VT
- **Premium Volume\*:** ~\$619 mm managed and GWP in 2014. Tower wrote \$385.8 million of GWP in homeowners, umbrella, and personal auto in 2014. Reciprocal Exchanges (Adirondack Insurance Exchange and New Jersey Skylands Insurance Association) wrote \$233.0 million of GWP in 2014
- **Distribution:** Established relationships with large national insurers to offer homeowners coverage, as well as over 1,000 independent agents.
- **Business Detail:** Provides homeowners, personal auto, package and umbrella coverage.

Tower 2014 GWP\*: \$386 million



Reciprocal 2014 managed GWP\*: \$233 million



# Tower Personal Lines Transaction

- On January 6, 2014 we announced an agreement to acquire renewal rights and certain assets of the personal lines insurance operations of Tower, in connection with an agreement simultaneously entered into by ACP Re Ltd. to acquire Tower Group International Ltd. (TWGP).
- Simultaneously with this agreement, we entered into a 100% quota share reinsurance agreement with a cut-through endorsement (the "Cut-Through Reinsurance Agreement") on most of Tower's in-force personal lines policies and on new and renewal personal lines business, which was effective from January 1, 2014 through September 15, 2014. We assumed 100% of Tower's unearned premium reserves with respect to in-force personal lines policies, net of reinsurance already in effect. We paid a 20% ceding commission with respect to unearned premium assumed and a 22% ceding commission with respect to new and renewal business, and up to a 4% claims handling expense reimbursement to Tower on all premium subject to the Cut-Through Reinsurance Agreement. The economic impact of this agreement is reflected in our first, second, and third quarter 2014 results.
- The transaction closed on September 15, 2014.
- Effective with the closing of the transaction, we entered into a Personal Lines Quota Share Reinsurance Agreement with Tower insurance companies, under which we will reinsure 100% of all losses for Tower new and renewal personal lines business written after September 15, 2014. The ceding commission payable under this reinsurance agreement is equal to the sum of reimbursement of the acquisition costs and 2% of gross written premium collected. In connection with the execution of the Personal Lines Quota Share Reinsurance Agreement, the Cut-Through Reinsurance Agreement was terminated on a run-off basis.



## NGHC Receives from ACP Re:

- Renewal rights of Tower Personal Lines Insurance Operations
- Attorney-in-Facts that manage the Reciprocal Exchanges (for \$7.5 million in cash)

## ACP Re Receives from NGHC:

- \$7.5 million in cash for the Attorney-in-Facts that manage the Reciprocal Exchanges
- Ceding commission of 2% on business written on Tower paper
- An earnout fee of 3% of GWP payable for a three year period following closing, capped at \$30 million total

## Update as of September 20, 2016:

- \$125 m loan converts from a 7-year note bearing interest at 7% to a 20-year note bearing interest at 3.7%
- \$125 m stop loss reinsurance of the legacy Tower book, which was 100% retroceded to ACP Re, is canceled

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# **Appendix: Financial Information**

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# Summary Income Statement (\$ in thousands)

	Twelve Months Ended December 31, 2014			Twelve Months Ended December 31, 2015			Twelve Months Ended December 31, 2016		
	NGHC	Reciprocal Exchanges <sup>(4)</sup>	Consolidated	NGHC	Reciprocal Exchanges	Consolidated	NGHC	Reciprocal Exchanges	Consolidated
<b>Revenues:</b>									
Gross written premium	\$2,065,065	\$70,042	\$2,135,107	\$2,309,756	\$283,582	\$2,589,748 <sup>(E)</sup>	\$3,260,280	\$241,540	\$3,499,508 <sup>(K)</sup>
Net written premium	1,816,948	53,076	1,870,024	2,060,155	126,091	2,186,246	2,950,758	120,548	3,071,306
Net earned premium	1,585,598	47,622	1,633,220	1,995,101	134,709	2,129,810	2,883,386	110,395	2,993,781
Ceding commission income	7,643	4,787	12,430	(2,510)	46,300	43,790	2,078	43,522	45,600
Service, fees, and other income	178,333	139	168,571 <sup>(A)</sup>	300,114	13,226	273,548 <sup>(F)</sup>	410,771	3,862	380,817 <sup>(L)</sup>
Net investment income	50,627	1,799	52,426	66,429	8,911	75,340	97,376	8,716	99,586 <sup>(M)</sup>
Net realized gain/(loss) on investments	(648)	0	(648)	4,594	346	4,940	25,441	515	25,956
Other than temporary impairment losses	(2,244)	0	(2,244)	(15,247)	0	(15,247)	(22,102)	0	(22,102)
Other revenue	(1,660)	0	(1,660)	(788)	0	(788)	26,458	0	26,458
<b>Total revenues</b>	<b>1,817,649</b>	<b>54,347</b>	<b>1,862,095</b> <sup>(B)</sup>	<b>2,347,693</b>	<b>203,492</b>	<b>2,511,393</b> <sup>(G)</sup>	<b>3,423,408</b>	<b>167,010</b>	<b>3,550,096</b> <sup>(N)</sup>
<b>Expenses:</b>									
Loss and loss adjustment expense	1,026,346	26,719	1,053,065	1,284,080	97,561	1,381,641	1,901,624	56,921	1,958,545
Acquisition and other underwriting costs	308,822	6,267	315,089	378,066	27,972	405,930 <sup>(H)</sup>	482,016	15,148	497,158 <sup>(O)</sup>
General and administrative	346,696	11,967	348,762 <sup>(C)</sup>	504,672	65,359	530,347 <sup>(I)</sup>	800,253	77,671	844,114 <sup>(P)</sup>
Interest expense	12,012	5,724	17,736	24,229	4,656	28,885	40,180	6,506	40,180 <sup>(Q)</sup>
<b>Total expenses</b>	<b>1,693,876</b>	<b>50,677</b>	<b>1,734,652</b> <sup>(D)</sup>	<b>2,191,047</b>	<b>195,548</b>	<b>2,346,803</b> <sup>(J)</sup>	<b>3,224,073</b>	<b>156,246</b>	<b>3,339,997</b> <sup>(R)</sup>
Pre-Tax Income	123,773	3,670	127,443	156,646	7,944	164,590	199,335	10,764	210,099
Provision for income taxes	22,712	1,164	23,876	24,905	(5,949)	18,956	52,407	(9,791)	42,616
Equity in earnings (loss) of unconsolidated subsidiaries	1,180	0	1,180	10,643	0	10,643	25,401	0	25,401
Net income	102,241	2,506	104,747	142,384	13,893	156,277	172,329	20,555	192,884
Less: Net income attributable to Non Controlling Interest	(2)	2,506	2,504	132	13,893	14,025	113	20,555	20,668
Net income attributable to NGHC	102,243	0	102,243	142,252	0	142,252	172,216	0	172,216
Less: dividends on preferred shares	2,291	0	2,291	14,025	0	14,025	24,333	0	24,333
<b>Net income available to common stockholders</b>	<b>\$99,952</b>	<b>\$0</b>	<b>\$99,952</b>	<b>\$128,227</b>	<b>\$0</b>	<b>\$128,227</b>	<b>\$147,883</b>	<b>\$0</b>	<b>\$147,883</b>

# Balance Sheet Highlights *(\$ in thousands)*

	December 31, 2014			December 31, 2015			December 31, 2016		
	NGHC	Reciprocal Exchanges	Consolidated	NGHC	Reciprocal Exchanges	Consolidated	NGHC	Reciprocal Exchanges	Consolidated
<b>Assets</b>									
Cash and investments	\$1,753,237	\$245,483	\$1,998,720	\$2,699,052	\$250,935	\$2,949,987	\$3,608,638	\$314,719	\$3,834,349 <sup>(A)</sup>
Premiums and other receivables, net	699,553	58,238	757,791	702,439	56,194	758,633	1,097,931	60,978	1,158,108 <sup>(B)</sup>
Deferred acquisition costs	121,514	4,485	125,999	136,728	23,803	160,531	189,879	31,043	220,922
Reinsurance recoverable on unpaid losses	888,215	23,583	911,798	794,091	39,085	833,176	838,605	42,192	880,797
Prepaid reinsurance premiums	75,837	26,924	102,761	66,613	61,730	128,343	87,285	69,685	156,970
Premises and equipment, net	30,583	0	30,583	42,599	332	42,931	110,387	4,117	114,504
Notes receivable from related party	125,000	0	125,000	125,057	0	125,057	126,298	0	126,298
Goodwill & Intangible assets	308,168	11,433	319,601	456,487	4,825	461,312	611,985	11,025	623,010
Other assets	65,765	1,969	67,734	88,622	14,800	103,422	168,198	(16,050)	130,023 <sup>(C)</sup>
<b>Total Assets</b>	<b>\$4,067,872</b>	<b>\$372,115</b>	<b>\$4,439,987</b>	<b>\$5,111,688</b>	<b>\$451,704</b>	<b>\$5,563,392</b>	<b>\$6,839,206</b>	<b>\$517,709</b>	<b>\$7,244,981 <sup>(D)</sup></b>
<b>Liabilities</b>									
Unpaid loss and loss adjustment expense reserves	\$1,450,305	\$111,848	\$1,562,153	\$1,623,232	\$132,392	\$1,755,624	\$2,127,997	\$137,075	\$2,265,072
Unearned premiums & other service revenue	752,965	119,998	872,963	1,058,817	146,186	1,192,499	1,486,500	163,326	1,649,826
Reinsurance & accounts payable	397,608	31,502	429,110	319,872	34,202	354,074	409,159	33,841	435,801 <sup>(E)</sup>
Notes payable (Reciprocal Exchanges owed to related party)	255,631	48,374	304,005	446,061	45,476	491,537	752,001	89,008	752,001 <sup>(F)</sup>
Other Liabilities	151,583	46,723	198,306	149,685	70,829	233,018	169,720	62,784	216,777 <sup>(G)</sup>
<b>Total Liabilities</b>	<b>\$3,008,092</b>	<b>\$358,445</b>	<b>\$3,366,537</b>	<b>\$3,597,667</b>	<b>\$429,085</b>	<b>\$4,026,752</b>	<b>\$4,945,377</b>	<b>\$486,034</b>	<b>\$5,319,477 <sup>(H)</sup></b>
<b>Stockholders' Equity</b>	<b>\$1,059,780</b>	<b>\$13,670</b>	<b>\$1,073,450</b>	<b>\$1,514,021</b>	<b>\$22,619</b>	<b>\$1,536,640</b>	<b>\$1,893,829</b>	<b>\$31,675</b>	<b>\$1,925,504</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$4,067,872</b>	<b>\$372,115</b>	<b>\$4,439,987</b>	<b>\$5,111,688</b>	<b>\$451,704</b>	<b>\$5,563,392</b>	<b>\$6,839,206</b>	<b>\$517,709</b>	<b>\$7,244,981 <sup>(I)</sup></b>

# Segment Performance: Quarterly (\$ in thousands)

## Three Months Ended December 31,

	2016				2015			
	P&C	A&H	NGHC	Reciprocal Exchanges	P&C	A&H	NGHC	Reciprocal Exchanges
Gross written premium	\$710,029	\$108,638	\$818,667	\$83,392	\$579,662	\$98,513	\$678,175	\$65,752
Net written premium	643,430	97,103	740,533	42,352	528,964	89,170	618,134	33,038
Net earned premium	710,648	106,563	817,211	38,860	543,547	98,752	642,299	36,269
Ceding commission income (primarily related parties)	4,766	276	5,042	16,152	(1,532)	271	(1,261)	17,851
Service, fees, and other income	82,096	26,466	108,562	1,307	55,206	44,059	99,265	10,236
<b>Total underwriting revenue</b>	<b>\$797,510</b>	<b>\$133,305</b>	<b>\$930,815</b>	<b>\$56,319</b>	<b>\$597,221</b>	<b>\$143,082</b>	<b>\$740,303</b>	<b>\$64,356</b>
Loss and loss adjustment expense	\$478,904	\$67,100	\$546,004	\$21,280	\$353,560	\$91,570	\$445,130	\$40,737
Acquisition costs and other	104,115	21,558	125,673	8,972	78,116	25,723	103,839	7,005
General and administrative	223,793	37,558	261,351	27,954	139,764	39,872	179,636	16,528
<b>Total underwriting expenses</b>	<b>\$806,812</b>	<b>\$126,216</b>	<b>\$933,028</b>	<b>\$58,206</b>	<b>\$571,440</b>	<b>\$157,165</b>	<b>\$728,605</b>	<b>\$64,270</b>
Underwriting income (loss)	(\$9,302)	\$7,089	(\$2,213)	(\$1,887)	\$25,781	(\$14,083)	\$11,698	\$86
Non-cash impairment of goodwill	3,552	3,074	6,626	0	11,222	6,245	17,467	0
Non-cash amortization of intangible assets	19,694	5,657	25,351	7,069	4,516	3,661	8,177	(841)
<b>Underwriting income (loss) before amortization and impairment</b>	<b>\$13,944</b>	<b>\$15,820</b>	<b>\$29,764</b>	<b>\$5,182</b>	<b>\$41,519</b>	<b>(\$4,177)</b>	<b>\$37,342</b>	<b>(\$755)</b>
<b>Underwriting ratios</b>								
Loss and loss adjustment expense ratio <sup>(5)</sup>	67.4%	63.0%	66.8%	54.8%	65.0%	92.7%	69.3%	112.3%
Operating expense ratio (Non-GAAP) <sup>(6,7)</sup>	33.9%	30.4%	33.5%	50.1%	30.2%	21.5%	28.9%	-12.6%
<b>Combined Ratio (Non-GAAP) <sup>(6,8)</sup></b>	<b>101.3%</b>	<b>93.4%</b>	<b>100.3%</b>	<b>104.9%</b>	<b>95.2%</b>	<b>114.2%</b>	<b>98.2%</b>	<b>99.7%</b>
<b>Underwriting ratios (before amortization and impairment)</b>								
Loss and loss adjustment expense ratio <sup>(5)</sup>	67.4%	63.0%	66.8%	54.8%	65.0%	92.7%	69.3%	112.3%
Operating expense ratio (Non-GAAP) <sup>(6,9)</sup>	30.6%	22.2%	29.5%	31.9%	27.3%	11.5%	24.9%	-10.2%
<b>Combined Ratio (Non-GAAP) <sup>(6,10)</sup></b>	<b>98.0%</b>	<b>85.2%</b>	<b>96.3%</b>	<b>86.7%</b>	<b>92.3%</b>	<b>104.2%</b>	<b>94.2%</b>	<b>102.1%</b>

# Segment Performance: Year-to-Date (\$ in thousands)

## Twelve Months Ended December 31,

	2016				2015			
	P&C	A&H	NGHC	Reciprocal Exchanges	P&C	A&H	NGHC	Reciprocal Exchanges
Gross written premium	\$2,796,270	\$464,010	\$3,260,280	\$241,540	\$2,057,834	\$251,922	\$2,309,756	\$283,582
Net written premium	2,532,090	418,668	2,950,758	120,548	1,844,202	215,953	2,060,155	126,091
Net earned premium	2,468,959	414,427	2,883,386	110,395	1,783,800	211,301	1,995,101	134,709
Ceding commission income (primarily related parties)	747	1,331	2,078	43,522	(3,601)	1,091	(2,510)	46,300
Service, fees, and other income	271,835	138,936	410,771	3,862	201,304	98,810	300,114	13,226
<b>Total underwriting revenue</b>	<b>\$2,741,541</b>	<b>\$554,694</b>	<b>\$3,296,235</b>	<b>\$157,779</b>	<b>\$1,981,503</b>	<b>\$311,202</b>	<b>\$2,292,705</b>	<b>\$194,235</b>
Loss and loss adjustment expense	\$1,602,257	\$299,367	\$1,901,624	\$56,921	\$1,112,758	\$171,322	\$1,284,080	\$97,561
Acquisition costs and other	379,286	102,730	482,016	15,148	312,067	65,999	378,066	27,972
General and administrative	668,846	131,407	800,253	77,671	422,561	82,111	504,672	65,359
<b>Total underwriting expenses</b>	<b>\$2,650,389</b>	<b>\$533,504</b>	<b>\$3,183,893</b>	<b>\$149,740</b>	<b>\$1,847,386</b>	<b>\$319,432</b>	<b>\$2,166,818</b>	<b>\$190,892</b>
Underwriting income (loss)	\$91,152	\$21,190	\$112,342	\$8,039	\$134,117	(\$8,230) #	\$125,887	\$3,343
Non-cash impairment of goodwill	3,552	3,074	6,626	0	11,222	6,245	17,467	0
Non-cash amortization of intangible assets	37,537	10,593	48,130	20,795	9,995	6,597	16,592	4,380
<b>Underwriting income (loss) before amortization and impairment</b>	<b>\$132,241</b>	<b>\$34,857</b>	<b>\$167,098</b>	<b>\$28,834</b>	<b>\$155,334</b>	<b>\$4,612</b>	<b>\$159,946</b>	<b>\$7,723</b>
<b>Underwriting ratios</b>								
Loss and loss adjustment expense ratio <sup>(5)</sup>	64.9%	72.2%	66.0%	51.6%	62.4%	81.1%	64.4%	72.4%
Operating expense ratio (Non-GAAP) <sup>(6,7)</sup>	31.4%	22.7%	30.2%	41.2%	30.1%	22.8%	29.3%	25.1%
<b>Combined Ratio (Non-GAAP) <sup>(6,8)</sup></b>	<b>96.3%</b>	<b>94.9%</b>	<b>94.4%</b>	<b>92.8%</b>	<b>92.5%</b>	<b>103.9%</b>	<b>93.7%</b>	<b>97.5%</b>
<b>Underwriting ratios (before amortization and impairment)</b>								
Loss and loss adjustment expense ratio <sup>(5)</sup>	64.9%	72.2%	66.0%	51.6%	62.4%	81.1%	64.4%	72.4%
Operating expense ratio (Non-GAAP) <sup>(6,9)</sup>	29.7%	19.4%	28.3%	22.3%	28.9%	16.7%	27.6%	21.8%
<b>Combined Ratio (Non-GAAP) <sup>(6,10)</sup></b>	<b>94.6%</b>	<b>91.6%</b>	<b>94.3%</b>	<b>73.9%</b>	<b>91.3%</b>	<b>97.8%</b>	<b>92.0%</b>	<b>94.2%</b>

# Non-GAAP Reconciliation (\$ in thousands)

## Three Months Ended December 31,

	2016				2015			
	P&C	A&H	NGHC	Reciprocal Exchanges	P&C	A&H	NGHC	Reciprocal Exchanges
<b>Operating expense ratio (Non-GAAP)</b>								
Total underwriting expenses	\$806,812	\$126,216	\$933,028	\$58,206	\$571,440	\$157,165	\$728,605	\$64,270
Less: Loss and loss adjustment expense	478,904	67,100	546,004	21,280	353,560	91,570	445,130	40,737
Less: Ceding commission income	4,766	276	5,042	16,152	(1,532)	271	(1,261)	17,851
Less: Service, fees and other income	82,096	26,466	108,562	1,307	55,206	44,059	99,265	10,236
Operating expense	241,046	32,374	273,420	19,467	164,206	21,265	185,471	(4,554)
Net earned premium	\$710,648	\$106,563	\$817,211	\$38,860	\$543,547	\$98,752	\$642,299	\$36,269
<b>Operating expense ratio (Non-GAAP)</b>	<b>33.9%</b>	<b>30.4%</b>	<b>33.5%</b>	<b>50.1%</b>	<b>30.2%</b>	<b>21.5%</b>	<b>28.9%</b>	<b>-12.6%</b>
<b>Operating expense ratio before amortization and impairment (Non-GAAP)</b>								
Total underwriting expenses	\$806,812	\$126,216	\$933,028	\$58,206	\$571,440	\$157,165	\$728,605	\$64,270
Less: Loss and loss adjustment expense	478,904	67,100	546,004	21,280	353,560	91,570	445,130	40,737
Less: Ceding commission income	4,766	276	5,042	16,152	(1,532)	271	(1,261)	17,851
Less: Service, fees and other income	82,096	26,466	108,562	1,307	55,206	44,059	99,265	10,236
Less: Non-cash impairment of goodwill	3,552	3,074	6,626	0	11,222	6,245	17,467	0
Less: Non cash amortization of intangible assets	19,694	5,657	25,351	7,069	4,516	3,661	8,177	(841)
Operating expense before amortization and impairment	217,800	23,643	241,443	12,398	148,468	11,359	159,827	(3,713)
Net earned premium	\$710,648	\$106,563	\$817,211	\$38,860	\$543,547	\$98,752	\$642,299	\$36,269
<b>Operating expense ratio (Non-GAAP)</b>	<b>30.6%</b>	<b>22.2%</b>	<b>29.5%</b>	<b>31.9%</b>	<b>27.3%</b>	<b>11.5%</b>	<b>24.9%</b>	<b>-10.2%</b>

## Twelve Months Ended December 31,

	2016				2015			
	P&C	A&H	NGHC	Reciprocal Exchanges	P&C	A&H	NGHC	Reciprocal Exchanges
<b>Operating expense ratio (Non-GAAP)</b>								
Total underwriting expenses	\$2,650,389	\$533,504	\$3,183,893	\$149,740	\$1,847,386	\$319,432	\$2,166,818	\$190,892
Less: Loss and loss adjustment expense	1,602,257	299,367	1,901,624	56,921	1,112,758	171,322	1,284,080	97,561
Less: Ceding commission income	747	1,331	2,078	43,522	(3,601)	1,091	(2,510)	46,300
Less: Service, fees and other income	271,835	138,936	410,771	3,862	201,304	98,810	300,114	13,226
Operating expense	775,550	93,870	869,420	45,435	536,925	48,209	585,134	33,805
Net earned premium	\$2,468,959	\$414,427	\$2,883,386	\$110,395	\$1,783,800	\$211,301	\$1,995,101	\$134,709
<b>Operating expense ratio (Non-GAAP)</b>	<b>31.4%</b>	<b>22.7%</b>	<b>30.2%</b>	<b>41.2%</b>	<b>30.1%</b>	<b>22.8%</b>	<b>29.3%</b>	<b>25.1%</b>
<b>Operating expense ratio before amortization and impairment (Non-GAAP)</b>								
Total underwriting expenses	\$2,650,389	\$533,504	\$3,183,893	\$149,740	\$1,847,386	\$319,432	\$2,166,818	\$190,892
Less: Loss and loss adjustment expense	1,602,257	299,367	1,901,624	56,921	1,112,758	171,322	1,284,080	97,561
Less: Ceding commission income	747	1,331	2,078	43,522	(3,601)	1,091	(2,510)	46,300
Less: Service, fees and other income	271,835	138,936	410,771	3,862	201,304	98,810	300,114	13,226
Less: Non-cash impairment of goodwill	3,552	3,074	6,626	0	11,222	6,245	17,467	0
Less: Non cash amortization of intangible assets	37,537	10,593	48,130	20,795	9,995	6,597	16,592	4,380
Operating expense before amortization and impairment	734,461	80,203	814,664	24,640	515,708	35,367	551,075	29,425
Net earned premium	\$2,468,959	\$414,427	\$2,883,386	\$110,395	\$1,783,800	\$211,301	\$1,995,101	\$134,709
<b>Operating expense ratio (Non-GAAP)</b>	<b>29.7%</b>	<b>19.4%</b>	<b>28.3%</b>	<b>22.3%</b>	<b>28.9%</b>	<b>16.7%</b>	<b>27.6%</b>	<b>21.8%</b>



# Additional Disclosures

- (1) Standard life expectancy as adjusted for specific circumstances.
- (2) Effective Discount Rate ("EDR") is the LSC Entities estimated internal rate of return on its life settlement contract portfolio and is determined from the gross expected cash flows and valuation of the portfolio. The valuation of the portfolio is calculated net of all reserves using a 7.5% discount rate. The EDR is implicit of the reserves and the gross expected cash flows of the portfolio. The LSC Entities anticipate that the EDR's range is between 12.5% and 17.5% and reflects the uncertainty that exists surrounding the information available as of the reporting date. As the accuracy and reliability of information improves (declines), the EDR will decrease (increase).
- (3) Discount rate is a present value calculation that considers legal risk, credit risk and liquidity risk and is a component of EDR.
- (4) Results for the twelve months ended December 31, 2014 include only 107 days of results of the Reciprocal Exchanges as the Attorneys-in-Fact were acquired with the closing of the Tower Personal Lines transaction on September 15, 2014.
- (5) Loss and loss adjustment expense ratio is calculated by dividing loss and loss adjustment expenses by net earned premium.
- (6) Operating expense ratio and combined ratio are considered non-GAAP financial measures under applicable SEC rules because a component of those ratios, operating expense, is calculated by offsetting acquisition and other underwriting costs and general and administrative expense by ceding commission income and service and fee income. Management uses operating expense ratio (non-GAAP) and combined ratio (non-GAAP) to evaluate financial performance against historical results and establish targets on a consolidated basis. The Company believes this presentation enhances the understanding of our results by eliminating what we believe are volatile and unusual events and presenting the ratios with what we believe are the underlying run rates of the business. Other companies may calculate these measures differently, and, therefore, their measures may not be comparable to those used by National General. Please see the Non-GAAP Financial Measures table within this presentation for the reconciliation of these non-GAAP measures to the most directly comparable GAAP measure.
- (7) Operating expense ratio is a non-GAAP measure defined by the Company, that is commonly used in the insurance industry. The Company calculates the ratio by dividing operating expense by net earned premium. Operating expense consists of the sum of acquisition and other underwriting costs and general and administrative expense less ceding commission income and service and fee income. The ratio is used as an indicator of the Company's efficiency in acquiring and servicing its business. Other companies may calculate these measures differently, and therefore, their measures may not be comparable to those used by National General. Please see the Non-GAAP Financial Measures table within this presentation for the reconciliation of these non-GAAP measures to the most directly comparable GAAP measure.
- (8) Combined ratio is a non-GAAP measure defined by the Company, that is commonly used in the insurance industry. The Company calculates the ratio by adding the loss and loss adjustment expense ratio and the operating expense ratio (non-GAAP) together. The ratio is used as an indicator of the Company's underwriting discipline, efficiency in acquiring and servicing its business, and overall underwriting profit. A combined ratio under 100% generally indicates an underwriting profit, while over 100% an underwriting loss. Other companies may calculate these measures differently, and therefore, their measures may not be comparable to those used by National General. Please see the Non-GAAP Financial Measures table within this presentation for the reconciliation of these non-GAAP measures to the most directly comparable GAAP measure.
- (9) Operating expense ratio before amortization and impairment is a non-GAAP measure defined by the Company, that is commonly used in the insurance industry. The Company calculates the ratio by dividing the operating expense before amortization and impairment by net earned premium. Operating expense before amortization and impairment consists of the sum of acquisition and other underwriting costs and general and administrative expense less ceding commission income and service and fee income less non-cash amortization of intangible assets and non-cash impairment of goodwill. The ratio is used as an indicator of the Company's efficiency in acquiring and servicing its business. Other companies may calculate these measures differently, and therefore, their measures may not be comparable to those used by National General. Please see the Non-GAAP Financial Measures table within this presentation for the reconciliation of these non-GAAP measures to the most directly comparable GAAP measure.
- (10) Combined ratio before amortization and impairment is a non-GAAP measure defined by the Company, that is commonly used in the insurance industry. The Company calculates the ratio by adding the loss and loss adjustment expense ratio and the operating expense ratio before amortization and impairment (non-GAAP) together. The ratio is used as an indicator of the Company's underwriting discipline, efficiency in acquiring and servicing its business, and overall underwriting profit. A combined ratio under 100% generally indicates an underwriting profit, while over 100% an underwriting loss. Other companies may calculate these measures differently, and therefore, their measures may not be comparable to those used by National General. Please see the Non-GAAP Financial Measures table within this presentation for the reconciliation of these non-GAAP measures to the most directly comparable GAAP measure.