



AM Best Affirms Credit Ratings of Palomar Holdings, Inc. and Its Member Companies

May 1, 2020

OLDWICK, N.J., April 30, 2020 - AM Best has affirmed the Long-Term Issuer Credit Rating (Long-Term ICR) of "bbb-" of Palomar Holdings, Inc. (Palomar) [NASDAQ: PLMR] (Delaware), the ultimate parent and insurance holding company of Palomar Specialty Insurance Company (PSIC) (headquartered in La Jolla, CA) and Palomar Specialty Reinsurance Company Bermuda Ltd. (Palomar Re) (Bermuda). Concurrently, AM Best has affirmed the Financial Strength Ratings (FSR) of A- (Excellent) and the Long-Term ICR of "a-" of PSIC and Palomar Re. The outlook of these Credit Ratings (ratings) is stable. PSIC and Palomar Re are members of Palomar.

The ratings reflect Palomar's balance sheet strength, which AM Best categorizes as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management.

Palomar completed an initial public offering (IPO) on April 17, 2019 and raised \$87.4 million of incremental capital. Concurrently, Palomar contributed \$40 million to PSIC to support future growth and paid off \$20 million in senior notes at the holding company. Palomar raised an additional \$35.5 million of incremental capital in a second follow-on offering in January 2020, bringing total capital to \$254.1 million.

Palomar's capital assessment reflects moderate underwriting leverage, a sound liquidity position and consistently favorable loss reserve development that is offset partially by significant reinsurance dependence. Adequate operating performance reflects the geographic concentration in catastrophe-prone areas, which results in potential for volatility. This was evident in 2017, when Palomar's underwriting results were impacted adversely by net losses from Hurricane Harvey and Texas wind and hailstorms. However, despite these losses, Palomar managed to generate favorable operating earnings for the year. In recent years, Palomar has generated solid operating results, although 2019 earnings were tempered somewhat by one-time expenses related to its IPO.

Palomar's limited business profile reflects a concentration of business, given its exposure to catastrophes, primarily to a severe earthquake event. Gross catastrophe leverage for a 1-in-250 year earthquake is elevated, as depicted in a probable maximum loss analysis. Palomar also maintains significant dependence on reinsurance to reduce this gross earthquake exposure. However, given management's extensive experience in the residential and commercial earthquake markets and Palomar's comprehensive reinsurance program, Palomar has reduced its net catastrophe leverage to a manageable level with risk management capabilities in line with its profile.

This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view Guide to [Best's Credit Ratings](#). For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view [Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases](#).

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