Palomar Holdings, Inc.

August 2024

Disclaimer

This presentation contains forward-looking statements about Palomar Holdings, Inc. (the “Company”). These statements involve known and unknown risks that relate to the Company’s future events or future financial performance and the actual results could differ materially from those discussed in this presentation. This presentation also includes financial measures which are not prepared in accordance with generally accepted accounting principles (“GAAP”). For a description of these non-GAAP financial measures and reconciliations of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP, please see the appendix to this present.

Forward-looking statements generally relate to future events or the Company’s future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as ‘‘may’’, ‘‘will’’, ‘‘should’’, ‘‘expects’’, ‘‘plans’’, ‘‘anticipates’’, ‘‘could’’, ‘‘intends’’, ‘‘target’’, ‘‘projects’’, ‘‘contemplates’’, ‘‘believes’’, ‘‘estimates’’, ‘‘predicts’’, ‘‘would’’, ‘‘potential’’ or ‘‘continue’’ or the negative of these words or other similar terms or expressions that concern the Company’s expectations, strategy, plans or intentions. These forward-looking statements include, among others, statements relating to our future financial performance, our business prospects and strategy, anticipated financial position, liquidity and capital needs and other similar matters. These forward-looking statements are based on management’s current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Such risks and uncertainties include, among others, future results of operations; financial position; the impact of the ongoing and global COVID-19 pandemic; general economic, political and other risks, including currency and stock market fluctuations and uncertain economic environment; the volatility of the trading price of our common stock; and our expectations about market trends.

The Company may not actually achieve the plans, intentions or expectations disclosed in its forward-looking statements, and you should not place undue reliance on the Company’s forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements the Company makes. While the Company may elect to update these forward-looking statements at some point in the future, the Company has no current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing the Company’s views as of any date subsequent to the date of this presentation. Additional risks and uncertainties relating to the Company and its business can be found in the "Risk Factors" section of Palomar Holdings, Inc.’s most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q, and other filings with the United States Securities and Exchange Commission.

Company Profile

TRACK RECORD OF DELIVERING STRONG GROWTH AND CONTINUED PROFITABILITY

Specialty insurer using data analytics, underwriting acumen, and risk transfer expertise to capitalize on market dislocations

Multi-channel distribution serving residential and commercial clients; products resonate with producers, other insurers and reinsurers

Leading earthquake insurer in the United States

Admitted and E&S offerings with nationwide scope
AM Best "A" (Excellent) Financial Strength Rating (FSC) group rating

Risk transfer strategy limits exposure to major events and reduces earnings volatility

Committed to sustainable business practices

SECOND QUARTER HIGHLIGHTS [(1)(2)]

- ☑ Gross written premium (GWP) of $385.2 million; 40% YoY growth
- ☑ Adjusted net income of $32.0 million, 47% YoY growth
- ☑ Adjusted return on equity of 24.7% and adjusted combined ratio of 73%
- ☑ Completed 6/1 reinsurance renewal; $3.06 billion of total Earthquake limit
- ☑ Issued Torrey Pines Re, fifth catastrophe bond; $420 million of Earthquake limit
- ☑ Executed definitive purchase agreement to acquire First Indemnity of America (FIA), a New Jersey domiciled surety carrier
- ☑ Strengthened executive leadership team with the addition of Chief Operating Officer and Chief People Officer
- ☑ Achieved AM Best FSR upgrade to "A" in July
- ☑ Raised full year 2024 adjusted net income guidance to $124-130 million
- ☑ Raised ~$109[(3)] million of gross proceeds on August 8th via follow-on offering; net proceeds will be used to fund FIA acquisition, organic growth and selected increases to risk participation on certain lines

1. *This slide contains non-GAAP metrics. See GAAP reconciliation in the Appendix*
2. *Highlights are through August 8th, 2024*
3. *Gross proceeds do not account for the potential impact of additional shares that may be issued through the over-allotment option granted to the underwriters of the offering.*

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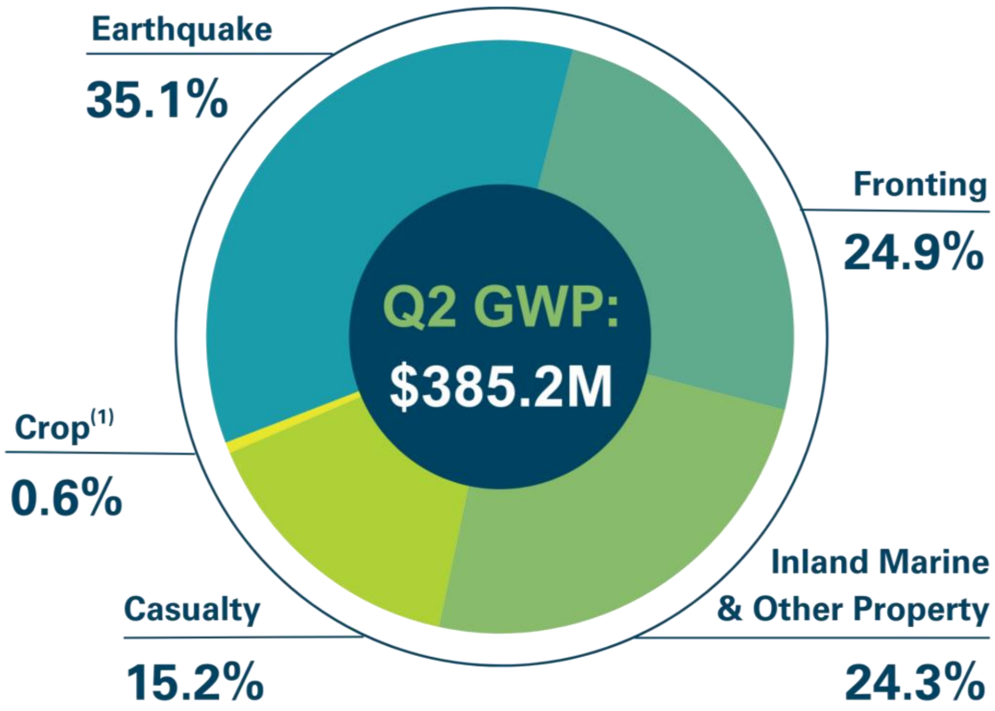
Palomar Portfolio of Specialty Insurance Products

FIVE KEY SPECIALTY INSURANCE PRODUCTS WILL DRIVE VALUE OVER THE INTERMEDIATE-TERM

Q2 2024 % OF TOTAL GWP BY PRODUCT



SECOND QUARTER PRODUCT SUMMARY

($ in thousands)

Products	Q2 2024	Q2 2023	YoY % Increase
Earthquake	$135,029	$107,929	25%
Fronting	$95,896	$79,724	20%
Inland Marine & Other Property	$93,453	$69,779	258%
Casualty	$58,605	$16,376	258%
Crop	$2,201	$488	351%
Total Gross Written Premiums	$385,184	$274,296	40%

(1) We expect the majority of Crop premiums to be written and earned in Q3. Q2 is a seasonally low period.

Palomar 2X Strategy

AN ORGANIC BUSINESS STRATEGY INTRODUCED IN 2022 DESIGNED TO DOUBLE UNDERWRITING INCOME OVER AN INTERMEDIATE TIMEFRAME WHILE GENERATING AN ADJUSTED ROE IN EXCESS OF 20%

FUNDAMENTAL PRINCIPLES

- Organic growth
- Anchored by our earthquake franchise and supported by non-attritional loss business
- Limited exposure to non-earthquake property catastrophe
- Entry into new markets driven by replicable, analytics-driven process
- Conservative and comprehensive risk transfer strategy
- Fee income as a complementary and diversifying income stream
- Investments in people, processes and systems to effectively scale the business
- Conservative investment portfolio

2024 STRATEGIC PRIORITIES

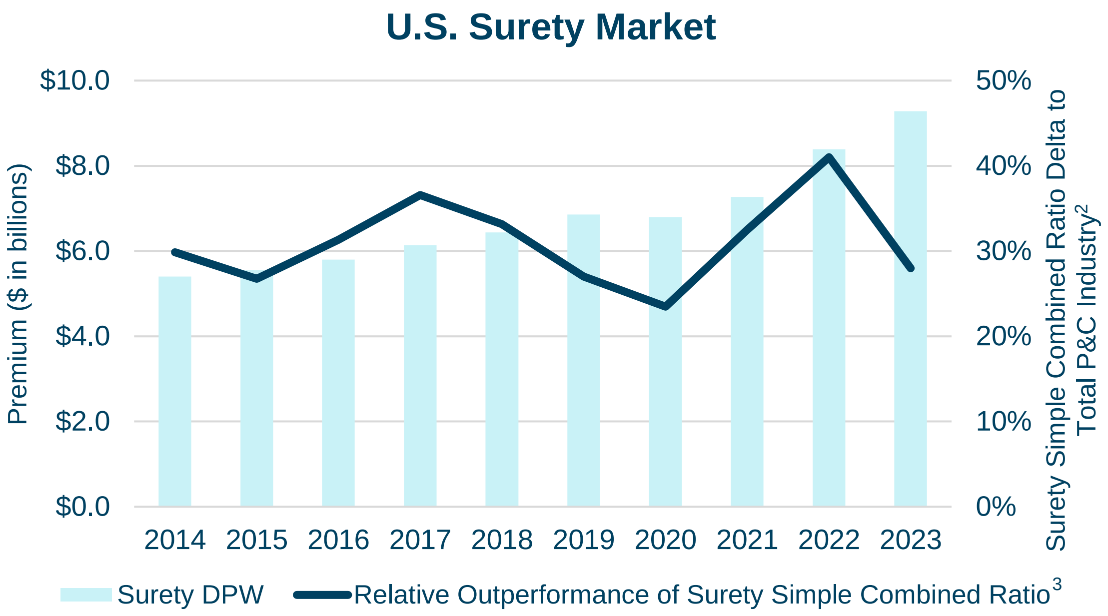
- Sustain Strong Profitable Growth
- Manage Dislocation & Diversification
- Deliver Predictable Earnings
- Scale the Organization

Surety Acquisition

SIGNED A PURCHASE AGREEMENT TO ACQUIRE FIRST INDEMNITY OF AMERICA INSURANCE COMPANY

Market Opportunity[1]

- The U.S. surety market generated $9.3 billion of direct written premium in 2023 and consistently outperforms the broader P&C market, with a 10-year average simple combined ratio[2] of 48% vs. 79% for the broader P&C market
- The top surety writer in 2023 accounted for 13% of the U.S. market and outside of the top five, no company accounted for more than 5% of the market



First Indemnity of America (FIA) Overview

- Surety insurance carrier headquartered in Morris Plains, NJ
- Specializes in contract surety bonds for small to medium sized contractors, primarily in the Northeast US
- 40+ year operating history with a track record of profitable underwriting
- Experienced team led by industry veterans with deep expertise in surety underwriting and claims management
- Rated “A-” by A.M. Best with $14.9 million of GAAP book value and approximately $10 million in premium

Transaction Rationale

- Provides entry into a diversifying and highly specialized line of business
- Adds experienced underwriting and claims talent
- Opportunity to invest capital to grow and retain additional risk and obtain Federal T-Listing
- Plan to expand geographically, add new distribution, increase limits and introduce new products

Note: Financial metrics are unaudited

1. *Source SNL S&P Capital*
2. *Simple combined ratio includes direct losses, DCC, commissions, tax, licenses and fees by line. Excludes allocated LAE and other underwriting expenses*
3. *Relative outperformance of surety simple combined ratio represents the delta between the Surety and Total P&C Industry simple combined ratio*

Catastrophe Exposure Management & Reduced Volatility

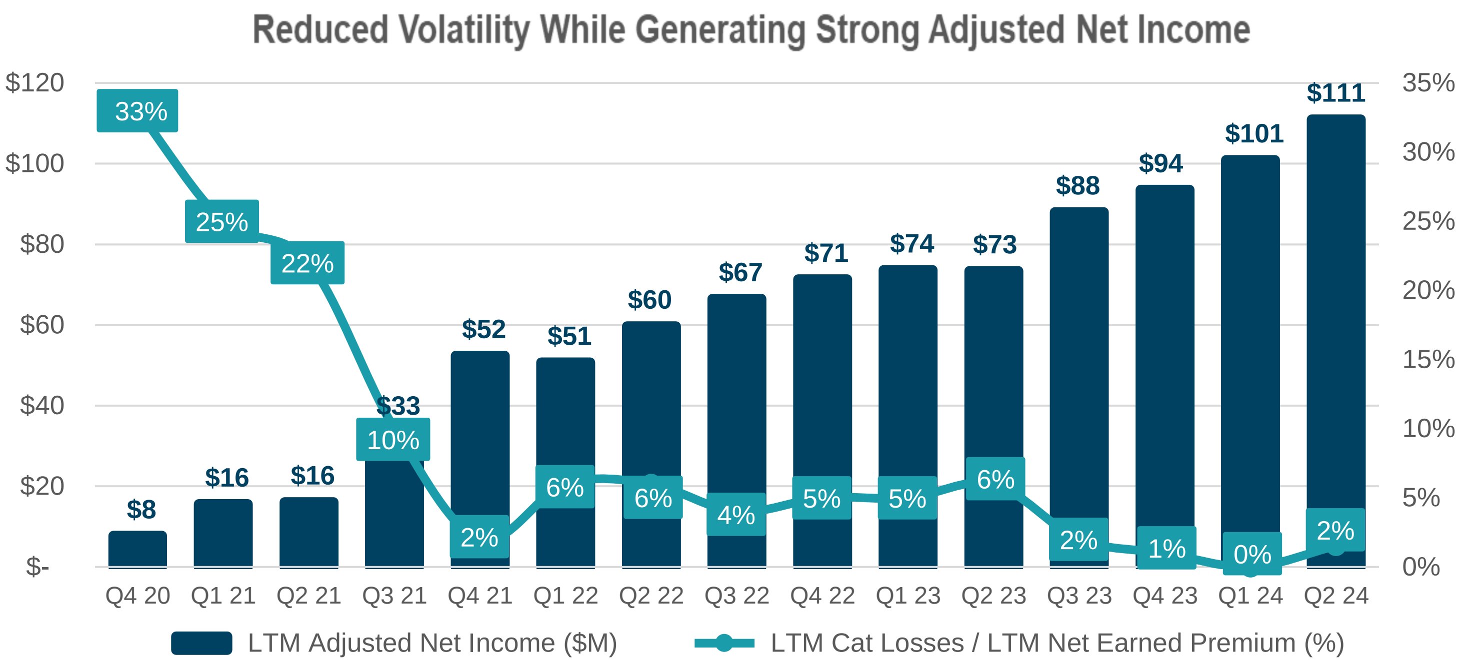
EXECUTION OF CONCENTRATED EFFORTS TO REDUCE VOLATILITY HAVE PRODUCED STRONG PROFITABLE RESULTS

Portfolio Update

- Achieved targeted Continental US wind 250-yr PML of $100 million at 9/30/23 | this compares to a peak of $600 million during the 2020 wind season
- Currently projecting flat Continental US Wind PML for 2024 wind season

Key Initiatives (Year of Action)

- Run-off of admitted Commercial All Risk portfolio (2020)
- Exited Non-Texas Specialty Homeowners business (2022)
- Pivoted Texas Specialty Homeowners business to fronted model (2022)
- Reduced E&S Commercial All Risk line size (2022)
    - Capped total insured values in Florida
    - Reduced number of E&S Commercial All Risk programs
- Established fee generative reciprocal: Laulima Exchange (2023)



Historical Catastrophe Loss As-If Analysis

Calendar Year	# of CATs	CAT Losses[1] ($M)	As-If CAT Losses[2] ($M)
2020	5	$54.8	$5.4
2021	2	$31.0	$6.7
2022 [3]	2	$22.1	$17.7

1. Pre-Tax Ultimate Losses as of 3/31/2024, implies a $15.5M per event retention
2. As-If Losses estimate impact of removing discontinued business and other underwriting changes as of 3/31/24 along with Palomar's retained share of Texas Homeowners Facility effective 6/1/2024
3. Reflects: HU Ian and Winter Storm Elliott

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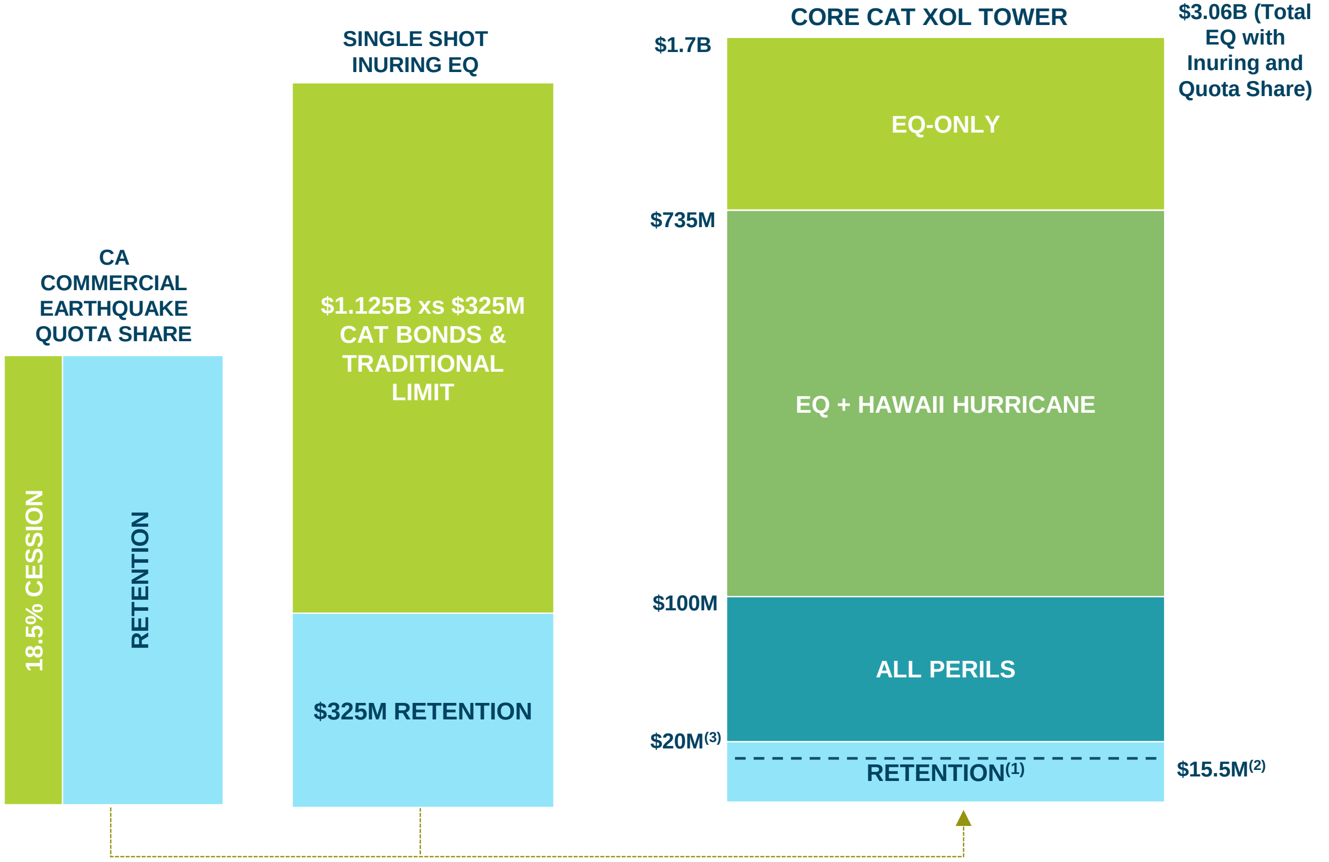
Comprehensive Risk Transfer Program

ROBUST RISK TRANSFER STRATEGY ENABLES PREDICTABLE EARNINGS AND REDUCED VOLATILITY

- **Reinsurance strategy combines the use of excess of Loss (“XOL”) reinsurance, quota share reinsurance and Insurance Linked Securities (“ILS”)**
- **Portfolio analytics process utilizes multiple catastrophe models, deterministic loss scenarios and exposure profiles to assess risk and evaluate reinsurance coverage needs**
- **The current XOL program provides coverage substantially in excess of the modeled loss anticipated with the recurrence of the most severe historical catastrophes**
- **Current retention is less than one quarter of adjusted net income and less than 5% of surplus**
- **Quota share reinsurance used to further mitigate the impact of losses**
- **Cede majority of exposure for attritional lines of business and earn attractive ceding commission**
- **Utilize quota share and per risk coverage to manage net exposure for any single risk**

Current Reinsurance Coverage:
- *EQ Coverage to $3.06B*
- *HI HU Coverage to $735M*
- *Continental US HU to $117.5M*



1. *Core Catastrophe XOL retention excludes modest additional premium of first and second layers*
2. *$15.5M retention for all covered events excluding earthquake*
3. *$20M retention for earthquake events*

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Other Key Reinsurance Placements

PALOMAR MAINTAINS COMPREHENSIVE PRODUCT SPECIFIC REINSURANCE STRUCTURES

	Line of Business	Structure	Admitted / E&S	Start Date
Property	CA Commercial Earthquake	Quota Share	Admitted and E&S	24-Jan
	Inland Marine	Quota Share	Admitted and E&S	24-May
	Flood	Quota Share & XOL	Admitted and E&S	24-Jun
	Builder's Risk	Quota Share & XOL	E&S	24-Jul
Casualty	Excess Liability	Quota Share	E&S	24-Jan
	Casualty, Professional & Environmental Liability	Quota Share	Admitted and E&S	24-Apr
	Small Contractors General Liability	Quota Share	E&S	24-Jun
	Real Estate E&O	Quota Share	Admitted and E&S	23-Oct
PLMR-Front	Specialty Homeowners	Quota Share & XOL	Admitted	24-Jun
	Cyber	Quota Share	Admitted and E&S	24-Jul
	Cross Border Trucking	Quota Share	E&S	23-Nov
Crop	Crop	Quota Share	Admitted	24-Jan
	Livestock	Quota Share	Admitted	24-Jul

** Representative, not exhaustive, list of Palomar's in-force reinsurance placements*

Reinsurance Recent Developments

- Renewals continued to offer a broad perspective of the current reinsurance market
- 1/1 CA Commercial Earthquake quota share renewed at improved economics; increased ceding commission that implies a risk-adjusted decrease of approximately 5%
- Increased reinsurance placement activity in Q2, all executed in line with expectations
- Continuing to attract broad Casualty capacity to meet business needs
- Successful execution of 6/1 reinsurance renewal; $3.06 billion of total Earthquake limit
- Improved economics and new capacity offered on several 5/1 and 7/1 placements, including our Cyber fronting program
- Inland Marine and Builder's Risk placements at 6/1 and 7/1 renewed favorably; increased net retention

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Entrepreneurial and Experienced Management Team

LEADING SPECIALTY INSURANCE TALENT
CONTINUE TO EXECUTE AND ADD DEPTH TO THE ORGANIZATION

NAME	EXPERIENCE (YRS)	PRIOR PROFESSIONAL EXPERIENCE
Mac Armstrong | Chairman & Chief Executive Officer	25+	Arrowhead General Insurance Agency | Spectrum Equity | Alex. Brown & Sons
Jon Christianson | President	20+	Holborn Corporation | John B. Collins Associates | Guy Carpenter
Chris Uchida | Chief Financial Officer	25+	Arrowhead General Insurance Agency | PwC
Jon Knutzen | Chief Risk Officer	25+	TigerRisk Partners | Holborn Corporation | Guy Carpenter
Roldolphe “Rudy” Herve | Chief Operating Officer	20+	SCOR | QBE North America | Bain & Company | Orange Ventures
Angela Grant | Chief Legal Officer	30+	CSE Insurance Group | Hippo | Esurance | Kemper | GEICO
Robert Beyerle | Chief Underwriting Officer	20+	Great American Insurance Company | Acordia Southeast
Tim Carter | Chief People Officer	20+	LPL Financial | G4S Integrated Services | Parexcel | Home Depot

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Commitment to Sustainability

ACCESS THE SUSTAINABILITY PORTAL AND 2023 SUSTAINABILITY & CITIZENSHIP REPORT HERE: HTTPS://PLMR.COM/SUSTAINABILITY/

OVERVIEW

- Committed to sustainable business practices is driven by the understanding that environmental stewardship, social responsibility, and effective governance are interconnected pillars essential for long-term business success
- Dedicated business strategy that supports growth, well-being, and long-term sustainability through investment in our people, business, and communities

SUSTAINABILITY PRIORITIES

1 ENVIRONMENTAL

- Climate Strategy
- Disaster Preparedness & Response

2 SOCIAL

- Human Capital Management
- Safety & Health
- Human Rights
- Diversity & Inclusion
- Community & Team Member Well-being

3 GOVERNANCE

- Investment Management
- Data Privacy & Cybersecurity
- Governance Practices

TRANSPARENCY

Reporting Aligned with Following Frameworks

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

SASB SUSTAINABILITY ACCOUNTING STANDARDS BOARD

As Asset Owners, Public Commitments / Signatories to Responsible Investment Initiatives

PRI Principles for Responsible Investment

United Nations Global Compact

UN environment programme finance initiative

Principles for Sustainable Insurance

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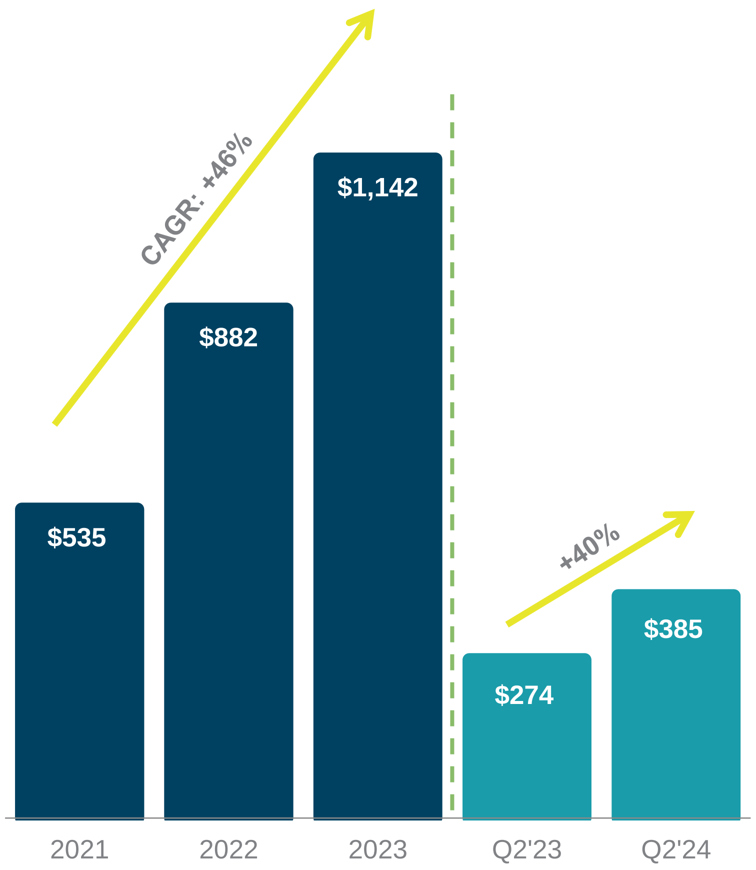
Proven Business Model

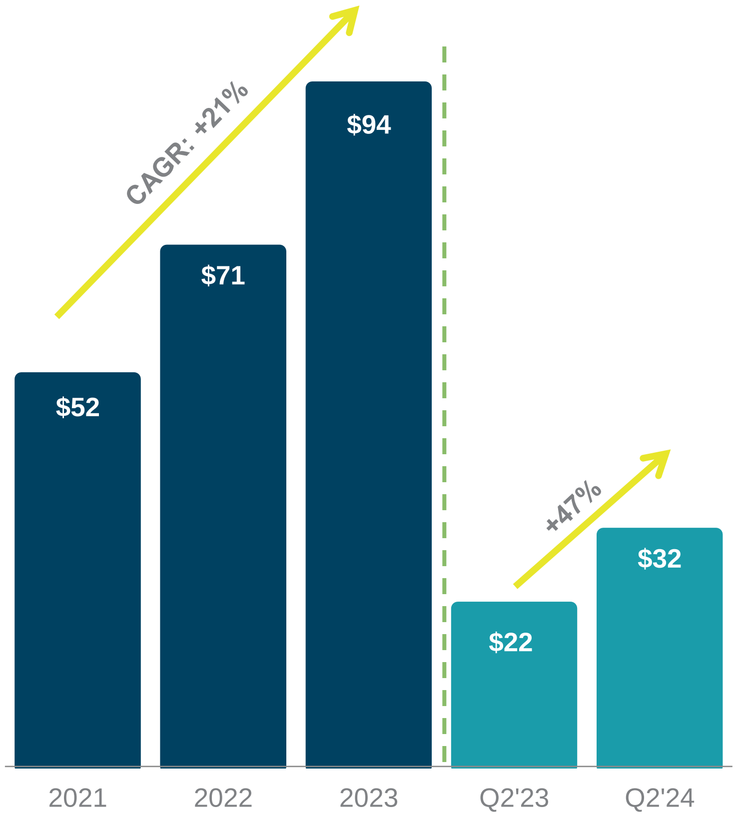
GROWTH

Gross Written Premium ($M)



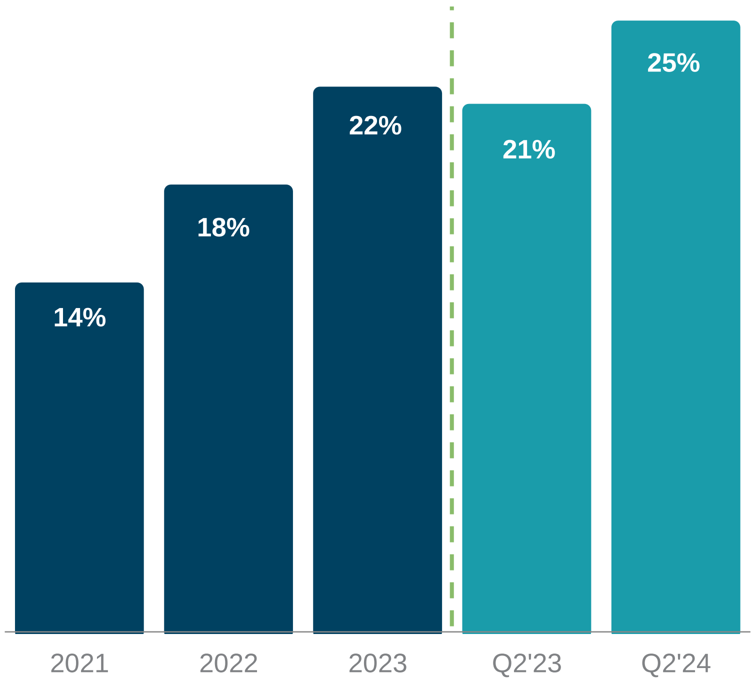
PROFITABILITY

Adjusted Net Income ($M)



RETURNS

Adjusted Return on Equity



1. *This slide contains non-GAAP metrics. See GAAP reconciliation in the Appendix.*

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2024 Full Year Guidance

MIDPOINT OF 2024 GUIDANCE RANGE IMPLIES AN ADJUSTED ROE ABOVE PALOMAR 2X TARGET OF 20%

2024 FULL YEAR OUTLOOK	
Adjusted Net Income	**$124 to $130 million**

- Full year 2024 adjusted net income guidance increased to $124 million - $130 million from $122 - $128 million
- Current range includes:
  - Catastrophe losses of approximately $6.8 million incurred during six months ended June 30, 2024
  - Catastrophe losses of approximately $5 to $7 million related to Hurricanes Beryl and Debby incurred during the third quarter of 2024

1. *This slide contains non-GAAP metrics. See GAAP reconciliation in the Appendix.*

Appendix

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Operations, Data & Technology

UNDERWRITING ACUMEN, PROPRIETARY DATA ANALYTICS, MODERN TECHNOLOGY, UNIQUE DISTRIBUTION AND OPERATIONAL EXPERTISE GENERATE BEST IN CLASS RESULTS

Five Key Specialty Products: 2023 GWP by Quarter

2024 Product Category Update

Beginning in 2024, we updated the categorization of our products to align with our current strategy and view of the business. Prior year amounts have been reclassified for comparability purposes. The recategorization is for presentation purposes only and does not impact overall gross written premiums.

($ in thousands)

	2023			
Line of Business	**Q1**	**Q2**	**Q3**	**Q4**
Earthquake	$93,495	$107,929	$113,386	$122,087
Fronting	$91,755	$79,724	$94,954	$85,708
IM & Other Property	$52,705	$69,779	$64,498	$63,039
Casualty	$12,157	$16,376	$29,532	$32,324
Crop	-	$488	$11,627	($5)
Total GWP	**$250,112**	**$274,296**	**$313,998**	**$303,153**

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Second Quarter 2024 Financial Highlights

($ in thousands)	Three Months Ended - June 30			Six Months Ended – June 30		
	2024	2023	%Change	2024	2023	%Change
Gross written premiums	$385,184	$274,296	40.4%	$753,262	$524,407	43.6%
Ceded written premiums	(209,181)	(169,109)	23.7%	(437,352)	(339,453)	28.8%
Net written premiums	176,003	105,187	67.3%	315,910	184,954	70.8%
Net earned premiums	122,285	83,107	47.1%	230,151	166,347	38.4%
Commission and other income	792	621	27.5%	1,320	1,316	0.3%
Total underwriting revenue (1)	**$123,077**	**$83,728**	**47.0%**	**231,471**	**167,663**	**38.1%**
%Losses and loss adjustment expenses	30,431	17,905	70%	57,268	38,557	48.5%
Acquisition expenses, net of ceding commissions and fronting fees	35,806	26,057	37.4%	67,604	51,736	30.7%
Other underwriting expenses	31,233	22,350	39.7%	56,036	41,572	34.8%
Underwriting income (1)	25,607	17,416	47.0%	50,563	35,798	41.2%
Interest expense	(225)	(1,064)	(78.9)%	(965)	(2,084)	(53.7)%
Net investment income	7,960	5,541	43.7%	15,098	10,661	41.6%
Net realized and unrealized gains on investments	32	1,127	(97.2)%	3,034	1,273	138.3%
Income before income taxes	33,374	23,020	45.0%	67,730	45,648	48.4%
Income tax expense	7,645	5,458	40.1%	15,619	10,774	45.0%
Net income	**$25,729**	**$17,562**	**46.5%**	**$52,111**	**$34,874**	**49.4%**
Adjustments:						
Expenses associated with transactions	472	—	—%	472	—	—%
Net realized and unrealized gains on investments	(32)	(1,127)	(97.2)%	(3,034)	(1,273)	138.3%
Stock-based compensation expense	3,968	3,697	7.3%	7,789	7,147	9.0%
Amortization of intangibles	389	389	—%	779	703	10.8%
Expenses associated with catastrophe bond	2,483	1,590	56.2%	2,483	1,640	51.4%
Tax impact	(1,029)	(317)	224.6%	(825)	(857)	(3.7)%
Adjusted net income (1)	**$31,980**	**$21,794**	**46.7%**	**$59,775**	**$42,234**	**41.5%**
Key Financial and Operating Metrics						
Annualized return on equity	19.9%	17.2%		20.8%	17.5%	
Annualized adjusted return on equity (1)	24.7%	21.3%		23.8%	21.2%	
Loss ratio	24.9%	21.5%		24.9%	23.2%	
Expense ratio	54.2%	57.5%		53.1%	55.3%	
Combined ratio	79.1%	79.0%		78.0%	78.5%	
Adjusted combined ratio (1)	73.1%	72.2%		73.0%	72.8%	
Diluted earnings per share	$1.00	$0.69		$2.04	$1.37	
Diluted adjusted earnings per share (1)	$1.25	$0.86		$2.34	$1.66	
Catastrophe losses	$3,441	$2,159		$6,800	$3,965	
Catastrophe loss ratio (1)	2.8%	2.6%		3.0%	2.4%	
Adjusted combined ratio excluding catastrophe losses (1)	70.3%	69.6%		70.1%	70.4%	
Adjusted underwriting income (1)	**$32,919**	**$23,092**	**42.6%**	**$62,086**	**$45,288**	**37.1%**

(1) Indicates non-GAAP financial measure; see “Reconciliation of Non-GAAP Financial Measures” for a reconciliation of the non-GAAP financial measures to their most directly comparable financial measures prepared in accordance with GAAP.

Reconciliation Of Non-GAAP Metrics Used In This Presentation

($ in thousands, except per share data)	Three Months Ended – June 30		Six Months Ended – June 30	
	2024	2023	2024	2024
Numerator: Sum of losses and loss adjustment expenses, acquisition expenses, and other underwriting expenses, net of commission and other income	$96,678	$65,691	$179,588	$130,549
Denominator: Net earned premiums	$122,285	$83,107	$230,151	$166,347
Combined ratio	**79.1%**	**79.0%**	**78.0%**	**78.5%**
Adjustments to numerator:				
Expenses associated with transactions	$(472)	—	$(472)	—
Stock-based compensation expense	(3,968)	(3,697)	(7,789)	(7,147)
Amortization of intangibles	(389)	(389)	(779)	(703)
Expenses associated with catastrophe bond	(2,483)	(1,590)	(2,483)	(1,640)
Adjusted combined ratio	**73.1%**	**72.2%**	**73.0%**	**72.8%**
Adjusted net income	$31,980	$21,794	$59,775	$42,234
Weighted-average common shares outstanding, diluted	25,617,916	23,309,526	25,554,445	25,384,409
Diluted adjusted earnings per share	$1.25	$0.86	$2.34	$1.66
Numerator: Losses and Loss adjustment expenses	$30,431	$17,905	$57,268	$38,557
Denominator: Net earned premiums	$122,285	$83,107	$230,151	$166,347
Loss ratio	**24.9%**	**21.5%**	**24.9%**	**23.2%**
Numerator: Catastrophe losses	$3,441	$2,159	$6,800	$3,965
Denominator: Net earned premiums	$122,285	$83,107	$230,151	$166,347
Catastrophe loss ratio	**2.8%**	**2.6%**	**3.0%**	**2.4%**
Numerator: Sum of losses and loss adjustment expenses, acquisition expenses, and other underwriting expenses, net of commission and other income	$96,678	$65,691	$179,588	$130,549
Denominator: Net earned premiums	$122,285	$83,107	$230,151	$166,347
Combined ratio	**79.1%**	**79.0%**	**78.0%**	**78.5%**
Adjustments to numerator:				
Stock-based compensation expense	(3,968)	(3,697)	(7,789)	(7,147)
Amortization of intangibles	(389)	(389)	(779)	(703)
Expenses associated with catastrophe bond	(2,483)	(1,590)	(2,483)	(1,640)
Catastrophe Losses	(3,441)	(2,159)	(6,800)	(3,965)
Adjusted combined ratio excluding catastrophe losses	**70.3%**	**69.6%**	**70.1%**	**70.4%**

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Reconciliation Of Non-GAAP Metrics Used In This Presentation

($ in thousands)	Three Months Ended – June 30		Six Months Ended – June 30	
	2024	2023	2024	2023
Gross earned premiums	$326,964	$242,189	$629,835	$467,432
Ceded earned premiums	(204,679)	(159,082)	(399,684)	(301,085)
Net earned premiums	$122,285	$83,107	$230,151	$166,347
Total revenue	$131,069	$90,396	$249,603	$179,597
Net investment income	(7,960)	(5,541)	(15,098)	(10,661)
Net realized and unrealized gains on investments	(32)	(1,127)	(3,034)	(1,273)
Underwriting revenue	**$123,077**	**$83,728**	**$231,471**	**$167,663**
Income before income taxes	$33,374	$23,020	$67,730	$45,648
Net investment income	(7,960)	(5,541)	(15,098)	(10,661)
Net realized and unrealized gains on investments	(32)	(1,127)	(3,034)	(1,273)
Interest expense	225	1,064	965	2,084
Underwriting income	**$25,607**	**$17,416**	**$50,563**	**$35,798**
Expenses associated with transactions	472	—	472	—
Stock-based compensation expense	3,968	3,697	7,789	7,147
Amortization of intangibles	389	389	779	703
Expenses associated with catastrophe bond	2,483	1,590	2,483	1,640
Adjusted underwriting income	**$32,919**	**$23,092**	**$62,086**	**$45,288**
Net income	$25,729	$17,562	$52,111	$34,874
Adjustments:				
Net realized and unrealized gains on investments	(32)	(1,127)	(3,034)	(1,273)
Expenses associated with transactions	472	—	472	—
Stock-based compensation expense	3,968	3,697	7,789	7,147
Amortization of intangibles	389	389	779	703
Expenses associated with catastrophe bond	2,483	1,590	2,483	1,640
Tax impact	(1,029)	(317)	(825)	(857)
Adjusted net income	**$31,980**	**$21,794**	**$59,775**	**$42,234**
Annualized adjusted net income	$127,920	$87,176	$119,550	$84,468
Average stockholders' equity	$517,131	$409,178	$501,928	$399,230
Annualized adjusted return on equity	**24.7%**	**21.3%**	**23.8%**	**21.2%**

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Theoretical Net Written Premium vs Net Earned Premium

The yellow highlighted sections show the calculation of Ceded XOL on a written and earned basis.
The Ceded XOL on a written basis and on an earned basis are calculated the same.

Assumptions:	Year 1				Year 2				Year 3 Q1-Q2		Year 3 Q3-Q4				
Ceded Quota Share %	10%				10%				10%		10%				
XOL Annual Expense	8,000				10,000				12,000		22,000				
	Year 1 Q1	Year 1 Q2	Year 1 Q3	Year 1 Q4	Year 2 Q1	Year 2 Q2	Year 2 Q3	Year 2 Q4	Year 3 Q1	Year 3 Q2	Year 3 Q3	Year 3 Q4	Year 1	Year 2	Year 3
Gross written premium	5,000	5,000	5,000	5,000	6,000	9,000	9,000	8,000	8,000	20,000	14,000	15,000	20,000	32,000	57,000
Ceded written premium QS	(500)	(500)	(500)	(500)	(600)	(900)	(900)	(800)	(800)	(2,000)	(1,400)	(1,500)	(2,000)	(3,200)	(5,700)
Ceded written premium XOL	(2,000)	(2,000)	(2,000)	(2,000)	(2,500)	(2,500)	(2,500)	(2,500)	(3,000)	(3,000)	(5,500)	(5,500)	(8,000)	(10,000)	(17,000)
Net written premium	2,500	2,500	2,500	2,500	2,900	5,600	5,600	4,700	4,200	15,000	7,100	8,000	10,000	18,800	34,300
Ceded WP / GWP	-50%	-50%	-50%	-50%	-52%	-38%	-38%	-41%	-48%	-25%	-49%	-47%	-50%	-41%	-40%
NWP / GWP	50%	50%	50%	50%	48%	62%	62%	59%	53%	75%	51%	53%	50%	59%	60%
QoQ Change in Ceded WP/GWP		0%	0%	0%	-2%	14%	0%	-3%	-6%	23%	-24%	3%		9%	1%
Gross earned premium	625	1,875	3,125	4,375	5,125	5,750	6,750	7,625	8,250	9,875	11,875	13,375	10,000	25,250	43,375
Ceded earned premium QS	(63)	(188)	(313)	(438)	(513)	(575)	(675)	(763)	(825)	(988)	(1,188)	(1,338)	(1,000)	(2,525)	(4,338)
Ceded earned premium XOL	(2,000)	(2,000)	(2,000)	(2,000)	(2,500)	(2,500)	(2,500)	(2,500)	(3,000)	(3,000)	(5,500)	(5,500)	(8,000)	(10,000)	(17,000)
Net earned premium	(1,438)	(313)	813	1,938	2,113	2,675	3,575	4,363	4,425	5,888	5,188	6,538	1,000	12,725	22,038
Ceded EP / GEP	-330%	-117%	-74%	-56%	-59%	-53%	-47%	-43%	-46%	-40%	-56%	-51%	-90%	-50%	-49%
NEP / GEP	-230%	-17%	26%	44%	41%	47%	53%	57%	54%	60%	44%	49%	10%	50%	51%
QoQ Change in Ceded EP/GEP		213%	43%	18%	-3%	5%	6%	4%	-4%	6%	-16%	5%		40%	0%
Diff Ceded EP/GEP & Ceded WP/GWP	-280%	-67%	-24%	-6%	-7%	-16%	-9%	-2%	1%	-15%	-7%	-4%	-40%	-8%	-9%

The blue highlighted cells represent the change in Ceded EP/GEP on a sequential quarter over quarter basis in periods that we have increased our XOL limit and cost. XOL reinsurance purchases allow us to grow into the limit that we buy over the life of those contracts. We start expensing the XOL immediately when the new contracts go into effect. Assuming our GEP will continue to grow, our Ceded EP/GEP ratio at the beginning of any given contract represents the highest Ceded EP/GEP for that contract.

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Theoretical Net Written Premium vs Net Earned Premium

This example represents flat written premium with no changes to XOL reinsurance expense. With flat written premium the difference between net written and earned premium only exists in year 1 when the earned premium is building to steady state. Once the earned premium reaches steady state the net written and earned are the same.

Assumptions:	Year 1				Year 2				Year 3 Q1-Q2		Year 3 Q3-Q4				
Ceded Quota Share %	10%				10%				10%		10%				
XOL Annual Expense	8,000				8,000				8,000		8,000				
	Year 1 Q1	Year 1 Q2	Year 1 Q3	Year 1 Q4	Year 2 Q1	Year 2 Q2	Year 2 Q3	Year 2 Q4	Year 3 Q1	Year 3 Q2	Year 3 Q3	Year 3 Q4	Year 1	Year 2	Year 3
Gross written premium	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	20,000	20,000	20,000
Ceded written premium QS	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(2,000)	(2,000)	(2,000)
Ceded written premium XOL	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	(8,000)	(8,000)
Net written premium	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	10,000	10,000	10,000
Ceded WP / GWP	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%
NWP / GWP	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
QoQ Change in Ceded WP/GWP		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%		0%	0%
Gross earned premium	625	1,875	3,125	4,375	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	10,000	20,000	20,000
Ceded earned premium QS	(63)	(188)	(313)	(438)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(1,000)	(2,000)	(2,000)
Ceded earned premium XOL	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	(8,000)	(8,000)
Net earned premium	(1,438)	(313)	813	1,938	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	1,000	10,000	10,000
Ceded EP / GEP	-330%	-117%	-74%	-56%	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-90%	-50%	-50%
NEP / GEP	-230%	-17%	26%	44%	50%	50%	50%	50%	50%	50%	50%	50%	10%	50%	50%
QoQ Change in Ceded EP/GEP		213%	43%	18%	6%	0%	0%	0%	0%	0%	0%	0%		40%	0%
Diff Ceded EP/GEP & Ceded WP/GWP	-280%	-67%	-24%	-6%	0%	0%	0%	0%	0%	0%	0%	0%	-40%	0%	0%