Use these links to rapidly review the document
TABLE OF CONTENTS
Palomar Holdings, Inc. and Subsidiaries INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

As filed with the Securities and Exchange Commission on March 15, 2019.

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PALOMAR HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**6331**	**83-3972551**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

7979 Ivanhoe Avenue, Suite 500
La Jolla, California 92037
(619) 567-5290
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Mac Armstrong
Chief Executive Officer
Palomar Holdings, Inc.
7979 Ivanhoe Avenue, Suite 500
La Jolla, California 92037
(619) 567-5290
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Michael S. Kagnoff, Esq.	**Cheston J. Larson, Esq.**
Patrick J. O'Malley, Esq.	**Erika Weinberg, Esq.**
DLA Piper LLP (US)	**Latham & Watkins LLP**
4365 Executive Drive, Suite 1100	**12670 High Bluff Drive**
San Diego, California 92121	**San Diego, California 92130**
(858) 677-1400	**(858) 523-5435**

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o	Smaller reporting company ☒ Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Stock, par value $0.0001 per share	$50,000,000	$6,060

(1) Includes offering price of any additional shares that the underwriters have the option to purchase.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 15, 2019

PRELIMINARY PROSPECTUS

Shares

Common Stock

This is the initial public offering of shares of common stock of Palomar Holdings, Inc. We are offering shares of our common stock. We estimate that the initial public offering price per share will be between $ and $. For a detailed description of our common stock, see the section entitled "Description of Capital Stock".

Prior to this offering, there has been no public market for our common stock. We have applied to list our common stock on the Nasdaq Global Select Market ("Nasdaq") under the symbol "PLMR".

We are an "emerging growth company" as defined in the Jumpstart Our Business Startup Act and, as such, have elected to comply with certain reduced public company reporting requirements. See "Prospectus Summary—Implications of Being an Emerging Growth Company". We will also be a "controlled company" under the corporate governance standards of the Nasdaq Marketplace Rules and will be exempt from certain corporate governance requirements of the rules. See "Prospectus Summary—Our Sponsor and Controlled Company Status" and "Risk Factors—Risks Related to this Offering and Ownership of Our Common Stock".

Investing in our common stock involves risks. See "Risk Factors" beginning on page 16.

	Per Share	Total
Initial Public Offering Price	$	$
Underwriting Discount(1)	$	$
Proceeds Before Expenses(1)	$	$

(1) We refer you to the section "Underwriting" of this prospectus for additional information regarding underwriting compensation.

We have granted the underwriters an option for a period of 30 days following the date of this prospectus to purchase up to an additional shares of common stock solely to cover over-allotments at the initial public offering price, less the underwriting discount.

Neither the Securities and Exchange Commission (the "SEC") nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or about , 2019 through the book-entry facilities of The Depository Trust Company.

Joint Book-Running Managers

Barclays **J.P. Morgan** **Keefe, Bruyette & Woods**

A Stifel Company

Evercore ISI **William Blair** **Sandler O'Neill + Partners, L.P.** **SunTrust Robinson Humphrey**

Prospectus dated , 2019

TABLE OF CONTENTS

	Page
Prospectus Summary	1
Risk Factors	16
Special Note Regarding Forward-Looking Statements	43
Use of Proceeds	46
Dividend Policy	47
Capitalization	48
Dilution	49
Selected Consolidated Financial and Other Data	51
Management's Discussion and Analysis of Financial Condition and Results of Operations	53
Industry	81
Business	84
Regulation	109
Management	120
Executive Compensation	127
Certain Relationships and Related Party Transactions	135
Principal Stockholders	137
Description of Capital Stock	139
Shares Eligible for Future Sale	143
Material U.S. Federal Income Tax Consequences to Non-U.S. Holders	145
Underwriting	149
Legal Matters	157
Experts	157
Where You Can Find Additional Information	158
Index to Consolidated Financial Statements	F-1

You should rely only on the information contained in this prospectus and any free writing prospectus that we may provide to you in connection with this offering. We have not, and the underwriters have not, authorized anyone to provide you with different information, and we take no responsibility for any other information others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than its date. Our business, financial condition, results of operations and prospects may have changed since that date.

Persons who come into possession of this prospectus and any such free writing prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus and any such free writing prospectus applicable to that jurisdiction.

Market, Industry and Other Data

We use market and industry data, forecasts and projections throughout this prospectus. We have obtained certain market and industry data from publicly available industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on historical market data, and there is no assurance that any of the forecasts or projected amounts will be achieved.

Use of Non-GAAP Financial Information

This prospectus contains certain financial measures and ratios that are not required by, or presented in accordance with, generally accepted accounting principles in the United States ("GAAP"). We refer to these measures as "non-GAAP financial measures." We use these non-GAAP financial measures when planning, monitoring and evaluating our performance. We consider these non-GAAP financial measures to be useful metrics for our management and investors to facilitate operating performance comparisons from period to period.

The non-GAAP financial measures we use herein are defined by us as follows:

Underwriting revenue: We define underwriting revenue as total revenue excluding net investment income and net realized and unrealized gains and losses on investments. Underwriting revenue represents revenue generated by our underwriting operations and allows us to evaluate our underwriting performance without regard to investment income. We use this metric as we believe it gives our management and other users of our financial information useful insight into our underlying business performance. Underwriting revenue should not be viewed as a substitute for total revenue calculated in accordance with GAAP, and other companies may define underwriting revenue differently.

Underwriting income: We define underwriting income as income before income taxes excluding net investment income, net realized and unrealized gains and losses on investments, and interest expense. Underwriting income represents the pre-tax profitability of our underwriting operations and allows us to evaluate our underwriting performance without regard to investment income. We use this metric as we believe it gives our management and other users of our financial information useful insight into our underlying business performance. Underwriting income should not be viewed as a substitute for pre-tax income calculated in accordance with GAAP, and other companies may define underwriting income differently.

Adjusted net income: We define adjusted net income as net income excluding the impact of expenses relating to various transactions that we consider to be unique and possibly non-recurring in nature. We did not have any adjustments to 2017 and 2016 net income. We use adjusted net income as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Adjusted net income should not be viewed as a substitute for net income calculated in accordance with GAAP, and other companies may define adjusted net income differently.

Adjusted return on equity: We define adjusted return on equity as adjusted net income expressed on an annualized basis as a percentage of average beginning and ending shareholder's equity during the period. We did not have any adjustments to 2017 and 2016 net income. We use adjusted return on equity as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Adjusted return on equity should not be viewed as a substitute for return on equity calculated in accordance with GAAP, and other companies may define adjusted return on equity differently.

Tangible shareholder's equity: We define tangible shareholder's equity as shareholder's equity less intangible assets. We use tangible shareholder's equity internally to evaluate the strength of our balance sheet and to compare returns relative to this measure. Tangible shareholder's equity should not be viewed as a substitute for shareholder's equity calculated in accordance with GAAP, and other companies may define tangible shareholder's equity differently.

While we believe that these non-GAAP financial measures are useful in evaluating our business, this information should be considered supplemental in nature and is not meant to be a substitute for revenue or net income, in each case as recognized in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate such measures differently, which reduces their usefulness as comparative measures. For more information regarding these non-GAAP financial measures and a reconciliation of such measures to comparable GAAP financial measures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-GAAP Financial Measures."

GLOSSARY OF SELECTED INSURANCE AND OTHER TERMS

Admitted insurer—Formally licensed to operate by the insurance agency in the state where the company operates. Admitted insurance companies are subject to various state laws that govern organization, capitalization, policy forms, rate approvals and claims handling.

Average annual loss ("AAL")—A loss statistic that reflects the expected loss per year, averaged over many years.

Application programming interfaces ("APIs")—An application that enables software programs to communicate with each other.

Case reserves—Losses and loss adjustment expense reserves established with respect to individual reported claims.

Catastrophe—A severe loss, typically involving multiple claimants. Commonly known perils include earthquakes, hurricanes, tsunamis, hailstorms, tornados, severe winter weather, floods, fires, explosions, volcanic eruptions and other natural or man-made disasters. Catastrophe losses may also arise from acts of war, acts of terrorism and political instability.

Cede; ceding company—When a party purchases reinsurance for its liability from another party, it "cedes" business to the reinsurer and is referred to as the "ceding company."

Certificates of authority—A license granted by a state insurance department to operate as an admitted insurance company in that state.

Combined ratio—The sum of the loss ratio and the expense ratio. The combined ratio of an insurance company is generally viewed as an indication of the underwriting profitability of that insurance company, but does not take into account the effect of investing activities on net income.

Commissions—The fee paid to an agent or a broker for placing insurance or reinsurance, generally determined as a percentage of the written premium.

Direct premiums written—Premiums written by an insurer during a given period.

Excess & Surplus lines—Excess and surplus lines policies generally are not subject to regulations governing premium rates or policy language. Insurance companies are considered non-admitted in the states in which they offer excess and surplus lines products.

Excess of Loss ("XOL") reinsurance—Reinsurance that indemnifies the insured against all or a specified portion of losses in excess of a specified dollar or percentage loss ratio amount.

Expense ratio—The ratio of underwriting, acquisition and other underwriting expenses net of commissions and other income to net earned premiums.

Facultative reinsurance—Facultative reinsurance is a specific reinsurance policy for which terms can be negotiated by the insurer and reinsurer.

Financial strength rating—The opinion of rating agencies regarding the financial ability of an insurance or reinsurance company to meet its financial obligations under its policies.

Fronting—The practice of licensed insurance companies issuing insurance policies while transferring substantially all of the underlying risk to third parties in exchange for a fee.

Geocode—The latitudinal and longitudinal location of a property based on its address, which an insurer may use to assess the distance to shore for hurricane-exposed risks and proximity to fault-lines for earthquake-exposed risks.

Gross written premiums—Total premiums recorded on the books of an insurer at the time an insurance policy is issued, before deductions for premiums ceded to reinsurers.

IBNR; incurred but not reported—Reserves for estimated loss and loss adjustment expenses that have been incurred by policyholders but not reported to the insurer or reinsurer, including unknown future developments on loss and loss adjustment expenses which are known to the insurer or reinsurer.

Incurred losses—The total losses sustained by an insurance company under a policy or policies, whether paid, unpaid or not reported.

Liquefaction potential—The likelihood of soil converting into liquid from solid form.

Loss—Physical damage to property or bodily injury including loss of use or loss of income.

Loss adjustment expenses—The expenses of settling claims, including field adjusting, cost containment, legal defense and other fees and the portion of general expenses allocated to claim settlement costs. Also known as claim adjustment expense.

Loss development—Increases or decreases in previously recorded losses and loss adjustment expenses over a given period of time.

Loss ratio—A ratio calculated by dividing losses and loss adjustment expenses by net premiums earned.

Net written premiums—Gross written premiums for a given period less premiums ceded to reinsurers during such period.

Net earned premiums—The earned portion of gross written premiums less the earned portion that is ceded to reinsurers during such period.

Peak zone—The specific peril and geographic area that produce the highest concentration of risk for an insurance company.

Perils—This term refers to the causes of possible loss in property insurance and reinsurance, such as earthquake, wind-storm, fire, hail, etc.

Probable maximum loss ("PML")—The maximum amount of loss that an insurance company would expect to incur on a policy or collection of policies under ordinary circumstances, based on computer or actuarial modeling techniques. This is frequently measured as a probability over a given return period. For example, a 1 in 250 year PML represents the loss value that has a 0.4% annual probability of being exceeded, equating to a 1 in 250 year probability.

Property insurance—Insurance that covers property when damage, theft or loss occurs.

Program Administrator—An organization that provides a range of services to insurance companies including marketing, underwriting, policy administration and payment processing.

Quota share reinsurance—A form of reinsurance in which the reinsurer assumes an agreed percentage of each risk being reinsured and shares all premiums and losses in accordance with the reinsured.

Reinstatement premiums—A premium charged for the reinstatement of the amount of reinsurance coverage to its full amount reduced as a result of a reinsurance loss payment.

Reinsurance—The practice whereby one party, called the reinsurer, in consideration of a premium paid to it, agrees to indemnify another party, called the reinsured, for part or all of the liability

assumed by the reinsured under a policy or policies of insurance which it has issued. The reinsured may be referred to as the original or primary insurer, the direct writing company, or the ceding company.

Retail agents—Insurance agents who place insurance on behalf of consumers and businesses.

Reinsurance retention—The amount or portion of risk which an insurer or reinsurer retains or assumes for its own account. Losses, or a portion thereof, in excess of the retention level are paid by the reinsurer or a retrocessionnaire. In proportional treaties, the retention may be a percentage of the original policy's limit. In excess of loss business, the retention is all or a portion of a dollar amount of loss.

Return on equity—Net income expressed on an annualized basis as a percentage of average beginning and ending shareholder's equity during the period.

Spread of risk—The extent to which an insurance company, by selecting uniform, diversified and independent risks, in a sufficiently large number, can predict the losses thereon with reasonable accuracy.

State guaranty funds—Funding mechanisms that are administered by a U.S. state to protect policyholders in the event that an insurance company defaults on benefit payments or becomes insolvent. The fund only protects beneficiaries of insurance companies that are licensed to sell in that state.

Statutory accounting practices ("SAP")—Those accounting principles and practices, which provide the framework for the preparation of insurance company financial statements, and the recording of transactions, in accordance with the rules and procedures adopted by regulatory authorities, generally emphasizing solvency considerations rather than a going-concern concept of accounting.

Third party administrators ("TPAs")—Organizations that process insurance claims for a separate entity.

Underwriting—The process of evaluating, defining, and pricing insurance risks including, where appropriate, the rejection of such risks, and the acceptance of the obligation to pay the policyholder under the terms of the contract.

Unearned premiums—The portion of gross written premium that has not been earned.

Wholesale brokers—Intermediaries who negotiate contracts of insurance between retail agents and insurance companies, receiving a commission for placement and other services rendered.

PROSPECTUS SUMMARY

This summary highlights selected information that is presented in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the related notes included elsewhere in this prospectus before making an investment decision. Unless the context otherwise requires, the terms "Palomar," "we," "us" and "our" refer to Palomar Holdings, Inc. and its consolidated subsidiaries and the terms "Genstar Capital" and "Sponsor" refer collectively to Genstar Capital and its affiliated companies. For the definitions of certain terms used in this prospectus and not defined herein, see "Glossary of Selected Insurance and Other Terms."

Who We Are

We are a rapidly growing and profitable company focused on the provision of specialty property insurance. We focus on certain markets that we believe are underserved by other insurance companies, such as the markets for earthquake, wind and flood insurance. We provide specialty property insurance products in our target markets to both individuals and businesses. We use proprietary data analytics and a modern technology platform to offer our customers flexible products with customized and granular pricing on an admitted basis. We distribute our products through multiple channels, including retail agents, program administrators, wholesale brokers, and in partnership with other insurance companies. Our business strategy is supported by a comprehensive risk transfer program with reinsurance coverage that we believe provides both consistency of earnings and appropriate levels of protection in the event of a major catastrophe. Our management team combines decades of insurance industry experience across specialty underwriting, reinsurance, program administration, distribution, and analytics.

Founded in 2014, we have significantly grown our business and have generated attractive returns. We have organically increased gross written premiums from $16.6 million for the year ended December 31, 2014, our first year of operations, to $154.9 million for the year ended December 31, 2018, a compound annual growth rate ("CAGR") of approximately 75%. Our return on equity and combined ratio were 20.9% and 71.6%, respectively, for the year ended December 31, 2018. During 2018, we experienced average monthly premium retention rates above 90% for our Residential Earthquake, Residential Flood and Hawaii Hurricane lines and approximately 84% overall across all lines of business, providing strong visibility into future revenue. In February 2014, Palomar Specialty Insurance Company was awarded an "A–" (Excellent) (Outlook Stable) rating from A.M. Best Company ("A.M. Best"), a leading rating agency for the insurance industry. In February 2019, A.M. Best affirmed our "A–" (Excellent) (Outlook Stable) rating for Palomar Specialty Insurance Company and affirmed our "A–" (Excellent) (Outlook Stable) group rating for Palomar Holdings, Inc. This rating reflects A.M. Best's opinion of our financial strength, operating performance and ability to meet obligations to policyholders and is not an evaluation directed towards the protection of investors.

We believe that our market opportunity, distinctive products, and differentiated business model position us to profitably grow our business.

Our Business

Our management team founded our company to address unmet needs that we perceived to exist in certain specialty property insurance markets. These markets have primarily been served by either large generalist insurance companies and state-managed entities applying "one-size-fits-all" pricing and policy forms across broad geographies, or excess and surplus ("E&S") companies offering relatively volatile pricing and coverage without the backing of state guaranty funds. We are an admitted insurance

company, which means that, unlike our E&S competitors, our rates and policy forms have been approved by the insurance department of each state in which we sell our policies, thus providing a further level of security to policyholders through our backing from state guaranty funds. As a result, our products typically have lower taxes and fees. We believe that both our customers and distribution partners prefer the ease of use and security of admitted products with flexible coverages. Additionally, we believe that we can generate superior risk-adjusted returns through underwriting that better reflects our customers' underlying risk through a more granular approach to pricing than what is typically offered by standard carriers. We believe this market acceptance and return potential is evidenced by the fact that we have quickly and profitably grown to be the 6th largest writer of earthquake insurance in the state of California and are experiencing growth and increasing profitability across our other lines of business.

Our primary lines of business include: Residential Earthquake, Commercial Earthquake, Specialty Homeowners, Commercial All Risk, Hawaii Hurricane, Residential Flood, and Real Estate Investor ("REI"). We seek to write a diverse mix of business by loss exposure, customer type, and geography in order to mitigate the potential impact of any single catastrophe event, reduce our cost of reinsurance, and position us to capitalize on emerging market opportunities. The following table outlines our lines of business and the market opportunities that they address:

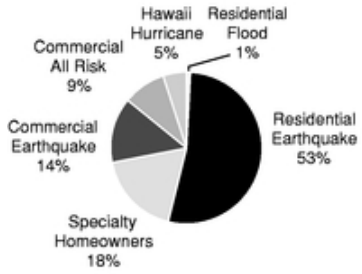
Risk	Opportunity	Palomar Lines of Business
Earthquake	• Competitors' products have limited options and are priced in broad territorial zones.	• Our **Residential** and **Commercial Earthquake** products are priced at a granular level and offer flexible product features.
	• Residential earthquake is an optional coverage that many homeowners choose not to purchase due to the high price and limited coverage options.	• Our Residential Earthquake products seek to expand the residential earthquake insurance market by attracting buyers who may not otherwise purchase protection.
	• Commercial earthquake coverage is often offered through the E&S market, which is not backed by state guaranty funds.	• Our products are admitted and backed by state guaranty funds, which we believe makes them easier to sell.

Risk	Opportunity	Palomar Lines of Business
Wind	• Homeowners insurance on a national level is generally highly competitive; however, we believe there are specific markets with attractive return potential that many carriers avoid due to hurricane exposure.	• Our **Specialty Homeowners** products are offered in markets that we identified through detailed analysis of pricing dynamics and historical loss ratios.
		• The majority of our Specialty Homeowners premium is generated through a fee-generating 'fronting' arrangement.
	• We identified specific hurricane-exposed geographic markets in the Southeastern United States with limited admitted commercial insurance product offerings due to the perceived risk of windstorms.	• For our **Commercial All Risk** products, we use detailed technical analysis to identify a subset of target occupancies and developed a proprietary risk pricing methodology that we believe enables us to select and price risk appropriately.
		• Our Commercial All Risk policy covers fire and wind damage (wind includes hurricane, tornado, and hail storm).
		• Our Commercial All Risk business generates fee income from underwriting on behalf of third parties.
		• We currently do not write Florida property business due to what we perceive to be a currently unfavorable pricing and regulatory environment.
Hawaii Hurricane	• There are a limited number of highly rated insurers writing standalone residential hurricane business in Hawaii.	• Our **Hawaii Hurricane** products are preferred by local retail agents due to our "A–" rating and our easy to use technology platform.
	• Coverage is required for homeowners that carry a mortgage for their property in the state.	• Coverage is only provided for named hurricanes, which eliminates our exposure to attritional losses.

Risk	Opportunity	Palomar Lines of Business
Residential Flood	• Flood represents one of the largest sources of property damage in the United States. However, we believe the current private market flood product offerings are scarce and outdated.	• Our **Flood** products offer property coverage up to $5 million and price risk at the specific geocode level.
	• Our primary competitor in this market is the National Flood Insurance Program ("NFIP"), which caps dwelling coverage at $250,000 and prices risks using broad territorial zones.	• Our Flood products also provide broader coverage than the NFIP and have a more streamlined approval process with no required elevation certificate or waiting period.
Real Estate Investor	• There are limited options for small real estate investors to aggregate coverage for multiple properties.	• Our **REI** program provides property and liability coverage to owners of 1-4 dwelling investment property portfolios.
	• We created a product that allows investors to expand or contract coverage for multiple properties on a single master policy.	• Our wholly-owned managing general agent, Prospect General Insurance Agency, administers the program and writes on behalf of capacity provided by syndicates at Lloyd's of London.

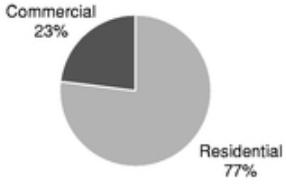
Since our founding, we have made substantial progress diversifying our business by product, market, and geography. In 2014, our first year of operations, all of our premiums were related to earthquake insurance. For the year ended December 31, 2018, 67% of our gross written premiums were related to earthquake insurance. For the same time period, 77% of our gross written premiums were attributable to residential business and 23% of gross written premiums were attributable to commercial business. For the year ended December 31, 2018, non-earthquake related premiums grew 31% while earthquake related premiums grew 28% versus the prior year. We are currently licensed in 25 states, with California and Texas representing our largest exposures with 53.0% and 21.0% of our gross written premiums for the year ended December 31, 2018, respectively. We have applications for certificates of authority submitted in four states with plans to enter additional states in the future. Our business strategy is to continue diversifying our book of business by extending our geographic reach and expanding our product portfolio. The following charts illustrate our business mix by product, residential versus commercial markets, and geography for the year ended December 31, 2018:

Gross Written Premium by Product



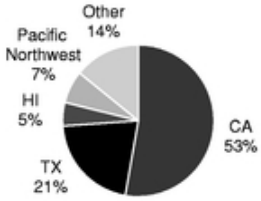
2018 GWP: $154.9 million

Gross Written Premium by Market



2018 GWP: $154.9 million

Gross Written Premium by Geography



2018 GWP: $154.9 million

We employ a highly granular and analytical underwriting process to assess each insurance policy that we write. Our systems enable us to underwrite all of our residential business automatically within minutes by leveraging our proprietary modeling techniques to analyze data at the geocode or ZIP code level. For example, our 2016 Residential Earthquake rate and policy form filing with the Washington State Office of the Insurance Commissioner has over 20,000 distinct pricing zones that take into account nuanced regional differences in soil types, liquefaction potential, and distance from known faults. In contrast, we believe most competing earthquake insurance rate filings in Washington are based on broad territorial pricing zones across the entire state. In our commercial products, we balance automation with human expertise and controls to underwrite more complex risks. Because the data we collect through our underwriting process is highly granular, we are able to utilize detailed portfolio analytics to actively manage aggregation of policies and to ensure an appropriate dispersion of risks across our full portfolio.

We purchase a significant amount of reinsurance from a diverse group of third parties which we believe enhances our business by reducing our exposure to potential catastrophe losses and volatility in our underwriting performance. This in turn provides us with greater visibility into our earnings. As of January 1, 2019 our reinsurance program featured excess of loss reinsurance, quota share reinsurance, insurance linked securities, and per risk reinsurance protection from a panel of more than 80 highly rated reinsurers and capital markets investors. Many of our reinsurance contracts have multi-year terms and additional features, such as prepaid reinstatements and expanded coverage windows for catastrophe events, that we believe provide us with significant protection and flexibility should market conditions change. Effective January 1, 2019, we retain $5 million of risk per earthquake and wind event, inclusive of any amounts retained through our Bermuda reinsurance subsidiary, and our reinsurance program currently provides for coverage up to $850 million for earthquake events, subject to customary exclusions, with coverage in excess of our estimated peak zone 1 in 250 year probable maximum loss ("PML") event and our A.M. Best requirement. Furthermore, our earthquake policies do not provide coverage for fire damage arising from an earthquake. In addition, we maintain reinsurance coverage equivalent or better to 1 in 250 year PML for our other lines.

Our Competitive Strengths

We believe that our competitive strengths include:

Focus on capturing market share and expanding underserved markets. We focus on specialty property insurance markets that we believe are underserved, and where we believe we can capture market share and expand the market to new customers. In our target markets, there are few direct competitors who focus exclusively on specialty property risks. With our specialized knowledge of these risks and our customized products, pricing and risk management, we believe we can better serve these markets than our competitors. Furthermore, we are able to expand our markets by creating products that attract insureds who previously had not obtained coverage. Our focus and expertise have enabled us to rapidly increase our market share; for example, we have grown into the 6th largest writer of earthquake insurance in California. In markets with similar characteristics, we are experiencing growth and increasing profitability across our other lines of business. We believe that our focus on addressing the needs of specialty property markets provides us with a competitive advantage.

Differentiated products built with the customer in mind. We have invested significant time and resources into developing what we believe are innovative and unique product offerings to address customer needs within our target markets. Our products generally offer our customers the certainty of admitted insurance products with flexible features that are not typical of standard products in our markets. By offering our customers the ability to choose deductibles and other a la carte coverage options, we believe we have created products that are attractive both to those who have existing coverages with our competitors, and to those who have not historically bought insurance in our target markets. Furthermore, since our products have been approved by individual state regulators and have

been supported by proprietary pricing models since inception, we believe that our products are not easily replicable, particularly by existing carriers who would face the burden of gathering data, building new models and revising existing rates and policy forms with regulators. Finally, our policy forms and ratings methodology provide us with significant flexibility to manage coverage options and pricing. During 2018, we experienced average monthly premium retention rates above 90% for our Residential Earthquake, Residential Flood and Hawaii Hurricane lines and 84% overall across all lines of business, providing strong visibility into future revenue.

Analytically driven, disciplined and scalable underwriting. Our underwriting approach combines decades of specialty property underwriting experience of our management team with sophisticated, customized modeling tools we have developed that utilize extensive geospatial and actuarial data across all of our lines of business. Our proprietary models enable automated pricing of risks at the geocode or ZIP code level, in contrast to our competitors who we believe use less granular analytics and more manual underwriting processes. For example, we believe that our Commercial All Risk product has the only filing in the admitted market that produces location-level wind pricing, enabling us to price wind risk more accurately than competitors who establish wind pricing at the county or zonal level. Our analytical pricing framework is embedded in all facets of our business and is incorporated into our filings, pricing, underwriting and risk management. We believe that our analytically-driven underwriting approach has been the foundation of our ability to generate attractive risk-adjusted underwriting margins.

Multi-channel distribution model. Our open architecture distribution framework allows us to attract and underwrite business from multiple channels. We work with a wide variety of retail agents, program administrators, and wholesale brokers. We serve over 20 insurance companies as a specialty property partner either by issuing companion policies or providing reinsurance for their in-force risks that fit our strict underwriting parameters. The breadth and flexibility of our distribution model allows us to generate premium from many different parts of the insurance ecosystem and to rapidly take advantage of changing market conditions.

Sophisticated and conservative risk transfer program. We manage our exposure to catastrophe events through several risk mitigation strategies, including the purchase of reinsurance. We believe that our reinsurance program provides appropriate levels of protection and superior visibility into our earnings. We believe our current reinsurance program provides coverage well in excess of our theoretical losses from any recorded historical event. We regularly model our hypothetical losses from historically significant catastrophes, including the 1906 San Francisco and 1994 Northridge earthquakes. Under our current reinsurance program, should an event equivalent to either of these two events recur, our hypothetical net loss would be capped at our current net retention of $5 million, equivalent to 5.2% of our total shareholder's equity as of December 31, 2018, inclusive of any amounts retained through our Bermuda reinsurance subsidiary. While we only select reinsurers whom we believe to have acceptable credit and a minimum A.M. Best rating of "A–", if our reinsurers are unable to pay the claims for which they are responsible, we ultimately retain primary liability to our policyholders. In addition, at each reinsurance treaty renewal, we consider any plans to change the underlying insurance coverage we offer, our current capital, our risk appetite, and the cost and availability of reinsurance coverage, which may vary from time to time. In addition to the magnitude of coverage, we believe our reinsurance program provides us with significant protection and stability during potential periods of market volatility due to our use of staggered, multi-year contracts, and features such as prepaid reinstatements and expanded coverage windows for catastrophe events and our diverse panel of more than 80 highly-rated reinsurers and capital markets investors. Given that our reinsurance purchases are driven primarily by our peak zone earthquake exposure, as we scale and diversify our book of business into uncorrelated geographies and perils, we have been able to secure multi-peril coverage that reduces the cost of reinsurance per dollar of risk.

Emphasis on the use of technology and analytics across our business. As a recently formed insurance company, we have built a proprietary operating platform that employs best practices derived from our management team's extensive prior experience. Our technology platform is not burdened by outdated legacy technology and process which may be utilized by older insurance companies. In building our platform, we have emphasized automated processes that use granular data and analytics consistently across all aspects of our business. Our internally developed Palomar Automated Submission System ("PASS") acts as our interface with retail agents and wholesale brokers. PASS serves as the conduit to our policy administration system that integrates policy issuance, underwriting, billing and portfolio analytics. Our platform enables us to rapidly quote and bind policies via automated processing, and also to run detailed risk-management analytics for internal and external constituents including distribution partners, carrier partners and reinsurers. We believe that this real-time access to data and analytics provides us with an advantage in distributing our products, managing our risk, and purchasing reinsurance.

Entrepreneurial and highly experienced management team and board. Our management team is highly qualified, with an average of more than twenty years' of relevant experience in insurance, reinsurance and capital markets. We are led by our Chief Executive Officer, Mac Armstrong, who prior to founding Palomar was President of Arrowhead General Insurance Agency, a wholly owned subsidiary of Brown & Brown Insurance, Inc. ("Arrowhead"), a leading program administrator in the property and casualty insurance industry. Many of our management team members, including Mac Armstrong, Heath Fisher, our President and Co-Founder, and Christopher Uchida, our Chief Financial Officer and Corporate Secretary, have a long history of working together. For example, while at Arrowhead, Mac Armstrong worked closely with Christopher Uchida, who served as Executive Vice President and Chief Accounting Officer. As owners of approximately % of our outstanding common stock following the completion of this offering, we believe our management team has closely aligned interests with our stockholders. Additionally, our Board of Directors is comprised of accomplished industry veterans who bring decades of experience from their prior roles working in insurance and financial services companies.

Our Strategy

We believe that our approach to our business will allow us to achieve our goals of both growing our business and generating attractive returns. Our strategy involves:

Expand our presence in existing markets. We compete in lines of business and states that represented over $20 billion in total written premiums during 2017. By comparison, we generated $154.9 million of gross written premiums for the year ended December 31, 2018. We believe that our differentiated product offerings will enable us to continue growing in our existing markets by (i) gaining market share from competitors who have less flexible product offerings; (ii) continuing to expand our strong distribution network; and (iii) increasing the total addressable market by providing attractive products to customers who previously elected not to purchase coverage.

Extend our geographic reach and product portfolio. We are currently licensed in 25 states that represented over $20 billion in total written premiums during 2017. We have applied for certificates of authority in four additional states that we believe would increase our addressable market by over 50% within our existing product lines alone. In addition, we continue to evaluate additional lines of business that will harness our core competencies and where we believe we can generate attractive risk-adjusted returns. Our research and development efforts are exemplified through the initial growth of our Commercial All Risk and Flood products.

Maintain our distinctive combination of industry leading profitability and growth. Our analytically informed risk selection and disciplined underwriting guidelines enable us to identify segments of the market that are both underserved and mispriced. As a result, we are able to generate an attractive

underwriting profit through expanding the addressable market and winning market share with our distinctive products. For the year ended December 31, 2018, our return on equity was 20.9%. Additionally, we will look to achieve industry leading combined ratios to ensure we are achieving attractive risk-adjusted returns. As we seek premium growth, we intend to remain disciplined in our pricing, underwriting, and risk management processes, including closely managing our net PML, average annual loss ("AAL") and spread of risk. We will remain focused on lines of business with attractive pricing dynamics and a favorable risk / return profile, and we will not participate in markets that we believe are commoditized or where our business model cannot add incremental value.

Maintain a diversified book of business. We currently write a book of specialty property insurance that is diversified by underlying loss exposure, customer type and geography. Our major product lines and exposures are uncorrelated, such that events contributing to a loss in one line of business are unlikely to generate material losses in our other lines of business. The diversification of our book of business improves our risk-adjusted returns, reduces our reinsurance cost per dollar of premium, insulates us from swings in any single insurance or reinsurance market, and allows us to capitalize on market shifts opportunistically. As we grow, we intend to maintain a diversified book of business to continue to capitalize on these advantages.

Leverage our underwriting, analytics, and risk transfer acumen to generate fee income. We generate fee income in multiple ways including: underwriting on behalf of other insurance companies, fronting arrangements, and quota share reinsurance. Our multi-channel distribution model produces attractive business in excess of what we can prudently hold on our own balance sheet. As a result, we have an increasing number of partnerships where we write policies on behalf of other insurance and reinsurance companies who pay us a ceding commission to access the business. We believe these partnerships are an important validation of the intellectual property and expertise we have developed. We also act as a fronting carrier in certain lines of business where we cede substantially all of the risk and earn a fee for providing access to our A.M. Best rated balance sheet and admitted products. We believe this strategy enables us to scale our business more quickly and profitably and provides a growing and valuable fee stream to complement our profitable underwriting operations.

Continue to purchase conservative reinsurance coverage, while optimizing for risk-adjusted returns. We believe that protecting our earnings and balance sheet through the use of reinsurance is critical to our business to help ensure that we are able to meet obligations to our policyholders and other constituents, and to generate strong returns for our stockholders. We plan to maintain a conservative, robust reinsurance program to help ensure that we are adequately protected against potential catastrophe losses. Our goal is to protect our earnings, and we constructed our current reinsurance program to mitigate losses and ensure profitability in a severe catastrophe. As we grow, we expect that we will benefit from increased scale and diversification of risk in our business, and we plan to optimize our reinsurance program continuously by adjusting terms, structure, pricing, and participants in an effort to maximize our risk-adjusted returns.

Strengthen and harness our strong and growing capital base. The markets we currently serve are capital intensive, and as a recently established entrant, we compete with larger, more longstanding insurers. Nevertheless, we were awarded an "A–" (Excellent) (Outlook Stable) rating from A.M. Best at our formation, which we believe has been a source of competitive differentiation in certain markets where we operate. As we continue to demonstrate profitable underwriting operations and generate additional equity, we believe we will have access to more distribution sources that are typically reluctant to refer business to startup insurance companies. Notably, we believe that surpassing five years of underwriting operations and exceeding $100 million in total shareholder's equity are both important thresholds for potential distribution partners, and meeting these thresholds may enable us to generate business through those partners.

Continue to invest in proprietary technology assets that deepen our competitive advantage. We believe that the success of our business is centered upon our relentless commitment to apply technology to improve our business. For example, we have dedicated software developers focused on building application programming interfaces ("APIs"), which enable seamless integration into the point of sale systems of our partner carriers and distribution partners. This integration increases the ease of use for our partners, embeds us within their systems, and facilitates real-time sharing of information between our distribution, underwriting, and risk management functions. We will continue to evaluate and invest in proprietary and third-party technology assets, which deepen our competitive advantage, strengthen our operations and improve our returns.

Summary Risk Factors

Our business is subject to numerous risks and uncertainties, including those in the section entitled "Risk Factors" and elsewhere in this prospectus. These risks include, but are not limited to, the following:

- Claims arising from unpredictable and severe catastrophe events could reduce our earnings and shareholder's equity and limit our ability to underwrite new insurance policies;
- The inability to purchase third-party reinsurance or otherwise expand our catastrophe coverage in amounts we desire on commercially acceptable terms or on terms that adequately protect us;
- Our risk management and loss limitation methods, including estimates and models, may fail to adequately manage our exposure to losses from catastrophe events and our losses could be material higher than our expectations;
- A decline in our financial strength rating may adversely affect the amount of business we write;
- In the event that the reinsurance we purchase is inadequate or a reinsurer is unable or unwilling to make timely payments, our operating results would be adversely impacted;
- Our business is concentrated in California and Texas and we are exposed more significantly to California and Texas loss activity and regulatory environments;
- The potential loss of one or more key executives or an inability to attract and retain qualified personnel could adversely affect our results of operations;
- We rely on a select group of brokers and program administrators to manage the distribution of a significant portion of our Residential Earthquake, Commercial Earthquake, Specialty Homeowners and Hawaii Hurricane products. Two program administrators with which we have long-standing relationships represented approximately 67.7% of our gross written premiums in 2018, and such relationships may not continue;
- Unexpected changes in the interpretation of our coverage or provisions, including loss limitations and exclusions, in our policies could have a material adverse effect on our financial condition or results of operations;
- There is intense competition for business in our industry;
- The failure of our information technology and telecommunications systems could adversely affect our business;
- Any failure to protect our intellectual property rights could impair our ability to protect our intellectual property, proprietary technology platform and brand, or we may be sued by third parties for alleged infringement of their proprietary rights;

- The ability for Genstar Capital to exert significant influence over us and our corporate decisions through its controlling ownership interest, including by virtue of the two directors who have relationships with Genstar Capital; and

- The inability to freely operate our business due to the restrictions included in our debt agreements for our $20.0 million of outstanding Floating Rate Senior Secured Notes.

Our Sponsor and Controlled Company Status

We are majority owned by Genstar Capital. Genstar Capital is a leading private equity investment firm headquartered in San Francisco, California. Founded in 1988, Genstar has raised $9.7 billion in capital and has demonstrated a track record of building successful middle market companies in targeted sectors.

Following this offering, Genstar Capital will control approximately % of our common stock (or % if the underwriters exercise their over-allotment option). As a result, Genstar Capital will control any action requiring the general approval of our stockholders, including the election of our board of directors (which will control our management and affairs), the adoption of amendments to our certificate of incorporation and bylaws and the approval of any merger or sale of substantially all of our assets. Because Genstar Capital will control more than 50% of the voting power of our common stock, we will be considered a "controlled company" under the Nasdaq Marketplace Rules. As such, we are permitted, and have elected, to opt out of compliance with certain corporate governance requirements. Accordingly, stockholders will not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq Marketplace Rules. See "Risk Factors—We are a "controlled company" within the meaning of the Nasdaq Marketplace Rules. As a result, we qualify for, and intend to continue to rely on, exemptions from corporate governance requirements that provide protection to stockholders of other companies."

History

We are an insurance holding company that was originally incorporated under the laws of the Cayman Islands in October 2013. In March 2019, we (i) implemented a domestication pursuant to Section 388 of the Delaware General Corporation Law and Section 206 of the Companies Law (2018 Revision), as amended, of the Cayman Islands pursuant to which we became a Delaware corporation and no longer subject to the laws of the Cayman Islands, (ii) effected a 17,000,000 for one forward stock split and (iii) caused our then-sole shareholder, GC Palomar Investor LP, to distribute all of the post-split shares of our common stock to its various partners and other interest holders, including to Genstar Capital and its affiliates. We collectively refer to these transactions as the "domestication transactions." In March 2019, we made a one-time cash distribution totaling approximately $5.1 million to certain of our stockholders in order to allow such stockholders to satisfy tax obligations incurred as a result of the domestication transactions.

Implications of Being an Emerging Growth Company

The Jumpstart Our Business Startups Act ("the JOBS Act") was enacted in April 2012 with the intention of encouraging capital formation in the United States and reducing the regulatory burden on newly public companies that qualify as "emerging growth companies". We are an emerging growth company within the meaning of the JOBS Act. As an emerging growth company, we may take advantage of exemptions from various public reporting requirements, including (i) the requirement that our internal control over financial reporting be audited by our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, (ii) requirements related to compliance with new or revised accounting standards, (iii) requirements related to the disclosure of executive compensation in this prospectus and in our periodic reports and proxy statements, (iv) the

requirement that we hold a nonbinding advisory vote on executive compensation and any golden parachute payments, (v) if adopted by the Public Company Accounting Oversight Board (United States), mandatory audit firm rotation requirements and (vi) requirements to supplement the auditor's report with additional information about the audit and our financial statements. We may choose to take advantage of some, but not all, of these reduced burdens. We may take advantage of these exemptions until we are no longer an emerging growth company.

We will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year in which we have $1.07 billion or more in annual revenue; (ii) the date we qualify as a "large accelerated filer" with at least $700 million of equity securities held by non-affiliates; (iii) the date on which we have issued, in any three-year period, more than $1.0 billion in non-convertible debt securities; or (iv) the last day of the fiscal year ending after the fifth anniversary of our initial public offering.

For risks related to our status as an emerging growth company, see the disclosure elsewhere in this prospectus under the caption "Risk Factors" below.

Corporate Information

We launched our principal operations in 2014.

We were originally incorporated under the laws of the Cayman Islands in October 2013 and domesticated as a Delaware corporation on March 14, 2019. In connection with the domestication transactions, we issued 17,000,000 shares of common stock in exchange for the one common share held by our then-sole shareholder, GC Palomar Investor LP, who distributed the shares of common stock proportionally to its members, including to Genstar Capital and its affiliates.

Our principal executive offices are located at 7979 Ivanhoe Avenue, Suite 500, La Jolla, California, 92037, and our telephone number is (619) 567-5290. Our website address is www.PalomarSpecialty.com. The information on or that can be accessed through our website is not incorporated by reference into this prospectus, and you should not consider any such information as part of this prospectus or in deciding whether to purchase our common stock.

The Offering

Common Stock Offered	shares
Common Stock Outstanding After this Offering	shares
Underwriters' Option to Purchase Additional Shares of Common Stock	shares

Use of Proceeds

We estimate that the net proceeds to us from the sale of shares of our common stock in this offering will be approximately $ million based upon the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and thereby enable access to the public equity markets for us and our stockholders. We intend to use the net proceeds to us from this offering to make contributions to the capital of Palomar Specialty Insurance Company, one of our insurance subsidiaries, in order to grow our business and for other general corporate purposes. We presently intend to contribute approximately $25.0 million to $40.0 million to Palomar Specialty Insurance Company. We do not intend to contribute capital to any of our other subsidiaries. In addition, we intend to use $20.5 million to repay our outstanding Floating Rate Senior Secured Notes. See "Use of Proceeds" for a more complete description of the intended use of proceeds from this offering.

Dividend Policy

We currently do not intend to declare or pay any cash dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our Board of Directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions, legal, tax and regulatory limitations, contractual restrictions and other factors that our board of directors considers relevant. See "Dividend Policy" for further information.

Voting Rights

Shares of common stock are entitled to one vote per share. See "Description of Capital Stock". Assuming no exercise of the underwriters' option to purchase additional shares, following this offering, outstanding shares of common stock held by our executive officers, directors and holders of more than 5% of our capital stock will represent approximately % of the voting power of our outstanding capital stock.

Controlled Company	Immediately following completion of this offering, Genstar Capital will control approximately % of the total voting power of our outstanding common stock. As a result, Genstar Capital will be able to control the outcome of all matters submitted to a vote of our stockholders, including, for example, the election of directors, amendments to our certificate of incorporation and mergers or other business combinations. See "Description of Capital Stock". In addition, we currently intend to avail ourselves of the controlled company exemption under the Nasdaq Marketplace Rules, and so you will not have the same protections afforded to stockholders of companies that are subject to such requirements.
Listing	We have applied to list our common stock on the Nasdaq under the symbol "PLMR".
Risk Factors	You should read the section entitled "Risk Factors" beginning on page 16 and the other information included in this prospectus for a discussion of some of the risks and uncertainties you should carefully consider before deciding to invest in our common stock.

The total number of shares of our common stock that will be outstanding after this offering, and after giving effect to the domestication transactions, includes 17,000,000 shares, and excludes, as of December 31, 2018:

- 2,400,000 shares of common stock reserved for issuance under our 2019 Equity Incentive Plan and 240,000 shares of common stock under our 2019 Employee Stock Purchase Plan.

Except as otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their right to purchase up to an additional shares of common stock from us to cover the underwriters' over-allotment option.

Summary Consolidated Financial and Other Data

The following tables present our summary consolidated financial and other data as of and for the periods indicated.

The summary consolidated statements of operations data for the fiscal years ended December 31, 2018, 2017 and 2016, and the summary consolidated balance sheet data as of December 31, 2018, 2017 and 2016 are derived from our annual consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that should be expected in any future period.

You should read this data together with our audited consolidated financial statements and related notes, as well as the information under the captions "Selected Consolidated Financial and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this prospectus. Our historical results are not necessarily indicative of our future results, and results for any interim period below are not necessarily indicative of results for the full year.

	Years ended December 31,		
	2018	2017	2016
	($ in thousands)		
Revenue:			
Gross written premiums	$ 154,891	$ 120,234	$ 82,287
Ceded written premiums	(82,949)	(46,951)	(29,636)
Net written premiums	71,942	73,283	52,651
Net earned premiums	69,897	55,545	40,322
Commission and other income	2,405	1,188	260
Total underwriting revenue(1)	72,302	56,733	40,582
Losses and loss adjustment expenses	6,274	12,125	7,292
Acquisition expenses	28,224	25,522	17,340
Other underwriting expenses	17,957	15,146	10,153
Underwriting income(1)	19,847	3,940	5,797
Interest expense	(2,303)	(1,745)	(1,634)
Net investment income	3,238	2,125	1,615
Net realized and unrealized (losses) gains on investments	(2,569)	608	499
Income before income taxes	18,213	4,928	6,277
Income tax (benefit) expense	(6)	1,145	(337)
Net income	**18,219**	**3,783**	**6,614**
Adjustments			
Expenses associated with IPO and tax restructuring	1,110	—	—
Expenses associated with retirement of surplus notes	495	—	—
Adjusted net income(1)	**19,824**	**3,783**	**6,614**
Key Financial and Operating Metrics			
Return on equity	20.9%	5.0%	9.6%
Adjusted return on equity(1)	22.7%	5.0%	9.6%
Loss ratio	9.0%	21.8%	18.1%
Expense ratio	62.6%	71.1%	67.5%
Combined ratio	71.6%	92.9%	85.6%

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-GAAP Financial Measures" for a reconciliation of the non-GAAP financial measures in accordance with GAAP.

Selected Balance Sheet Data	December 31, 2018	2017	2016
		(in thousands)	
Total investments	$ 147,391	$ 125,499	$ 104,821
Cash and cash equivalents	9,525	10,780	9,755
Premium receivable	18,633	15,087	11,242
Deferred policy acquisition costs	14,052	15,161	10,654
Reinsurance recoverable	14,562	14,632	1,543
Prepaid reinsurance premium	18,284	3,175	1,648
Other assets	8,687	4,021	5,469
Total assets	231,134	188,355	145,132
Accounts payable and other accrued liabilities	9,245	6,497	4,259
Reserve for losses and loss adjustment expenses	16,061	17,784	4,778
Unearned premiums	79,130	61,976	42,710
Ceded premium payable	10,607	5,069	1,582
Other liabilities	720	1,528	1,721
Long-term notes payable	19,079	17,087	16,973
Total liabilities	134,842	109,941	72,023
Total shareholder's equity	96,292	78,414	73,109

RISK FACTORS

An investment in our common stock involves a high degree of risk. In deciding whether to invest, you should carefully consider the following risk factors, as well as the financial and other information contained in this prospectus, including our consolidated financial statements and related notes. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations or prospects and cause the value of our stock to decline, which could cause you to lose all or part of your investment. Additional risks and uncertainties of which we are unaware, or that we currently deem immaterial also may become important factors that affect us.

Risks Related to Our Business and Industry

Claims arising from unpredictable and severe catastrophe events, including those caused by global climate change, could reduce our earnings and shareholder's equity and limit our ability to underwrite new insurance policies.

Our insurance operations expose us to claims arising out of unpredictable catastrophe events, such as earthquakes, hurricanes, windstorms, floods and other severe events. Furthermore, the actual occurrence, frequency and magnitude of such events are uncertain. While there can be no certainty surrounding the timing and magnitude of earthquakes, some observers believe that significant shifts in the tectonic plates, including the San Andreas Fault, may occur in the future. Over the past several years, changing weather patterns and climatic conditions, such as global warming, have added to the unpredictability and frequency of natural disasters in certain parts of the world, including the markets in which we operate. Climate change may increase the frequency and severity of extreme weather events. This effect has led to conditions in the ocean and atmosphere, including warmer-than-average sea-surface temperatures and low wind shear that increase hurricane activity. Hurricane activity typically increases between June and November of each year, though the actual occurrence and magnitude of such events is uncertain. The occurrence of a natural disaster or other catastrophe loss could materially adversely affect our business, financial condition, and results of operations. Additionally, any increased frequency and severity of such weather events, including hurricanes, could have a material adverse effect on our ability to predict, quantify, reinsure and manage catastrophe risk and may materially increase our losses resulting from such catastrophe events.

The extent of losses from catastrophes is a function of both the frequency and severity of the insured events and the total amount of insured exposure in the areas affected. The frequency and severity of catastrophes are inherently unpredictable and the occurrence of one catastrophe does not make the occurrence of another catastrophe more or less likely. Increases in the replacement cost and concentrations of insured property, the effects of inflation, and changes in cyclical weather patterns may increase the severity of claims from catastrophe events in the future. Claims from catastrophe events could reduce our earnings and cause substantial volatility in our results of operations for any fiscal quarter or year, which could materially adversely affect our financial condition, possibly to the extent of eliminating our total shareholder's equity. For example, Hurricane Harvey in August 2017 caused our gross losses and loss adjustment expenses to increase 66% from the prior year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our ability to underwrite new insurance policies could also be materially adversely impacted as a result of corresponding reductions in our capital. In addition, a natural disaster could materially impact the financial condition of our policyholders, resulting in loss of premiums.

Effective January 1, 2019, we retain $5 million of risk per earthquake and wind event, inclusive of any amounts retained through our Bermuda reinsurance subsidiary, and our reinsurance program currently provides for coverage up to $850 million for earthquake events, subject to customary exclusions, with coverage in excess of our estimated peak zone 1 in 250 year PML event and in excess of our A.M. Best requirement. While we only select reinsurers whom we believe to have acceptable

credit and a minimum A.M. Best rating of "A–", if our reinsurers are unable to pay the claims for which they are responsible, we ultimately retain primary liability. Furthermore, our earthquake policies do not provide coverage for fire damage arising from an earthquake. In addition, we maintain reinsurance coverage equivalent or better to 1 in 250 year PML for our other lines. While we believe this risk transfer program insulates us from volatility in our earnings, one severe catastrophe event could result in claims that substantially exceed the limits of our reinsurance coverage.

We may be unable to purchase third-party reinsurance or otherwise expand our catastrophe coverage in amounts we desire on commercially acceptable terms or on terms that adequately protect us, and this inability may materially adversely affect our business, financial condition and results of operations.

We purchase a significant amount of reinsurance from third parties that we believe enhances our business by reducing our exposure to potential catastrophe losses and reducing volatility in our underwriting performance, providing us with greater visibility into our future earnings. Reinsurance involves transferring, or ceding, a portion of our risk exposure on policies that we write to another insurer, the reinsurer, in exchange for a premium. We primarily use treaty reinsurance, consisting of catastrophe excess of loss ("XOL") coverage, and, on a limited basis, facultative reinsurance coverage. Treaty coverage refers to a reinsurance contract that is applied to a group or class of business where all the risks written meet the criteria for that class. Facultative coverage refers to a reinsurance contract on individual risks as opposed to a group or class of business.

Our catastrophe XOL treaties are divided into layers, many of which are placed using alternating 24-month contracts. From time to time, market conditions have limited, and in some cases prevented, insurers from obtaining the types and amounts of reinsurance they consider adequate for their business needs. As a result, we may not be able to purchase reinsurance in the areas and for the amounts we desire or on terms we deem acceptable or at all. In addition to limit purchased from traditional reinsurers, we have expanded our catastrophe XOL coverage to incorporate collateralized protection from the insurance linked securities ("ILS") market. In May 2017, we closed a $166 million 144A catastrophe bond offering completed through Torrey Pines Re Ltd., a special purpose insurer in Bermuda, that provides fully collateralized protection over a three-year risk period. We may seek to expand our catastrophe XOL coverage through similar bond offerings in the future but there can be no assurances that we will be able to complete such offerings on acceptable terms, if at all. If we are unable to renew our expiring contracts, enter into new reinsurance arrangements on acceptable terms or expand our catastrophe coverage through future bond offerings or otherwise, our loss exposure could increase, which would increase our potential losses related to catastrophe events. If we are unwilling to bear an increase in loss exposure, we could have to reduce the level of our underwriting commitments, both of which could materially adversely affect our business, financial condition and results of operations.

Many reinsurance companies have begun to exclude certain coverages from, or alter terms in, the reinsurance contracts we enter into with them. As a result, we, like other insurance companies, write insurance policies which to some extent do not have the benefit of reinsurance protection. These gaps in reinsurance protection expose us to greater risk and greater potential losses.

We utilize several risk management and loss limitation methods, including relying on estimates and models. If these methods fail to adequately manage our exposure to losses from catastrophe events, our losses could be materially higher than our expectations, and our business, financial condition, and results of operations could be materially adversely affected.

Our approach to risk management relies on subjective variables that entail significant uncertainties. We manage our exposure to catastrophe losses by analyzing the probability and severity of the occurrence of catastrophe events and the impact of such events on our overall underwriting and investment portfolio. We monitor and mitigate our exposure through a number of methods designed to

minimize risk, including underwriting specialization, modeling and data systems, data quality control, strategic use of policy deductibles and regular review of aggregate exposure and probable maximum loss reports, which report the maximum amount of losses that one would expect based on computer or actuarial modeling techniques. These estimates, models, data and scenarios may not produce accurate predictions; consequently, we could incur losses both in the risks we underwrite and to the value of our investment portfolio.

In addition, output from our risk modeling software is based on third-party data that we believe to be reliable. The estimates and assumptions we use are dependent on many variables, such as loss adjustment expenses, insurance-to-value, storm or earthquake intensity, building code compliance and demand surge, which is the temporary inflation of costs for building materials and labor resulting from increased demand for rebuilding services in the aftermath of a catastrophe. Accordingly, if the estimates and assumptions used in our risk models are incorrect or if our risk models prove to be an inaccurate forecasting tool, the losses we might incur from an actual catastrophe could be materially higher than our expectation of losses generated from modeled catastrophe scenarios, and our business, financial condition, and results of operations could be materially adversely affected. In addition, our third-party data providers may change the estimates or assumptions that we use in our risk models and/or their data may be inaccurate. Changes in these estimates or assumptions or the use of inaccurate third-party data could cause our actual losses to be materially higher than our current expectation of losses generated by modeled catastrophe scenarios, which in turn could materially adversely affect our business, financial condition, and results of operations.

We run many model simulations in order to understand the impact of these assumptions on a catastrophe's loss potential. Furthermore, there are risks associated with catastrophe events, which are either poorly represented or not represented at all by catastrophe models. Each modeling assumption or un-modeled risk introduces uncertainty into probable maximum loss estimates that management must consider. These uncertainties can include, but are not limited to, the following:

- The models do not address all the possible hazard characteristics of a catastrophe peril (e.g., the precise path and wind speed of a hurricane);
- The models may not accurately reflect the true frequency of events;
- The models may not accurately reflect a risk's vulnerability or susceptibility to damage for a given event characteristic;
- The models may not accurately represent loss potential to insurance or reinsurance contract coverage limits, terms and conditions; and
- The models may not accurately reflect the impact on the economy of the area affected or the financial, judicial, political, or regulatory impacts on insurance claim payments during or following a catastrophe event.

As a result of these factors and contingencies, our reliance on assumptions and data used to evaluate our entire risk portfolio and specifically to estimate a probable maximum loss is subject to a high degree of uncertainty that could result in actual losses that are materially different from our probable maximum loss estimates and our financial results could be adversely affected.

A decline in our financial strength rating may adversely affect the amount of business we write.

Participants in the insurance industry use ratings from independent ratings agencies, such as A.M. Best, as an important means of assessing the financial strength and quality of insurers. In setting its ratings, A.M. Best performs quantitative and qualitative analysis of a company's balance sheet strength, operating performance and business profile. A.M. Best financial strength ratings range from "A++" (Superior) to "F" for insurance companies that have been publicly placed in liquidation. As of the date

of this prospectus, A.M. Best has assigned a financial strength rating of "A–" (Excellent) (Outlook Stable) to us. A.M. Best assigns ratings that are intended to provide an independent opinion of an insurance company's ability to meet its obligations to policyholders and such ratings are not evaluations directed to investors and are not a recommendation to buy, sell or hold our common stock or any other securities we may issue. A.M. Best's analysis includes comparisons to peers and industry standards as well as assessments of operating plans, philosophy and management. A.M. Best periodically reviews our financial strength rating and may revise it downward or revoke it at A.M. Best's discretion based primarily on its analyses of our balance sheet strength (including capital adequacy and loss adjustment expense reserve adequacy), operating performance and business profile. Factors that could affect such analyses include, but are not limited to:

- If we change our business practices from our organizational business plan in a manner that no longer supports A.M. Best's rating;
- If unfavorable financial, regulatory or market trends affect us, including excess market capacity;
- If our losses exceed our loss reserves;
- If we have unresolved issues with government regulators;
- If we are unable to retain our senior management or other key personnel;
- If our investment portfolio incurs significant losses; or
- If A.M. Best alters its capital adequacy assessment methodology in a manner that would adversely affect our rating.

These and other factors could result in a downgrade of our financial strength rating. A downgrade or withdrawal of our rating could result in any of the following consequences, among others:

- Causing our current and future distribution partners and insureds to choose other, more highly-rated competitors;
- Increasing the cost or reducing the availability of reinsurance to us; or
- Severely limiting or preventing us from writing new and renewal insurance contracts.

In addition, in view of the earnings and capital pressures experienced by many financial institutions, including insurance companies, it is possible that rating organizations will heighten the level of scrutiny that they apply to such institutions, will increase the frequency and scope of their credit reviews, will request additional information from the companies that they rate or will increase the capital and other requirements employed in the rating organizations' models for maintenance of certain ratings levels. We can offer no assurance that our rating will remain at its current level. It is possible that such reviews of us may result in adverse ratings consequences, which could have a material adverse effect on our financial condition and results of operations.

Our reinsurers may not pay claims on a timely basis, or at all, which may materially adversely affect our business, financial condition and results of operations.

Although reinsurance makes the reinsurer liable to us to the extent the risk is transferred or ceded to the reinsurer, it does not relieve us (the ceding insurer) of our primary liability to our policyholders. Our current reinsurance program is designed to limit our risk retention to $5 million of risk per earthquake and wind event, inclusive of any amounts retained through our Bermuda reinsurance subsidiary, and provide coverage up to $850 million for earthquake events, subject to customary exclusions. However, particularly in the event of a major catastrophe our reinsurers may not pay claims made by us on a timely basis, or they may not pay some or all of these claims. For example, reinsurers may default in their financial obligations to us as the result of insolvency, lack of liquidity, operational

failure, fraud, asserted defenses based on agreement wordings or the principle of utmost good faith, asserted deficiencies in the documentation of agreements or other reasons. Any disputes with reinsurers regarding coverage under reinsurance contracts could be time consuming, costly, and uncertain of success. We evaluate each reinsurance claim based on the facts of the case, historical experience with the reinsurer on similar claims and existing case law and consider including any amounts deemed uncollectible from the reinsurer in a reserve for uncollectible reinsurance. As of December 31, 2018, we had $14.6 million of aggregate reinsurance recoverables. These risks could cause us to incur increased net losses, and, therefore, adversely affect our financial condition.

Our business is concentrated in California and Texas and, as a result, we are exposed more significantly to California and Texas loss activity and regulatory environments.

Our policyholders and insurance risks are currently concentrated in California and Texas, which generated 53.0% and 21.0% of our gross written premiums, respectively, for the year ended December 31, 2018. Any single, major catastrophe event, series of events or other condition causing significant losses in California or Texas could materially adversely affect our business, financial condition and results of operations. Additionally, unfavorable business, economic or regulatory conditions in these states may result in a significant reduction of our premiums or increase our loss exposure. We are exposed to business, economic, political and regulatory risks due to this concentration that are greater than the risks faced by insurance companies that conduct business over a more extensive geographic area.

Changes in California or Texas political climates could result in new or changed legislation affecting the property and casualty insurance industry in general and insurers writing residential earthquake and wind coverage in particular.

We could be adversely affected by the loss of one or more key executives or by an inability to attract and retain qualified personnel.

We depend on our ability to attract and retain experienced personnel and seasoned key executives who are knowledgeable about our business. The pool of talent from which we actively recruit is limited and may fluctuate based on market dynamics specific to our industry and independent of overall economic conditions. As such, higher demand for employees having the desired skills and expertise could lead to increased compensation expectations for existing and prospective personnel, making it difficult for us to retain and recruit key personnel and maintain labor costs at desired levels. In particular, our future success is substantially dependent on the continued service of our co-founder, chairman and Chief Executive Officer, Mac Armstrong, and our Chief Financial Officer, Christopher Uchida. Should any of our key executives terminate their employment with us, or if we are unable to retain and attract talented personnel, we may be unable to maintain our current competitive position in the specialized markets in which we operate, which could adversely affect our results of operations.

We rely on a select group of brokers and program administrators, and such relationships may not continue.

The distribution networks of our products are multi-faceted and distinct to each line of business. Our relationship with our brokers or program administrators may be discontinued at any time. Even if the relationships do continue, they may not be on terms that are profitable for us. We distribute a significant portion of our Residential Earthquake, Commercial Earthquake, Specialty Homeowners and Hawaii Hurricane products through longstanding relationships with two program administrators. Each of the four products managed by the program administrators operates as a separate program that is governed by an independent, separately negotiated agreement with unique terms and conditions, including geographic scope, key men provisions, economics and exclusivity. These programs also feature separate managerial oversight and leadership, policy administration systems and retail agents originating policies. In total, these four programs accounted for $104.9 million or 67.7% of our gross written

premiums for the year ended December 31, 2018. This amount includes our Value Select Residential Earthquake program, which represents the majority of our Residential Earthquake premium and is administered through a mutually exclusive program administrator agreement with Arrowhead for the states of California, Oregon and Washington. The termination of a relationship with one or more significant brokers or program administrators could result in lower gross written premiums and could have a material adverse effect on our results of operations or business prospects.

Unexpected changes in the interpretation of our coverage or provisions, including loss limitations and exclusions, in our policies could have a material adverse effect on our financial condition and results of operations.

There can be no assurances that specifically negotiated loss limitations or exclusions in our policies will be enforceable in the manner we intend. As industry practices and legal, judicial, social, and other conditions change, unexpected and unintended issues related to claims and coverage may emerge. For example, many of our policies limit the period during which a policyholder may bring a claim, which may be shorter than the statutory period under which such claims can be brought against our policyholders. While these limitations and exclusions help us assess and mitigate our loss exposure, it is possible that a court or regulatory authority could nullify or void a limitation or exclusion or legislation could be enacted modifying or barring the use of such limitations or exclusions. These types of governmental actions could result in higher than anticipated losses and loss adjustment expenses, which could have a material adverse effect on our financial condition or results of operations. In addition, court decisions, such as the 1995 Montrose decision in California could read policy exclusions narrowly so as to expand coverage, thereby requiring insurers to create and write new exclusions.

These issues may adversely affect our business by either broadening coverage beyond our underwriting intent or by increasing the frequency or severity of claims. In some instances, these changes may not become apparent until sometime after we have issued insurance contracts that are affected by the changes. As a result, the full extent of liability under our insurance contracts may not be known for many years after a contract is issued.

Competition for business in our industry is intense.

We face competition from other specialty insurance companies, standard insurance companies and underwriting agencies that are larger than we are and that have greater financial, marketing, and other resources than we do. Some of these competitors also have longer operating history and more market recognition than we do in certain lines of business. In addition, we compete against state or other publicly managed enterprises including the California Earthquake Authority ("CEA"), the National Flood Insurance Program and the Texas Wind Insurance Association. If the CEA decided to provide coverage to non-CEA member carriers or lessened the capital requirements for membership, we would face additional competition in our markets, and our operating results could be adversely affected. Furthermore, it may be difficult or prohibitively expensive for us to implement technology systems and processes that are competitive with the systems and processes of these larger companies.

In particular, competition in the insurance industry is based on many factors, including price of coverage, the general reputation and perceived financial strength of the company, relationships with brokers, terms and conditions of products offered, ratings assigned by independent rating agencies, speed of claims payment and reputation, and the experience and reputation of the members of our underwriting team in the particular lines of insurance and reinsurance we seek to underwrite. In recent years, the insurance industry has undergone increasing consolidation, which may further increase competition.

A number of new, proposed or potential industry or legislative developments could further increase competition in our industry. These developments include:

- An increase in capital-raising by companies in our lines of business, which could result in new entrants to our markets and an excess of capital in the industry; and

- The deregulation of commercial insurance lines in certain states and the possibility of federal regulatory reform of the insurance industry, which could increase competition from standard carriers.

We may not be able to continue to compete successfully in the insurance markets. Increased competition in these markets could result in a change in the supply and demand for insurance, affect our ability to price our products at risk-adequate rates and retain existing business, or underwrite new business on favorable terms. If this increased competition so limits our ability to transact business, our operating results could be adversely affected.

The failure of our information technology and telecommunications systems could adversely affect our business.

Our business is highly dependent upon our information technology and telecommunications systems, including our underwriting system. We rely on these systems to interact with brokers and insureds, to underwrite business, to prepare policies and process premiums, to perform actuarial and other modeling functions, to process claims and make claims payments, and to prepare internal and external financial statements and information. Some of these systems may include or rely on third-party systems not located on our premises or under our control. Events such as natural catastrophes, terrorist attacks, industrial accidents or computer viruses may cause our systems to fail or be inaccessible for extended periods of time. While we have implemented business contingency plans and other reasonable plans to protect our systems, sustained or repeated system failures or service denials could severely limit our ability to write and process new and renewal business, provide customer service, pay claims in a timely manner or otherwise operate in the ordinary course of business.

Our operations depend on the reliable and secure processing, storage, and transmission of confidential and other data and information in our computer systems and networks. Computer viruses, hackers, employee misconduct, and other external hazards could expose our systems to security breaches, cyber-attacks or other disruptions. In addition, we routinely transmit and receive personal, confidential and proprietary data and information by electronic means and are subject to numerous data privacy laws and regulations enacted in the jurisdictions in which we do business.

While we have implemented security measures designed to protect against breaches of security and other interference with our systems and networks, our systems and networks may be subject to breaches or interference. Any such event may result in operational disruptions as well as unauthorized access to or the disclosure or loss of our proprietary information or our customers' data and information, which in turn may result in legal claims, regulatory scrutiny and liability, reputational damage, the incurrence of costs to eliminate or mitigate further exposure, the loss of customers or affiliated advisors, reputational harm or other damage to our business. In addition, the trend toward general public notification of such incidents could exacerbate the harm to our business, financial condition and results of operations. Even if we successfully protect our technology infrastructure and the confidentiality of sensitive data, we could suffer harm to our business and reputation if attempted security breaches are publicized. We cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit vulnerabilities in our systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology or other security measures protecting the networks and systems used in connection with our business.

Any failure to protect our intellectual property rights could impair our ability to protect our intellectual property, proprietary technology platform and brand, or we may be sued by third parties for alleged infringement of their proprietary rights.

Our success and ability to compete depend in part on our intellectual property, which includes our rights in our proprietary technology platform and our brand. We primarily rely on copyright, trade secret and trademark laws, and confidentiality agreements with our employees, customers, service providers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property may be inadequate. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Additionally, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability and scope of our intellectual property rights. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand and adversely impact our business.

Our success depends also in part on our not infringing on the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry. In the future, third parties may claim that we are infringing on their intellectual property rights, and we may be found to be infringing on such rights. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our services, or require that we comply with other unfavorable terms. Even if we were to prevail in such a dispute, any litigation could be costly and time-consuming and divert the attention of our management and key personnel from our business operations.

Because we provide our program administrators with specific quoting and binding authority, if any of them fail to comply with pre-established guidelines, our results of operations could be adversely affected.

We market and distribute certain of our insurance products through program administrators that have limited quoting and binding authority and that in turn sell our insurance products to insureds through retail agents and wholesale brokers. These program administrators can bind certain risks without our initial approval. If any of these program administrators fail to comply with our underwriting guidelines and the terms of their appointments, we could be bound on a particular risk or number of risks that were not anticipated when we developed the insurance products or estimated losses and loss adjustment expenses. Such actions could adversely affect our results of operations.

Because our business depends on insurance brokers and program administrators, we are exposed to certain risks arising out of our reliance on these distribution channels that could adversely affect our results.

Certain premiums from policyholders, where the business is produced by brokers, are collected directly by the brokers and forwarded to our U.S. insurance subsidiary. In certain jurisdictions, when the insured pays its policy premium to its broker for payment on behalf of our U.S. insurance subsidiary, the premium might be considered to have been paid under applicable insurance laws and regulations. Accordingly, the insured would no longer be liable to us for those amounts, whether or not we have actually received the premium from that broker. Consequently, we assume a degree of credit risk associated with the brokers with which we work. We review the financial condition of potential new brokers before we agree to transact business with them. Although the failure by any of our brokers to remit premiums to us has not been material to date, there may be instances where our brokers collect premiums but do not remit them to us and we may be required under applicable law to provide the coverage set forth in the policy despite the related premiums not being paid to us.

Because the possibility of these events occurring depends in large part upon the financial condition and internal operations of our brokers, we monitor broker behavior and review financial information on an as-needed basis. If we are unable to collect premiums from our brokers in the future, our underwriting profits may decline and our financial condition and results of operations could be materially and adversely affected.

Our failure to accurately and timely pay claims could materially and adversely affect our business, financial condition, results of operations, and prospects.

We must accurately and timely evaluate and pay claims that are made under our policies. Many factors affect our ability to pay claims accurately and timely, including the training and experience of our claims representatives, including our third party claims administrators ("TPAs"), the effectiveness of our management, and our ability to develop or select and implement appropriate procedures and systems to support our claims functions and other factors. Our failure to pay claims accurately and timely could lead to regulatory and administrative actions or material litigation, undermine our reputation in the marketplace and materially and adversely affect our business, financial condition, results of operations, and prospects.

In addition, if we do not manage our TPAs effectively, or if our TPAs are unable to effectively handle our volume of claims, our ability to handle an increasing workload could be adversely affected. In addition to potentially requiring that growth be slowed in the affected markets, our business could suffer from decreased quality of claims work which, in turn, could adversely affect our operating margins.

We employ third-party licensed software for use in our business, and the inability to maintain these licenses, errors in the software we license or the terms of open source licenses could result in increased costs or reduced service levels, which would adversely affect our business.

Our business relies on certain third-party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third-party software in the future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, this may not always be the case, or it may be difficult or costly to replace. In addition, integration of new third-party software may require significant work and require substantial investment of our time and resources. Our use of additional or alternative third-party software would require us to enter into license agreements with third parties, which may not be available on commercially reasonable terms or at all. Many of the risks associated with the use of third-party software cannot be eliminated, and these risks could negatively affect our business.

Additionally, the software powering our technology systems incorporates software covered by open source licenses. The terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that the licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to operate our systems. In the event that portions of our proprietary software are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code or re-engineer all or a portion of our technology systems, each of which could reduce or eliminate the value of our technology systems. Such risk could be difficult or impossible to eliminate and could adversely affect our business, financial condition, and results of operations.

Adverse economic factors, including recession, inflation, periods of high unemployment or lower economic activity could result in the sale of fewer policies than expected or an increase in the frequency of claims and premium defaults, and even the falsification of claims, or a combination of these effects, which, in turn, could affect our growth and profitability.

Factors, such as business revenue, economic conditions, the volatility and strength of the capital markets, and inflation can affect the business and economic environment. These same factors affect our ability to generate revenue and profits. In an economic downturn that is characterized by higher unemployment, declining spending, and reduced corporate revenue, the demand for insurance products is generally adversely affected, which directly affects our premium levels and profitability. Negative economic factors may also affect our ability to receive the appropriate rate for the risk we insure with our policyholders and may adversely affect the number of policies we can write, and our opportunities to underwrite profitable business. In an economic downturn, our customers may have less need for insurance coverage, cancel existing insurance policies, modify their coverage or not renew the policies they hold with us. Existing policyholders may exaggerate or even falsify claims to obtain higher claims payments. These outcomes would reduce our underwriting profit to the extent these factors are not reflected in the rates we charge.

We underwrite a significant portion of our insurance in California and Texas. Any economic downturn in either state could have an adverse effect on our financial condition and results of operations.

Performance of our investment portfolio is subject to a variety of investment risks that may adversely affect our financial results.

Our results of operations depend, in part, on the performance of our investment portfolio. We seek to hold a diversified portfolio of investments that is managed by a professional investment advisory management firm in accordance with our investment policy and routinely reviewed by our Investment Committee. Our investments are subject to general economic conditions and market risks as well as risks inherent to particular securities.

Our primary market risk exposures relate to changes in interest rates and equity prices. Future increases in interest rates could cause the values of our fixed maturity securities portfolios to decline, with the magnitude of the decline depending on the duration of securities included in our portfolio and the amount by which interest rates increase. Some fixed maturity securities have call or prepayment options, which create possible reinvestment risk in declining rate environments. Other fixed maturity securities, such as mortgage-backed and asset-backed securities, carry prepayment risk or, in a rising interest rate environment, may not prepay as quickly as expected.

The value of our investment portfolio is subject to the risk that certain investments may default or become impaired due to deterioration in the financial condition of one or more issuers of the securities we hold, or due to deterioration in the financial condition of an insurer that guarantees an issuer's payments on such investments. Downgrades in the credit ratings of fixed maturities also have a significant negative effect on the market valuation of such securities.

Such factors could reduce our net investment income and result in realized investment losses. Our investment portfolio is subject to increased valuation uncertainties when investment markets are illiquid. The valuation of investments is more subjective when markets are illiquid, thereby increasing the risk that the estimated fair value (i.e., the carrying amount) of the securities we hold in our portfolio does not reflect prices at which actual transactions would occur.

We also invest in marketable equity securities, generally through mutual funds and exchange-traded funds. These securities are carried on the balance sheet at fair market value and are subject to

potential losses and declines in market value. Our equity invested assets totaled $25.2 million as of December 31, 2018.

Risks for all types of securities are managed through the application of our investment policy, which establishes investment parameters that include but are not limited to, maximum percentages of investment in certain types of securities and minimum levels of credit quality, which we believe are within applicable guidelines established by the National Association of Insurance Commissioners ("NAIC"), the Oregon Division of Financial Regulation and the California Department of Insurance.

Although we seek to preserve our capital, we cannot be certain that our investment objectives will be achieved, and results may vary substantially over time. In addition, although we seek to employ investment strategies that are not correlated with our insurance and reinsurance exposures, losses in our investment portfolio may occur at the same time as underwriting losses and, therefore, exacerbate the adverse effect of the losses on us.

We could be forced to sell investments to meet our liquidity requirements.

We invest the premiums we receive from our insureds until they are needed to pay policyholder claims. Consequently, we seek to manage the duration of our investment portfolio based on the duration of our losses and loss adjustment expense reserves to provide sufficient liquidity and avoid having to liquidate investments to fund claims. Risks such as inadequate losses and loss adjustment reserves or unfavorable trends in litigation could potentially result in the need to sell investments to fund these liabilities. We may not be able to sell our investments at favorable prices or at all. Sales could result in significant realized losses depending on the conditions of the general market, interest rates, and credit issues with individual securities.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

In September 2018, we issued $20.0 million aggregate principal amount of Floating Rate Senior Secured Notes due 2028 to several qualified institutional buyers. Our Floating Rate Senior Secured Notes mature on September 6, 2028 and bear interest at a rate, reset quarterly, equal to the three month treasury rate plus 6.50% per annum, payable quarterly. The indenture governing our outstanding notes contains various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and certain of our subsidiaries' ability to, among other things:

- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;
- make certain investments;
- sell or transfer assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- enter into certain transactions with our affiliates.

Under the indenture governing our outstanding notes, we are required to satisfy and maintain specified financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control, and there can be no assurance that we will continue to meet those ratios. A breach of any of these covenants could result in a default under our indenture. Upon the occurrence of an event of default under the indenture governing our outstanding notes, the holders of the notes could elect to declare all amounts outstanding under the indenture to be immediately due and payable. If our cash flows and capital resources are insufficient to fund our debt service obligations or if we are otherwise

unable to repay the notes when due, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations.

We are subject to extensive regulation, which may adversely affect our ability to achieve our business objectives. In addition, if we fail to comply with these regulations, we may be subject to penalties, including fines and suspensions, which may adversely affect our financial condition and results of operations.

Our U.S. insurance company subsidiary, Palomar Specialty Insurance Company, is subject to extensive regulation in Oregon, its state of domicile, California, where it is commercially domiciled, and to a lesser degree, the other states in which it operates. Our Bermuda reinsurance subsidiary, Palomar Specialty Reinsurance Company Bermuda Ltd. ("Palomar Re"), is subject to regulation in Bermuda. Most insurance regulations are designed to protect the interests of insurance policyholders, as opposed to the interests of investors or stockholders. These regulations generally are administered by a department of insurance in each state and relate to, among other things, capital and surplus requirements, investment and underwriting limitations, affiliate transactions, dividend limitations, changes in control, solvency and a variety of other financial and non-financial aspects of our business. Significant changes in these laws and regulations could further limit our discretion or make it more expensive to conduct our business. State insurance regulators and the Bermuda Monetary Authority (the "BMA"), also conduct periodic examinations of the affairs of insurance and reinsurance companies and require the filing of annual and other reports relating to financial condition, holding company issues and other matters. These regulatory requirements may impose timing and expense constraints that could adversely affect our ability to achieve some or all of our business objectives.

Our U.S. insurance subsidiary is part of an "insurance holding company system" within the meaning of applicable California and Oregon statutes and regulations. As a result of such status, certain transactions between our U.S. insurance subsidiary and one or more of their affiliates, such as a tax sharing agreement or cost sharing arrangement, may not be effected unless the insurer has provided notice of that transaction to the California Department of Insurance or the Oregon Division of Financial Regulation, as applicable, at least 30 days prior to engaging in the transaction and the California Department of Insurance or the Oregon Division of Financial Regulation, as applicable, has not disapproved such transaction within the 30-day time period. These prior notification requirements may result in business delays and additional business expenses. If our U.S. insurance subsidiary fails to file a required notification or fail to comply with other applicable insurance regulations in California or Oregon, we may be subject to significant fines and penalties and our working relationship with the California Department of Insurance or the Oregon Division of Financial Regulation, as applicable, may be impaired.

In addition, state insurance regulators have broad discretion to deny or revoke licenses for various reasons, including the violation of regulations. In some instances, where there is uncertainty as to applicability, we follow practices based on our interpretations of regulations or practices that we believe generally to be followed by the industry. These practices may turn out to be different from the interpretations of regulatory authorities. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, state insurance regulators could preclude or temporarily suspend us from carrying on some or all of our activities or could otherwise penalize us. This could adversely affect our ability to operate our business. Further, changes in the level of regulation of the insurance industry or changes in laws or regulations themselves or interpretations by regulatory authorities could interfere with our operations and require us to bear additional costs of compliance, which could adversely affect our ability to operate our business.

Our U.S. insurance subsidiary is subject to risk-based capital requirements, based upon the "risk based capital model" adopted by the NAIC, and other minimum capital and surplus restrictions imposed under Oregon and California law. These requirements establish the minimum amount of risk-based capital necessary for a company to support its overall business operations. It identifies

property and casualty insurers that may be inadequately capitalized by looking at certain inherent risks of each insurer's assets and liabilities and its mix of net written premium. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action, including supervision, rehabilitation or liquidation. Failure to maintain our risk-based capital at the required levels could adversely affect the ability of our U.S. insurance subsidiary to maintain regulatory authority to conduct our business. See also "Regulation—Required Licensing."

Our Bermuda reinsurance subsidiary is subject to regulation from the European Union. The European Union adopted the Economic Substance Act 2018 and the Economic Substance Regulations 2018 (together, the "ES Requirements"). As an insurance company, our Bermuda subsidiary conducts a relevant activity and will be subject to the ES Requirements. As a result, our Bermuda subsidiary may be required to change or increase our business operations in Bermuda in order to meet the new requirements. The timeframe for implementation and compliance with the ES Requirements is challenging, with compliance required with effect from July 1, 2019.

On March 12, 2019, Bermuda was included on a list of non-cooperative tax jurisdictions by the European Commission. The European Commission has proposed, but not implemented, sanctions for jurisdictions on this non-cooperative list such as restrictions on the European Fund for Sustainable Development, the European Fund for Strategic Investment and the External Lending Mandate from channeling funds through entities listed in such jurisdictions. Additionally, European Union Member States may apply sanctions at the national level against the listed jurisdictions. These measures may include increased monitoring and audits, withholding taxes, special documentation requirements and anti-abuse provisions.

We may become subject to additional government or market regulation, which may have a material adverse impact on our business.

Our business could be adversely affected by changes in state laws, including those relating to asset and reserve valuation requirements, surplus requirements, limitations on investments and dividends, enterprise risk and risk-based capital requirements, and, at the federal level, by laws and regulations that may affect certain aspects of the insurance industry, including proposals for preemptive federal regulation. The U.S. federal government generally has not directly regulated the insurance industry except for certain areas of the market, such as insurance for flood, nuclear and terrorism risks. However, the federal government has undertaken initiatives or considered legislation in several areas that may affect the insurance industry, including tort reform, corporate governance and the taxation of reinsurance companies. In addition, the Bermuda reinsurance regulatory framework has become subject to increased scrutiny in many jurisdictions. As a result, the BMA has implemented and imposed additional requirements on the companies it regulates, which requirements could adversely impact the operations of our reinsurance subsidiary.

Changes in tax laws as a result of the enactment of recent tax legislation could impact our operations and profitability.

Legislation commonly known as the Tax Cuts and Jobs Act (the "Tax Act") was signed into law on December 22, 2017. The Tax Act made significant changes to the U.S. federal income tax rules for taxation of individuals and corporations, generally effective for taxable years beginning after December 31, 2017. In the case of individuals, the tax brackets have been adjusted, the top federal income rate has been reduced to 37%, special rules have reduced taxation of certain income earned through pass-through entities and various deductions have been eliminated or limited, including limiting the deduction for state and local taxes to $10,000 per year, decreasing the mortgage interest deduction on new homes to $750,000 and eliminating the home equity line of credit interest deduction for loans that are not considered home acquisition debt.

Changes in these deductions may affect taxpayers in states with high residential home prices and high state and local taxes, such as California, and may also negatively impact the housing market. This in turn may negatively impact our growth in these markets if there is lower demand in the housing market as a consequence of the Tax Act.

If states increase the assessments that Palomar Specialty Insurance Company is required to pay, our business, financial condition and results of operations would suffer.

Certain jurisdictions in which Palomar Specialty Insurance Company is admitted to transact business require property and casualty insurers doing business within that jurisdiction to participate in insurance guaranty associations. These organizations pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. They levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer is engaged. States may also assess admitted companies in order to fund their respective department of insurance operations. Some states permit member insurers to recover assessments paid through full or partial premium tax offset or in limited circumstances by surcharging policyholders.

Palomar Specialty Insurance Company is licensed to conduct insurance operations on an admitted basis in 25 states and has applied for state approval for licenses in four additional states. As Palomar Specialty Insurance Company grows, our share of any assessments in each state in which it underwrites business on an admitted basis may increase. We paid assessments of $9,587 in 2017 and $1.1 million in 2018. We cannot predict with certainty the amount of future assessments, because they depend on factors outside our control, such as insolvencies of other insurance companies. Significant assessments could result in higher than expected operating expenses and have a material adverse effect on our business, financial condition or results of operations. In addition, while some states permit member insurers to recover assessments paid through full or partial premium tax offset or, in limited circumstances, by surcharging policyholders, there is no certainty that offsets or surcharges will be permitted in connection with any future assessments.

Because we are a holding company and substantially all of our operations are conducted by our insurance subsidiaries, our ability to pay dividends and service our debt obligations depends on our ability to obtain cash dividends or other permitted payments from our insurance subsidiaries.

The continued operation and growth of our business will require substantial capital. Accordingly, after the completion of this offering, we do not intend to declare and pay cash dividends on shares of our common stock in the foreseeable future. See "Dividend Policy." Because we are a holding company with no business operations of our own, our ability to pay dividends to stockholders and meet our debt payment obligations largely depends on dividends and other distributions from our insurance subsidiaries, Palomar Specialty Insurance Company and Palomar Re. State insurance laws, including the

laws of Oregon and California, and the laws of Bermuda restrict the ability of Palomar Specialty Insurance Company and Palomar Re, respectively, to declare stockholder dividends. State insurance regulators require insurance companies to maintain specified levels of statutory capital and surplus. The maximum dividend distribution absent the approval or non-disapproval of the insurance regulatory authority in Oregon and California is limited by Oregon law at ORS 732.576 and California law at Cal. Ins. Code 1215.5(g). Dividend payments are further limited to that part of available policyholder surplus that is derived from net profits on our business. State insurance regulators have broad powers to prevent the reduction of statutory surplus to inadequate levels, and there is no assurance that dividends up to the maximum amounts calculated under any applicable formula would be permitted. Moreover, state insurance regulators that have jurisdiction over the payment of dividends by Palomar Specialty Insurance Company may in the future adopt statutory provisions more restrictive than those currently in effect.

Our Bermuda reinsurance subsidiary is highly regulated and is required to comply with various conditions before it is able to pay dividends or make distributions to us. Bermuda law, including the Insurance Act 1978, as amended ("Insurance Act") and the Companies Act 1981, as amended ("Companies Act") impose restrictions on our Bermuda reinsurance subsidiary's ability to pay dividends to us based on solvency margins and surplus and capital requirements. These restrictions, and any other future restrictions adopted by the BMA, could have the effect, under certain circumstances, of significantly reducing dividends or other amounts payable to us by our Bermuda reinsurance subsidiary without affirmative approval of the BMA.

Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon results of operations, financial condition, contractual restrictions pursuant to our debt agreements, our indebtedness, restrictions imposed by applicable law and other factors our Board of Directors deems relevant. Consequently, investors may need to sell all or part of their holdings of our common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking immediate cash dividends should not purchase our common stock.

Our operating results have in the past varied from quarter to quarter and may not be indicative of our long-term prospects.

Our operating results are subject to fluctuation and have historically varied from quarter to quarter. We expect our quarterly results to continue to fluctuate in the future due to a number of factors, including the general economic conditions in the markets where we operate, the frequency of occurrence or severity of catastrophe or other insured events, fluctuating interest rates, claims exceeding our loss reserves, competition in our industry, deviations from expected premium retention rates of our existing policies and contracts, adverse investment performance, and the cost of reinsurance coverage.

In particular, we seek to underwrite products and make investments to achieve favorable returns on tangible shareholder's equity over the long term. In addition, our opportunistic nature and focus on long-term growth in tangible equity may result in fluctuations in gross written premiums from period to period as we concentrate on underwriting contracts that we believe will generate better long-term, rather than short-term, results. Accordingly, our short-term results of operations may not be indicative of our long-term prospects.

We may act based on inaccurate or incomplete information regarding the accounts we underwrite.

We rely on information provided by insureds or their representatives when underwriting insurance policies. While we may make inquiries to validate or supplement the information provided, we may make underwriting decisions based on incorrect or incomplete information. It is possible that we will

misunderstand the nature or extent of the activities or facilities and the corresponding extent of the risks that we insure because of our reliance on inadequate or inaccurate information.

Our employees could take excessive risks, which could negatively affect our financial condition and business.

As an insurance enterprise, we are in the business of binding certain risks. The employees who conduct our business, including executive officers and other members of management, underwriters, product managers and other employees, do so in part by making decisions and choices that involve exposing us to risk. These include decisions such as setting underwriting guidelines and standards, product design and pricing, determining which business opportunities to pursue, and other decisions. We endeavor, in the design and implementation of our compensation programs and practices, to avoid giving our employees incentives to take excessive risks. Employees may, however, take such risks regardless of the structure of our compensation programs and practices. Similarly, although we employ controls and procedures designed to monitor employees' business decisions and prevent them from taking excessive risks, these controls and procedures may not be effective. If our employees take excessive risks, the impact of those risks could have a material adverse effect on our financial condition and business operations.

We may require additional capital in the future, which may not be available or may only be available on unfavorable terms.

Our future capital requirements depend on many factors, including our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. To the extent that the funds generated by this offering are insufficient to fund future operating requirements and cover claim losses, we may need to raise additional funds through financings or curtail our growth. Many factors will affect the amount and timing of our capital needs, including our growth rate and profitability, our claims experience, and the availability of reinsurance, market disruptions, and other unforeseeable developments. If we need to raise additional capital, equity or debt financing may not be available at all or may be available only on terms that are not favorable to us. In the case of equity financings, dilution to our stockholders could result. In the case of debt financings, we may be subject to covenants that restrict our ability to freely operate our business. In any case, such securities may have rights, preferences and privileges that are senior to those of the shares of common stock offered hereby. If we cannot obtain adequate capital on favorable terms or at all, we may not have sufficient funds to implement our operating plans and our business, financial condition or results of operations could be materially adversely affected.

We may not be able to manage our growth effectively.

We intend to grow our business in the future, which could require additional capital, systems development and skilled personnel. However, we must be able to meet our capital needs, expand our systems and our internal controls effectively, allocate our human resources optimally, identify and hire qualified employees and effectively incorporate the components of any businesses we may acquire in our effort to achieve growth. The failure to manage our growth effectively could have a material adverse effect on our business, financial condition and results of operations.

If actual renewals of our existing contracts do not meet expectations, our written premium in future years and our future results of operations could be materially adversely affected.

Most of our contracts are written for a one-year term. In our financial forecasting process, we make assumptions about the rates of renewal of our prior year's contracts. The insurance and reinsurance industries have historically been cyclical businesses with intense competition, often based on price. If actual renewals do not meet expectations or if we choose not to write a renewal because of

pricing conditions, our written premium in future years and our future operations would be materially adversely affected.

We may change our underwriting guidelines or our strategy without stockholder approval.

Our management has the authority to change our underwriting guidelines or our strategy without notice to our stockholders and without stockholder approval. As a result, we may make fundamental changes to our operations without stockholder approval, which could result in our pursuing a strategy or implementing underwriting guidelines that may be materially different from the strategy or underwriting guidelines described in the section titled "Business" or elsewhere in this prospectus.

The effects of litigation on our business are uncertain and could have an adverse effect on our business.

As is typical in our industry, we continually face risks associated with litigation of various types, including disputes relating to insurance claims under our policies as well as other general commercial and corporate litigation. Although we are not currently involved in any material litigation with our customers, other members of the insurance industry are the target of class action lawsuits and other types of litigation, some of which involve claims for substantial or indeterminate amounts, and the outcomes of which are unpredictable. This litigation is based on a variety of issues, including insurance and claim settlement practices. We cannot predict with any certainty whether we will be involved in such litigation in the future or what impact such litigation would have on our business.

Changes in accounting practices and future pronouncements may materially affect our reported financial results.

Developments in accounting practices may require us to incur considerable additional expenses to comply, particularly if we are required to prepare information relating to prior periods for comparative purposes or to apply the new requirements retroactively. The impact of changes in current accounting practices and future pronouncements cannot be predicted but may affect the calculation of net income, shareholder's equity and other relevant financial statement line items.

Our U.S. insurance subsidiary, Palomar Specialty Insurance Company, is required to comply with statutory accounting principles ("SAP"). SAP and various components of SAP are subject to constant review by the NAIC and its task forces and committees, as well as state insurance departments, in an effort to address emerging issues and otherwise improve financial reporting. Various proposals are pending before committees and task forces of the NAIC, some of which, if enacted, could have negative effects on insurance industry participants. The NAIC continuously examines existing laws and regulations. We cannot predict whether or in what form such reforms will be enacted and, if so, whether the enacted reforms will positively or negatively affect us.

We rely on the use of credit scoring in pricing and underwriting certain of our insurance policies and any legal or regulatory requirements that restrict our ability to access credit score information could decrease the accuracy of our pricing and underwriting process and thus decrease our ability to be profitable.

We use credit scoring as a factor in pricing and underwriting decisions where allowed by state law. Consumer groups and regulators have questioned whether the use of credit scoring unfairly discriminates against some groups of people and are calling for laws and regulations to prohibit or restrict the use of credit scoring in underwriting and pricing. Laws or regulations that significantly curtail or regulate the use of credit scoring, if enacted in a large number of states in which we operate, could impact the integrity of our pricing and underwriting processes, which could, in turn, materially and adversely affect our business, financial condition, results of operations and prospects, and make it harder for us to be profitable over time.

Risks Related to This Offering and Ownership of Our Common Stock

Our costs will increase significantly as a result of operating as a public company, and our management will be required to devote substantial time to complying with public company regulations.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. After completion of this offering, we will be subject to the reporting requirements of the Exchange Act, which will require, among other things, that we file with the SEC annual, quarterly and current reports with respect to our business and financial condition and therefore we will need to have the ability to prepare financial statements that comply with all SEC reporting requirements on a timely basis. In addition, we will be subject to other reporting and corporate governance requirements, including certain requirements of and certain provisions of the Sarbanes-Oxley Act and the regulations promulgated thereunder, which will impose significant compliance obligations upon us. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and, to the extent that we are no longer an "emerging growth company" as defined in the JOBS Act, our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. We currently do not have an internal audit group. We will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge to satisfy the ongoing requirements of Section 404 and provide internal audit services.

The Sarbanes-Oxley Act and the Dodd-Frank Act, as well as new rules subsequently implemented by the SEC and Nasdaq, have increased regulation of, and imposed enhanced disclosure and corporate governance requirements on, public companies. Our efforts to comply with these evolving laws, regulations and standards will increase our operating costs and divert management's time and attention from revenue-generating activities.

These changes will also place significant additional demands on our finance and accounting staff and on our financial accounting and information systems. We may need to hire additional accounting and financial staff with appropriate public company reporting experience and technical accounting knowledge. Other expenses associated with being a public company include increases in auditing, accounting and legal fees and expenses, investor relations expenses, increased directors' fees and director and officer liability insurance costs, registrar and transfer agent fees and listing fees, as well as other expenses. As a public company, we will be required, among other things, to:

- prepare and file periodic reports and distribute other stockholder communications, in compliance with the federal securities laws and requirements of Nasdaq;
- define and expand the roles and the duties of our Board of Directors and its committees;
- institute more comprehensive compliance and investor relations functions; and
- evaluate and maintain our system of internal control over financial reporting, and report on management's assessment thereof, in compliance with rules and regulations of the SEC and the Public Company Accounting Oversight Board.

We may not be successful in implementing these requirements, and implementing them could materially adversely affect our business. The increased costs will decrease our net income and may require us to reduce costs in other areas of our business or increase the prices of our products or services. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain the same or similar coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these

requirements could also make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, our Board committees or as executive officers.

In addition, if we fail to implement the required controls with respect to our internal accounting and audit functions, our ability to report our results of operations on a timely and accurate basis could be impaired. If we do not implement the required controls in a timely manner or with adequate compliance, we may be subject to sanctions or investigation by regulatory authorities, such as the SEC or Nasdaq. Any such action could harm our reputation and the confidence of investors in, and clients of, our company and could negatively affect our business and cause the price of our shares of common stock to decline.

We will be required by Section 404 of the Sarbanes-Oxley Act to evaluate the effectiveness of our internal control over financial reporting. If we are unable to achieve and maintain effective internal controls, our operating results and financial condition could be harmed and the market price of our common stock may be negatively affected.

As a public company with SEC reporting obligations, we will be required to document and test our internal control procedures to satisfy the requirements of Section 404(b) of the Sarbanes-Oxley Act, which will require annual assessments by management of the effectiveness of our internal control over financial reporting beginning with the annual report for our fiscal year ended December 31, 2019. We are an emerging growth company, and thus we are exempt from the auditor attestation requirement of Section 404(b) of Sarbanes-Oxley until such time as we no longer qualify as an emerging growth company. See also "—We qualify as an emerging growth company, and any decision on our part to comply with reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors." Regardless of whether we qualify as an emerging growth company, we will still need to implement substantial internal control systems and procedures in order to satisfy the reporting requirements under the Exchange Act and applicable requirements.

During the course of our assessment, we may identify deficiencies that we are unable to remediate in a timely manner. Testing and maintaining our internal control over financial reporting may also divert management's attention from other matters that are important to the operation of our business. We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404(b) of Sarbanes-Oxley. If we conclude that our internal control over financial reporting is not effective, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or their effect on our operations. Moreover, any material weaknesses or other deficiencies in our internal control over financial reporting may impede our ability to file timely and accurate reports with the SEC. Any of the above could cause investors to lose confidence in our reported financial information or our common stock listing on Nasdaq to be suspended or terminated, which could have a negative effect on the trading price of our common stock.

We qualify as an emerging growth company, and any decision on our part to comply with reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an "emerging growth company," and, for as long as we continue to be an emerging growth company, we currently intend to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our registration statements, periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on

executive compensation and stockholder approval of any golden parachute payments not previously approved. We will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of the IPO; (ii) the first fiscal year after our annual gross revenue is $1.07 billion or more; (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities; or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million as of the end of the second quarter of that fiscal year.

We cannot predict whether investors will find our common stock less attractive if we choose to rely on these exemptions while we are an emerging growth company. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We plan to avail ourselves of this exemption from new or revised accounting standards and, therefore, we may not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We are a "controlled company" within the meaning of the rules and regulations of Nasdaq. As a result, we qualify for, and intend to continue to rely on, exemptions from corporate governance requirements that provide protection to stockholders of other companies.

After completion of this offering, Genstar Capital will continue to control a majority of the voting power of our outstanding common stock. As a result, we will be a "controlled company" within the meaning of the Nasdaq Marketplace Rules. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with some corporate governance requirements, including:

- the requirement that a majority of our Board of Directors consist of "independent directors";
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement for an annual performance evaluation of the compensation and nominating and corporate governance committees.

Following this offering, we intend to continue to utilize certain of these exemptions. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance standards of the Nasdaq Marketplace Rules.

In addition, Nasdaq has developed listing standards regarding compensation committee independence requirements and the role and disclosure of compensation consultants and other advisers to the compensation committee that, among other things, requires:

- compensation committees be composed of independent directors, as determined pursuant to new independence requirements;
- compensation committees be explicitly charged with hiring and overseeing compensation consultants, legal counsel and other committee advisors; and

- compensation committees be required to consider, when engaging compensation consultants, legal counsel or other advisors, independence factors, including factors that examine the relationship between the consultant or advisor's employer and us.

As a controlled company, we will not be subject to these compensation committee independence requirements.

There is no existing market for our common stock, and you cannot be certain that an active trading market will develop or a specific share price will be established.

Prior to this offering, there has been no public market for shares of our common stock. We have applied to list our common stock on Nasdaq under the symbol "PLMR." We cannot predict the extent to which investor interest in our company will lead to the development of a trading market on such exchange or otherwise or how liquid that market might become. If an active and liquid trading market does not develop, you may have difficulty selling your shares of common stock at an attractive price, or at all. The initial public offering price for the shares of our common stock will be determined by negotiations between us and the underwriters, and may not be indicative of the price that will prevail in the trading market following this offering. The market price for our common stock may decline below the initial public offering price, and our stock price is likely to be volatile.

Our operating results and stock price may be volatile, or may decline regardless of our operating performance, and you could lose all or part of your investment.

Our quarterly operating results are likely to fluctuate in the future as a publicly traded company. In addition, securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could subject the market price of our shares to wide price fluctuations regardless of our operating performance. You should consider an investment in our common stock to be risky, and you should invest in our common stock only if you can withstand a significant loss and wide fluctuation in the market value of your investment. The market price of our common stock could be subject to significant fluctuations after this offering in response to the factors described in this "Risk Factors" section and other factors, many of which are beyond our control. Among the factors that could affect our stock price are:

- market conditions in the broader stock market;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- introduction of new products or services by us or our competitors;
- issuance of new or changed securities analysts' reports or recommendations;
- results of operations that vary from expectations of securities analysis and investors;
- short sales, hedging and other derivative transactions in our common stock;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- strategic actions by us or our competitors;
- announcement by us, our competitors or our acquisition targets;
- sales, or anticipated sales, of large blocks of our stock, including by our directors, executive officers and principal stockholders;
- additions or departures in our Board or Directors, senior management or other key personnel;

- regulatory, legal or political developments;
- public response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- litigation and governmental investigations;
- changing economic conditions;
- changes in accounting principles;
- any indebtedness we may incur or securities we may issue in the future;
- default under agreements governing our indebtedness;
- exposure to capital and credit market risks that adversely affect our investment portfolio or our capital resources;
- changes in our credit ratings;
- exchange rate fluctuations; and
- other events or factors, including those from natural disasters, war, actors of terrorism or responses to these events.

The securities markets have from time to time experienced extreme price and volume fluctuations that often have been unrelated or disproportionate to the operating performance of particular companies. As a result of these factors, investors in our common stock may not be able to resell their shares at or above the initial offering price. These broad market fluctuations, as well as general market, economic and political conditions, such as recessions, loss of investor confidence or interest rate changes, may negatively affect the market price of our common stock.

In addition, the stock markets, including Nasdaq, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to securities class action litigation that, even if unsuccessful, could be costly to defend, divert management's attention and resources or harm our business.

Sales of outstanding shares of our common stock into the market in the future could cause the market price of our common stock to drop significantly, even if our business is doing well.

Upon completion of this offering, we will have outstanding an aggregate of approximately shares of our common stock, assuming no exercise of the underwriters' option to purchase additional shares. Of these shares, shares to be sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless such shares are held by our directors, executive officers or any of our affiliates, as that term is defined in Rule 144 under the Securities Act. All remaining shares of common stock outstanding following this offering will be "restricted securities" within the meaning of Rule 144 under the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available. We intend to grant registration rights to Genstar Capital with respect to shares of our common stock. Any shares registered pursuant to the registration rights agreement that we expect to amend and restate in connection with this offering described in "Certain Relationships and Related Party Transactions" will be freely tradable in the public market following a 180-day lock-up period as described below. Sales of our common stock in the public market after this offering, or the perception that these sales could occur, could cause the market price of our common stock to decline and may make it more difficult for us to sell equity or equity-linked securities in the future at a time and at a price that we deem necessary or appropriate.

In connection with this offering, our directors, executive officers, and all of our stockholders have each agreed to enter into "lock-up" agreements with the underwriters and thereby be subject to a lock-up period, meaning that they and their permitted transferees will not be permitted to sell any shares of our common stock for 180 days after the date of this prospectus, subject to certain customary exceptions without the prior consent of the representatives of the underwriters. Although we have been advised that there is no present intention to do so, the representatives may, in their sole discretion, release all or any portion of the shares from the restrictions in any of the lock-up agreements described above. See "Underwriting." Possible sales of these shares in the market following the waiver or expiration of such agreements could exert significant downward pressure on our stock price.

We expect that upon the consummation of this offering, our Board of Directors and our stockholders will have approved the 2019 Equity Incentive Plan and the 2019 Employee Stock Purchase Plan that will permit us to issue, among other things, stock options, restricted stock units and restricted stock to eligible employees (including our named executive officers), directors and advisors, as determined by the compensation committee of the Board of Directors. We intend to file a registration statement under the Securities Act, as soon as practicable after the consummation of this offering, to cover the issuance of shares upon the exercise of awards granted, and of shares granted, under the 2019 Equity Incentive Plan and the 2019 Employee Stock Purchase Plan. As a result, any shares issued under the 2019 Equity Incentive Plan and the 2019 Employee Stock Purchase Plan after the consummation of this offering also will be freely tradable in the public market. If equity securities are granted under the 2019 Equity Incentive Plan and the 2019 Employee Stock Purchase Plan and it is perceived that they will be sold in the public market, then the price of our common stock could decline.

Also, in the future, we may issue our securities in connection with investments or acquisitions. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then outstanding shares of our common stock.

Investors in this offering will suffer immediate and substantial dilution.

The initial public offering price is substantially higher than the net stockholders' tangible book value per share of our common stock based on the total value of our tangible assets less our total liabilities divided by our shares of common stock outstanding immediately following this offering. Therefore, if you purchase common stock in this offering, you will experience immediate and substantial dilution in net tangible book value per share after consummation of this offering. You may experience additional dilution upon future equity issuances. See "Dilution."

The issuance of additional stock, our stock incentive plans or otherwise will dilute all other stockholdings.

After this offering, based upon the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, we will have an aggregate of shares of common stock authorized but unissued and not reserved for issuance under our equity incentive plans, options granted to our directors, employees and consultants, or otherwise, assuming no exercise of the underwriters' option to purchase additional shares. We may issue all of these shares without any action or approval by our stockholders. The issuance of additional shares could be dilutive to existing holders.

Genstar Capital will be able to exert significant influence over us and our corporate decisions.

Immediately following the completion of this offering, Genstar Capital is expected to own, in the aggregate, approximately % of our outstanding common stock (or approximately % if the underwriters exercise their option to purchase additional shares in full). So long as Genstar Capital owns a significant amount of our outstanding common stock, Genstar Capital will be able to exert

significant voting influence over us and our corporate decisions, including any matter requiring stockholder approval regardless of whether others believe that the matter is in our best interests. For example, Genstar Capital will be able to exert significant influence over the vote in any election of directors and any amendment of our charter. Genstar Capital may act in a manner that advances their best interests and not necessarily those of other stockholders, including investors in this offering, by, among other things:

- delaying, preventing or deterring a change in control of us;
- entrenching our management or our Board of Directors; or
- influencing us to enter into transactions or agreements that are not in the best interests of all stockholders.

In connection with this offering, we will enter into a stockholders agreement that will grant Genstar Capital the right to nominate individuals to our Board of Directors provided certain ownership requirements are met. See "Certain Relationships and Related Party Transactions—Stockholders Agreement."

The concentration of ownership could deprive stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and may ultimately affect the market price of our common stock.

Two of our directors have relationships with Genstar Capital, which may cause conflicts of interest with respect to our business.

Following this offering, two of our directors will be affiliated with Genstar Capital. Our Genstar Capital-affiliated directors have fiduciary duties to us and, in addition, have duties to Genstar Capital. As a result, these directors may face real or apparent conflicts of interest with respect to matters affecting both us and Genstar Capital, whose interests may be adverse to ours in some circumstances.

Our certificate of incorporation will provide that Genstar Capital has no obligation to offer us corporate opportunities.

Genstar Capital and the members of our Board of Directors who are affiliated with Genstar Capital, by the terms of our certificate of incorporation to be in effect upon consummation of this offering, will not be required to offer us any corporate opportunity of which they become aware and could take any such opportunity for themselves or offer it to other companies in which they have an investment, unless such opportunity is expressly offered to them solely in their capacity as our directors. We, by the terms of our certificate of incorporation, expressly renounce any interest in any such corporate opportunity to the extent permitted under applicable law, even if the opportunity is one that we would reasonably be deemed to have pursued if given the opportunity to do so. Our certificate of incorporation will not be able to be amended to eliminate our renunciation of any such corporate opportunity arising prior to the date of any such amendment. Genstar Capital is in the business of making investments in portfolio companies and may from time to time acquire and hold interests in businesses that compete with us, and Genstar Capital has no obligation to refrain from acquiring competing businesses. Any competition could intensify if an affiliate or subsidiary of Genstar Capital were to enter into or acquire a business similar to ours. These potential conflicts of interest could have a material adverse effect on our business, financial condition, results of operations or prospects if attractive corporate opportunities are allocated by Genstar Capital to itself, its portfolio companies or its other affiliates instead of to us.

Our management will have broad discretion over the use of the proceeds we receive in this offering and might not apply the proceeds in ways that increase the value of your investment.

Our management will have broad discretion in the application of the net proceeds from the sale of shares by us in this offering, including for any of the purposes described in the section entitled "Use of Proceeds," and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from the sale of shares by us in this offering, their ultimate use may vary substantially from their currently intended use. Our management may not apply our net proceeds in ways that ultimately increase the value of your investment. The failure by our management to apply these funds effectively could harm our business. If we do not invest or apply the net proceeds from the sale of shares by us in this offering in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

Anti-takeover provisions in our organizational documents could delay a change in management and limit our share price.

Upon the consummation of this offering, provisions of our certificate of incorporation and bylaws that will become effective prior to the completion of this offering could make it more difficult for a third party to acquire control of us even if such a change in control would increase the value of our common stock and prevent attempts by our stockholders to replace or remove our current Board of Directors or management.

We will have a number of anti-takeover devices that will be in place prior to the completion of this offering that will hinder takeover attempts and could reduce the market value of our common stock or prevent sale at a premium. Our anti-takeover provisions:

- will permit the Board of Directors to establish the number of directors and fill any vacancies and newly created directorships;
- will provide that our Board of Directors will be classified into three classes with staggered, three year terms and that directors may only be removed for cause in the event Genstar Capital no longer beneficially owns a majority of our common stock;
- will require super-majority voting to amend provisions in our certificate of incorporation and bylaws;
- will include blank-check preferred stock, the preference, rights and other terms of which may be set by the Board of Directors and could delay or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise benefit our stockholders;
- will eliminate the ability of our stockholders to call special meetings of stockholders;
- will specify that special meetings of our stockholders can be called only by our Board of Directors, the chairman of our Board of Directors, or our chief executive officer;
- will prohibit stockholder action by other than unanimous written consent, in the event Genstar Capital no longer beneficially owns a majority of our common stock;
- will provide that vacancies on our Board of Directors may be filled only by a majority of directors then in office, even though less than a quorum;
- will prohibit cumulative voting in the election of directors; and
- will establish advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, as a Delaware corporation, we will be subject to Section 203 of the Delaware General Corporation Law in the event Genstar Capital no longer beneficially owns a majority of our common stock. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock (excluding Genstar Capital), from merging or combining with us for a period of time.

Our certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our certificate of incorporation which will become effective prior to the closing of this offering will provide that the Court of Chancery of the State of Delaware is the exclusive forum for the following civil actions:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty by any of our directors, officers, employees or agents or our stockholders;
- any action asserting a claim arising pursuant to any provision of the DGCL or our certificate of incorporation or bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware;
- any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or our bylaws; or
- any action asserting a claim governed by the internal affairs doctrine.

However, this provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, our certificate of incorporation will also provide that unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court of law could rule that the choice of forum provision contained in our certificate of incorporation is inapplicable or unenforceable if it is challenged in a proceeding or otherwise. This choice of forum provision, if enforced, may limit a shareholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. Alternatively, if a court were to find the choice of forum provision contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could have a material adverse effect on our business, financial condition or results of operations.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend, in part, on the research and reports that securities or industry analysts publish about us or our business and our industry. We do not currently have, and may never obtain, research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of our company, the trading price for our common stock would likely be negatively impacted. If we obtain securities or industry analyst coverage and if one or more of the analysts who cover us downgrades our common stock or publishes inaccurate or unfavorable

research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our common stock could decrease, which could cause our stock price and trading volume to decline.

Applicable insurance laws may make it difficult to effect a change of control.

Under applicable Oregon and California insurance laws and regulations, no person may acquire control of a domestic insurer until written approval is obtained from the state insurance commissioner following a public hearing on the proposed acquisition. Such approval would be contingent upon the state insurance commissioner's consideration of a number of factors including, among others, the financial strength of the proposed acquiror, the acquiror's plans for the future operations of the domestic insurer and any anti-competitive results that may arise from the consummation of the acquisition of control. Oregon and California insurance laws and regulations pertaining to changes of control apply to both the direct and indirect acquisition of ten percent or more of the voting stock of an Oregon-domiciled or California-domiciled insurer. Accordingly, the acquisition of ten percent or more of our common stock would be considered an indirect change of control of Palomar Holdings, Inc. and would trigger the applicable change of control filing requirements under Oregon and California insurance laws and regulations, absent a disclaimer of control filing and its acceptance by the Oregon and California Insurance Departments. These requirements may discourage potential acquisition proposals and may delay, deter or prevent a change of control of Palomar Holdings, Inc., including through transactions that some or all of the stockholders of Palomar Holdings, Inc. might consider to be desirable. See also "Regulation—Changes of Control."

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our 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 our 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.

Our actual results may differ materially from those expressed in, or implied by, the forward-looking statements included in this prospectus as a result of various factors, including, among others:

- claims arising from unpredictable and severe catastrophe events could reduce our earnings and shareholder's equity and limit our ability to underwrite new insurance policies;
- the inability to purchase third-party reinsurance or otherwise expand our catastrophe coverage in amounts that are commercially acceptable to us or on terms that adequately protect us;
- the inherent uncertainty of models resulting in actual losses that are materially different than our estimates;
- a decline in our financial strength rating adversely affecting the amount of business we write;
- reinsurance counterparty credit risk;
- the concentration of our business in California and Texas;
- the potential loss of one or more key executives or an inability to attract and retain qualified personnel adversely affecting our results of operations;
- our reliance on a select group of brokers;
- the failure of any of the loss limitations or exclusions we employ, or changes in other claims or coverage issues, having a material adverse effect on our financial condition or results of operations;
- unexpected changes in the interpretation of our coverage or provisions;
- adverse economic factors, including recession, inflation, periods of high unemployment or lower economic activity resulting in the sale of fewer policies than expected or an increase in frequency or severity of claims and premium defaults or both, affecting our growth and profitability;
- the performance of our investment portfolio adversely affecting our financial results;
- being forced to sell investments to meet our liquidity requirements;
- the limitations and restrictions placed upon our business by our debt agreements;
- extensive regulation adversely affecting our ability to achieve our business objectives or the failure to comply with these regulations adversely affecting our financial condition and results of operations;
- we may become subject to additional government or market regulation;

- the possibility that states could increase the assessments that Palomar Specialty Insurance Company is required to pay;
- the ability to pay dividends and service our debt obligations being dependent on our ability to obtain cash dividends or other permitted payments from our insurance subsidiary;
- fluctuation and variance in our operating results;
- the possibility that we act based on inaccurate or incomplete information regarding the accounts we underwrite;
- our employees, underwriters and other associates taking excessive risks;
- our inability to obtain future additional capital or obtaining additional capital on unfavorable terms;
- the failure of our information technology and telecommunications systems;
- our inability to protect our trademarks or other intellectual property rights;
- our inability to maintain, or errors in, our third-party and open source licensed software;
- the inability to manage our growth effectively;
- the intense competition for business in our industry;
- the failure of renewals of our existing contracts to meet expectations could affect our written premiums in the future;
- our inability to underwrite risks accurately and charge competitive yet profitable rates to our policyholders;
- the effects of litigation having an adverse effect on our business;
- changes in accounting practices;
- our failure to accurately and timely pay claims;
- legal or regulatory requirements that restrict our ability to access credit score information for purposes of pricing and underwriting our insurance policies;
- increased costs as a result of being a public company;
- the failure to maintain effective internal controls in accordance with Sarbanes-Oxley; and
- the ability of Genstar Capital to exert significant influence over us and our corporate decisions.

We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, prospects, business strategy and financial needs. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, assumptions and other factors described in the section captioned "Risk Factors" and elsewhere in this prospectus. These risks are not exhaustive. Other sections of this prospectus include additional factors that could adversely impact our business and financial performance. Furthermore, new risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement of which this prospectus forms a part with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date of this prospectus or to conform such statements to actual results or revised expectations, except as required by law.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of shares of our common stock in this offering will be approximately $ million, based upon the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their over-allotment option in full, we estimate that the net proceeds to be received by us will be approximately $ million, after deducting underwriting discounts, commissions and estimated offering expenses payable by us.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds that we receive from this offering by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1.0 million in the number of shares offered by us would increase (decrease) the net proceeds that we receive from this offering by approximately $ million, assuming that the assumed initial public offering price remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and thereby enable access to the public equity markets for us and our stockholders. We intend to use the net proceeds to us from this offering to make contributions to the capital of Palomar Specialty Insurance Company, one of our insurance subsidiaries, in order to grow our business and for other general corporate purposes. We presently intend to contribute approximately $25.0 million to $40.0 million to Palomar Specialty Insurance Company. We do not intend to contribute capital to any of our other subsidiaries. In addition, we intend to use approximately $20.5 million (comprised of $20.0 million in face amount and a 2% prepayment premium) to repay our outstanding Floating Rate Senior Secured Notes, which mature on September 6, 2028. We intend to use the remainder of the net proceeds for working capital and other general corporate purposes.

This expected use of net proceeds from this offering represents our intentions based on our current plans and business conditions, which could change in the future as our plans and business conditions evolve. As a result, our management will have broad discretion over the uses of the net proceeds from this offering and investors will be relying on the judgement of our management regarding the application of the net proceeds from this offering.

DIVIDEND POLICY

We currently intend to retain any future earnings for use in the operation of our business and do not intend to declare or pay any cash dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors considers relevant. As a holding company, our ability to pay dividends depends on our receipt of cash dividends from our operating subsidiaries, which may further restrict our ability to pay dividends as a result of restrictions on their ability to pay dividends to us.

CAPITALIZATION

The following table sets forth cash and cash equivalents, as well as our capitalization, as of December 31, 2018:

- on an actual basis; and
- on an as adjusted basis to give effect to the issuance and sale by us of shares of common stock in our initial public offering, and the receipt of the net proceeds from our sale of these shares at an assumed initial public offering price of common stock of $ per share, the midpoint of the price range on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	As of December 31, 2018	
	Actual	As Adjusted(1)
	(in thousands, except shares and per share data)	
Liabilities and shareholder's equity:		
Liabilities:		
Long-term notes payable	$ 19,079	
Shareholder's equity:		
Common stock, $0.0001 par value, 500,000,000 shares authorized and 17,000,000 shares issued and outstanding	2	
Additional paid-in capital	68,498	
Accumulated other comprehensive (loss) income	(563)	
Retained earnings	28,355	
Total shareholder's equity	96,292	
Total capitalization	$ 115,371	$

(1) A $1.00 increase (decrease) in the assumed initial public offering price of our common stock of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) the as adjusted amount of cash, and cash equivalents, additional paid-in capital, total stockholders' deficit and total capitalization by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase (decrease) of 1.0 million in the number of shares offered by us would increase (decrease) the as adjusted amount of additional paid-in capital, total stockholders' deficit and total capitalization by approximately $ million, assuming that the assumed initial public offering price remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

DILUTION

If you invest in our common stock in this offering, your interest will be immediately diluted to the extent of the difference between the initial public offering price per share of our common stock in this offering and the net tangible book value per share of our common stock after this offering. As of December 31, 2018, after giving effect to the domestication transactions, we had a historical net tangible book value of million, or $ per share of common stock. Our net tangible book value represents total tangible assets less total liabilities, all divided by the number of shares of common stock outstanding on such date. Our pro forma net tangible book value at December 31, 2018, before giving effect to this offering but after giving effect to the domestication transactions, was million, or $ per share of our common stock.

After giving effect to the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at December 31, 2018 would have been approximately $ million, or $ per share. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share	$	$
Historical net tangible book value per share as of December 31, 2018		
Increase in pro forma as adjusted net tangible book value per share attributable to new investors		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to investors in this offering		$

A $1.00 increase (decrease) in the assumed initial public offering price of common stock of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease), our pro forma as adjusted net tangible book value per share after this offering by $, and would increase (decrease) dilution per share to new investors in this offering by $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1.0 million shares in the number of shares offered by us would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by approximately $ per share and decrease (increase) the dilution to new investors by approximately $ per share, assuming that the assumed initial public offering price remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters fully exercise their option to purchase additional shares to cover over-allotments, if any, and all such shares are sold by us, pro forma as adjusted net tangible book value after this offering would increase to approximately $ per share, and there would be an immediate dilution of approximately $ per share to investors in this offering.

We may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. Furthermore, we may choose to issue common stock as part or all of the consideration in acquisitions as part of our planned growth strategy. To the extent that we raise additional capital through the sale of equity or

convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

The above table and discussion includes 17,000,000 shares of common stock outstanding as of December 31, 2018, after giving effect to the domestication transactions, and excludes:

- 2,400,000 shares of common stock reserved for issuance under our 2019 Equity Incentive Plan and 240,000 shares of common stock under our 2019 Employee Stock Purchase Plan; and
- the exercise of the underwriters' option to purchase additional shares to cover over-allotments, if any.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present our selected consolidated financial and other data as of and for the periods indicated.

The selected consolidated statements of operations data for the fiscal years ended December 31, 2018, 2017 and 2016, and the selected consolidated balance sheet data as of December 31, 2018, 2017 and 2016 are derived from our annual consolidated financial statements. Our historical results are not necessarily indicative of the results that should be expected in any future period.

You should read this data together with our audited consolidated financial statements and related notes, as well as the information under the captions "Summary Consolidated Financial and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this prospectus. Our historical results are not necessarily indicative of our future results.

	Years ended December 31,		
	2018	2017	2016
	($ in thousands)		
Revenue:			
Gross written premiums	$ 154,891	$ 120,234	$ 82,287
Ceded written premiums	(82,949)	(46,951)	(29,636)
Net written premiums	71,942	73,283	52,651
Net earned premiums	69,897	55,545	40,322
Commission and other income	2,405	1,188	260
Total underwriting revenue(1)	72,302	56,733	40,582
Losses and loss adjustment expenses	6,274	12,125	7,292
Acquisition expenses	28,224	25,522	17,340
Other underwriting expenses	17,957	15,146	10,153
Underwriting income(1)	19,847	3,940	5,797
Interest expense	(2,303)	(1,745)	(1,634)
Net investment income	3,238	2,125	1,615
Net realized and unrealized (losses) gains on investments	(2,569)	608	499
Income before income taxes	18,213	4,928	6,277
Income tax (benefit) expense	(6)	1,145	(337)
Net income	**18,219**	**3,783**	**6,614**
Adjustments			
Expenses associated with IPO and tax restructuring	1,110	—	—
Expenses associated with retirement of surplus notes	495	—	—
Adjusted net income(1)	**19,824**	**3,783**	**6,614**
Key Financial and Operating Metrics			
Return on equity	20.9%	5.0%	9.6%
Adjusted return on equity(1)	22.7%	5.0%	9.6%
Loss ratio	9.0%	21.8%	18.1%
Expense ratio	62.6%	71.1%	67.5%
Combined ratio	71.6%	92.9%	85.6%

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-GAAP Financial Measures" for a reconciliation of the non-GAAP financial measures in accordance with GAAP.

Selected Balance Sheet Data	December 31, 2018	2017	2016
		(in thousands)	
Total investments	$ 147,391	$ 125,499	$ 104,821
Cash and cash equivalents	9,525	10,780	9,755
Premium receivable	18,633	15,087	11,242
Deferred policy acquisition costs	14,052	15,161	10,654
Reinsurance recoverable	14,562	14,632	1,543
Prepaid reinsurance premium	18,284	3,175	1,648
Other assets	8,687	4,021	5,469
Total assets	231,134	188,355	145,132
Accounts payable and other accrued liabilities	9,245	6,497	4,259
Reserve for losses and loss adjustment expenses	16,061	17,784	4,778
Unearned premiums	79,130	61,976	42,710
Ceded premium payable	10,607	5,069	1,582
Other liabilities	720	1,528	1,721
Long-term notes payable	19,079	17,087	16,973
Total liabilities	134,842	109,941	72,023
Total shareholder's equity	96,292	78,414	73,109

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our historical results of operations and our liquidity and capital resources should be read together with the consolidated financial statements and related notes that appear elsewhere in this prospectus. In addition to historical financial information, this prospectus contains "forward-looking statements." You should review the "Special Note Regarding Forward-Looking Statements" and "Risk Factors" sections of this prospectus for factors and uncertainties that may cause our actual future results to be materially different from those in our forward-looking statements. Forward-looking statements in this prospectus are based on information available to us as of the date hereof, and we assume no obligation to update any such forward-looking statements.

Overview

We are a rapidly growing and profitable company focused on the provision of specialty property insurance. We focus on certain markets that we believe are underserved by other insurance companies, such as the markets for earthquake, wind and flood insurance. We provide specialty property insurance products in our target markets to both individuals and businesses. We use proprietary data analytics and a modern technology platform to offer our customers flexible products with customized and granular pricing on an admitted basis. We distribute our products through multiple channels, including retail agents, program administrators, wholesale brokers, and in partnership with other insurance companies. Our business strategy is supported by a comprehensive risk transfer program with reinsurance coverage that we believe provides both consistency of earnings and appropriate levels of protection in the event of a major catastrophe. Our management team combines decades of insurance industry experience across specialty underwriting, reinsurance, program administration, distribution, and analytics.

Founded in 2014, we have significantly grown our business and have generated attractive returns. We have organically increased gross written premium from $16.6 million for the year ended December 31, 2014, our first year of operations, to $154.9 million for the year ended December 31, 2018, a CAGR of approximately 75%. Our return on equity and combined ratio were 20.9% and 71.6%, respectively, for the year ended December 31, 2018. During 2018, we experienced average monthly premium retention rates above 90% for our Residential Earthquake, Residential Flood and Hawaii Hurricane lines and approximately 84% overall across all lines of business, providing strong visibility into future revenue. In February 2019, A.M. Best affirmed our "A–" (Excellent) (Outlook Stable) rating for Palomar Specialty Insurance Company and affirmed our "A–" (Excellent) (Outlook Stable) group rating for Palomar Holdings, Inc. This rating reflects A.M. Best's opinion of our financial strength, operating performance and ability to meet obligations to policyholders and is not an evaluation directed towards the protection of investors.

Components of Our Results of Operations

Gross Written Premiums

Gross written premiums are the amounts received or to be received for insurance policies written or assumed by us during a specific period of time without reduction for policy acquisition costs, reinsurance costs or other deductions. The volume of our gross written premiums in any given period is generally influenced by:

- New business submissions;
- Binding of new business submissions into policies;
- Renewals of existing policies; and
- Average size and premium rate of bound policies.

Ceded Written Premiums

Ceded written premiums are the amount of gross written premiums ceded to reinsurers. We enter into reinsurance contracts to limit our exposure to potential losses as well as to provide additional capacity for growth. Ceded written premiums are earned over the reinsurance contract period in proportion to the period of risk covered. The volume of our ceded written premiums is impacted by the level of our gross written premiums and any decision we make to increase or decrease limits, retention levels and co-participations.

Net Earned Premiums

Net earned premiums represent the earned portion of our gross written premiums, less the earned portion that is ceded to third-party reinsurers under our reinsurance agreements. Our insurance policies generally have a term of one year and premiums are earned pro rata over the term of the policy.

Commission and Other Income

Commission and other income consists of commissions earned on policies written on behalf of third party insurance companies and where we have no exposure to the insured risk and certain fees earned in conjunction with underwriting policies.

Losses and Loss Adjustment Expenses

Losses and loss adjustment expenses represent the costs incurred for losses. These expenses are a function of the size and term of the insurance policies we write and the loss experience associated with the underlying coverage. In general, our losses and loss adjustment expenses are affected by:

- The occurrence, frequency and severity of catastrophe events such as earthquakes, hurricanes and floods in the areas where we underwrite polices relating to these perils;
- Our net reinsurance recoverables;
- The volume and severity of non-catastrophe attritional losses;
- The mix of business written by us;
- The geographic location and characteristics of the policies we underwrite;
- Changes in the legal or regulatory environment related to the business we write;
- Trends in legal defense costs; and
- Inflation in housing and construction costs.

Losses and loss adjustment expenses are based on an actuarial analysis of the estimated losses, including losses incurred during the period and changes in estimates from prior periods. Losses and loss adjustment expenses may be paid out over a period of years.

Acquisition Expenses

Acquisition expenses are principally comprised of the commissions we pay retail agents, program administrators and wholesale brokers, net of ceding commissions we receive on business ceded under certain reinsurance contracts. In addition, acquisition expenses include premium-related taxes. Acquisition expenses related to each policy we write are deferred and amortized to expense in proportion to the premium earned over the policy life.

Other Underwriting Expenses

Other underwriting expenses represent the general and administrative expenses of our insurance operations including employee salaries and benefits, technology costs, office rent, and professional services fees such as legal, accounting, and actuarial services.

Interest Expense

Interest expense consists primarily of interest expense on our surplus notes through September 2018 and our Floating Rate Senior Secured Notes after September 2018.

Net Investment Income

We earn investment income on our portfolio of invested assets. Our invested assets are primarily comprised of fixed maturity securities, and may also include cash and cash equivalents, and equity securities. The principal factors that influence net investment income are the size of our investment portfolio, the yield on that portfolio and expenses due to external investment managers. As measured by amortized cost, which excludes changes in fair value, such as changes in interest rates, the size of our investment portfolio is mainly a function of our invested equity capital along with premium we receive from our insureds, less payments on policyholder claims and other operating expenses.

Net Realized and Unrealized Gains and Losses on Investments

Net realized and unrealized gains and losses on investment are a function of the difference between the amount received by us on the sale of a security and the security's cost-basis, as well as any "other-than-temporary" impairments recognized in earnings. In addition, beginning in 2018, we carry our equity securities at fair value with unrealized gains and losses included in this line. Prior to 2018, unrealized gains and losses on equity securities were included in accumulated other comprehensive income as a separate component of shareholder's equity.

Income Tax Expense

Currently our income tax expense consists mainly of state income taxes imposed by certain states in which we operate. In addition, our income tax expense has been and will continue to be significantly impacted by the value of our deferred tax assets and liabilities, particularly our U.S. federal income net operating loss carryforwards which may or may not be realizable. In addition, tax legislation such as the Tax Cuts and Jobs Act of 2017 (the "Tax Act") significantly impacts our current and future income tax expense. Among other things, the Tax Act, enacted on December 22, 2017 lowers the U.S. federal corporate tax rate from 35% to 21% starting January 1, 2018.

Key Financial and Operating Metrics

We discuss certain key financial and operating metrics, described below, which provide useful information about our business and the operational factors underlying our financial performance.

Underwriting revenue is a non-GAAP financial measure defined as total revenue, excluding net investment income and net realized and unrealized gains and losses on investments. See "—Reconciliation of Non-GAAP Financial Measures" for a reconciliation of total revenue to underwriting revenue in accordance with GAAP.

Underwriting income is a non-GAAP financial measure defined as income before income taxes excluding net investment income, net realized and unrealized gains and losses on investments and interest expense. See "—Reconciliation of Non-GAAP Financial Measures" for a reconciliation of income before income taxes to underwriting income in accordance with GAAP.

Adjusted net income is a non-GAAP financial measure defined as net income excluding the impact of expenses relating to various transactions that we consider to be unique and non-recurring in nature. See "—Reconciliation of Non-GAAP Financial Measures" for a reconciliation of net income to adjusted net income in accordance with GAAP.

Return on equity is net income expressed on an annualized basis as a percentage of average beginning and ending shareholder's equity during the period.

Adjusted return on equity is a non-GAAP financial measure defined as adjusted net income expressed on an annualized basis as a percentage of average beginning and ending shareholder's equity during the period. See "—Reconciliation of Non-GAAP Financial Measures" for a reconciliation of return on equity to adjusted return on equity in accordance with GAAP.

Loss ratio, expressed as a percentage, is the ratio of losses and loss adjustment expenses, to net earned premiums.

Expense ratio, expressed as a percentage, is the ratio of underwriting, acquisition and other underwriting expenses net of commission and other income to net earned premiums.

Combined ratio is a non-GAAP financial measure defined as the sum of the loss ratio and the expense ratio. A combined ratio under 100% generally indicates an underwriting profit. A combined ratio over 100% generally indicates an underwriting loss.

Results of Operations

Year ended December 31, 2018 compared to year ended December 31, 2017

The following table summarizes our results for the years ended December 31, 2018 and 2017:

	Years ended December 31, 2018	2017	Change	Percent Change
		($ in thousands)		
Revenue:				
Gross written premiums	$ 154,891	$ 120,234	$ 34,657	28.8%
Ceded written premiums	(82,949)	(46,951)	(35,998)	76.7%
Net written premiums	71,942	73,283	(1,341)	(1.8)%
Net earned premiums	69,897	55,545	14,352	25.8%
Commission and other income	2,405	1,188	1,217	102.4%
Total underwriting revenue	72,302	56,733	15,569	27.4%
Losses and loss adjustment expenses	6,274	12,125	(5,851)	(48.3)%
Acquisition expenses	28,224	25,522	2,702	10.6%
Other underwriting expenses	17,957	15,146	2,811	18.6%
Underwriting income	19,847	3,940	15,907	403.7%
Interest expense	(2,303)	(1,745)	(558)	32.0%
Net investment income	3,238	2,125	1,113	52.4%
Net realized and unrealized (losses) gains on investments	(2,569)	608	(3,177)	(522.5)%
Income before income taxes	18,213	4,928	13,285	269.6%
Income tax (benefit) expense	(6)	1,145	(1,151)	(100.5)%
Net income	**18,219**	**3,783**	**14,436**	**381.6%**
Adjustments:				
Expenses associated with IPO and tax restructuring	1,110	—	1,110	N/A
Expenses associated with retirement of surplus notes	495	—	495	N/A
Adjusted net income	**19,824**	**$ 3,783**	**$ 16,041**	**424.0%**
Key Financial and Operating Metrics				
Return on equity	20.9%	5.0%		
Adjusted return on equity	22.7%	5.0%		
Loss ratio	9.0%	21.8%		
Expense ratio	62.6%	71.1%		
Combined ratio	71.6%	92.9%		

Gross Written Premiums

Gross written premiums were $154.9 million for the year ended December 31, 2018 compared to $120.2 million for the year ended December 31, 2017, an increase of $34.7 million, or 28.8%. Premium growth in 2018 was due primarily to an increased volume of policies written across our lines of business which was driven by expansion of our product, geographic and distribution footprint as well as strong premium retention rates for our existing book of business. The changes in gross written premiums were most notable in the following lines of business:

- Residential Earthquake, which represented approximately 52.7% of our gross written premiums in 2018, increased by $24.4 million, or 42.5%, for the year ended December 31, 2018 over the prior year.

- Specialty Homeowners, which represented approximately 17.9% of our gross written premiums in 2018, increased by $1.2 million, or 4.4%, for the year ended December 31, 2018 over the prior year.

- Commercial Earthquake, which represented approximately 13.5% of our gross written premiums in 2018, decreased by $2.1 million, or 9.2%, for the year ended December 31, 2018 over the prior year.

- Commercial All Risk, which represented approximately 9.3% of our gross written premiums in 2018, increased by $7.0 million, or 95.8%, for the year ended December 31, 2018 over the prior year.

- Hawaii Hurricane, which represented approximately 5.2% of our gross written premiums in 2018, increased by $2.8 million or 52.7%, for the year ended December 31, 2018 over the prior year.

Ceded Written Premiums

Ceded written premiums increased $36.0 million, or 76.7%, to $82.9 million for the year ended December 31, 2018 from $46.9 million for the year ended December 31, 2017. The increase was primarily due to increased excess of loss reinsurance cost due to higher exposure from the growth of our portfolio, as well as increased ceding of written premium related to our Specialty Homeowners operations in the state of Texas. As of June 2018, we act as a fronting carrier for these operations and cede substantially all of the risk and premium in exchange for a fronting fee. Ceded written premiums as a percentage of gross written premiums increased to 53.6% for the year ended December 31, 2018 from 39.0% for the year ended December 31, 2017.

Net Written Premiums

Net written premiums decreased $1.3 million, or 1.8%, to $71.9 million for the year ended December 31, 2018 from $73.3 million for the year ended December 31, 2017. The decrease was primarily due to higher ceded written premiums under reinsurance agreements.

Net Earned Premiums

Net earned premiums increased $14.4 million, or 25.8%, to $69.9 million for the year ended December 31, 2018 from $55.5 million for the year ended December 31, 2017 due primarily to the earned portion of the higher gross written premiums described above offset by the earned portion of the higher ceded written premiums described above under reinsurance agreements for the year ended December 31, 2018. The below table shows the amount of premiums we earned on a gross and net basis:

	Year Ended December 31,			
	2018	2017	Change	% Change
	($ in thousands)			
Gross earned premiums	$ 137,759	$ 100,961	$ 36,798	36.4%
Ceded earned premiums	(67,862)	(45,416)	(22,446)	49.4%
Net earned premiums	$ 69,897	$ 55,545	$ 14,352	25.8%

Commission and Other Income

Commission and other income increased $1.2 million, or 102.4%, to $2.4 million for the year ended December 31, 2018 from $1.2 million for the year ended December 31, 2017 due primarily to an increase in the volume of REI policies written and resulting increase in associated commission income.

Losses and Loss Adjustment Expenses

Losses and loss adjustment expenses decreased $5.9 million, or 48.3%, to $6.3 million for the year ended December 31, 2018 from $12.1 million for the year ended December 31, 2017. The decrease primarily relates to lower losses, and favorable prior year loss development, net of reinsurance, during 2018 versus 2017. The Company incurred $6.5 million of loss due to Hurricane Harvey in 2017. This event increased our loss ratio by 11.7% for the year end December 31, 2017.

Acquisition Expenses

Acquisition expenses increased $2.7 million, or 10.6%, to $28.2 million for the year ended December 31, 2018 from $25.5 million for the year ended December 31, 2017. The primary reason for the increase was due to higher earned premiums offset by higher earned ceding commissions on ceded business, as well as a change in the overall mix of business produced. Acquisition expenses as a percentage of gross earned premiums were 20.5% for the year ended December 31, 2018 and 25.3% for the year ended December 31, 2017.

Other Underwriting Expenses

Other underwriting expenses increased $2.8 million, or 18.6%, to $17.9 million for the year ended December 31, 2018 from $15.1 million for the year ended December 31, 2017. The increase was primarily due to increased staffing, professional fees and other expenses necessary to support our growth. Other underwriting expenses as a percentage of gross earned premiums were 13.0% for the year ended December 31, 2018 and 15.0% for the year ended December 31, 2017.

Interest Expense

Interest expense increased $0.6 million, or 32.0%, to $2.3 million for the year ended December 31, 2018 from $1.7 million for the year ended December 31, 2017. The increase was primarily due to $0.5 million in charges associated with paying off the Surplus Note in September 2018.

Net Investment Income and Net Realized and Unrealized Gains (Losses) on Investments

Net investment income increased $1.1 million, or 52.4%, to $3.2 million for the year ended December 31, 2018 from $2.1 million for the year ended December 31, 2017. The primary reason for the increase was a higher average balance of investments during the year ended December 31, 2018. Net realized and unrealized gains on investments decreased $3.2 million, or 52.3%, to a $2.5 million loss for the year ended December 31, 2018 from a gain of $0.6 million for the year ended December 31, 2017. The primary reason for the decrease was $6.0 million of unrealized losses on equity securities offset by $3.5 million of net realized investment gains during the year. We mainly invest in investment grade fixed maturity securities, including U.S. government issues, state government issues, mortgage and asset-backed obligations, and corporate bonds with the remainder of investments

in equity securities. The following table summarizes the components of our investment income for the years ended December 31, 2018 and 2017:

	Year Ended December 31,			
	2018	2017	Change	% Change
	($ in thousands)			
Interest income	$ 3,036	$ 1,916	$ 1,120	58.5%
Dividend income	514	514	—	—
Less: investment management fees and expenses	(312)	(305)	(7)	2.3%
Net investment income	$ 3,238	$ 2,125	$ 1,113	52.4%
Net realized and unrealized (losses) gains on investments	(2,569)	608	(3,177)	(522.5)%
Total	$ 669	$ 2,733	$ (2,064)	(75.5)%

Income Tax (Benefit) Expense

Income tax (benefit) expense decreased $1.1 million to an immaterial benefit for the year ended December 31, 2018 from a $1.1 million expense for the year ended December 31, 2017. Income tax expense was higher in the prior year primarily due to the recognition of a $0.9 million valuation allowance on deferred tax assets in 2017. We recorded a valuation allowance in 2017 due to 3-year cumulative losses and a large catastrophe event during 2017. We increased the valuation allowance by $0.7 million in 2018. The amount of our deferred tax assets considered realizable could be adjusted if estimates of future taxable income during the carryforward period are increased or if objective negative evidence in the form of cumulative losses is no longer present.

We are subject to income taxes in certain jurisdictions in which we operate. We generate taxable income in our U.S. subsidiaries. We earn income in Bermuda, a non-taxable jurisdiction, primarily as a result of quota share reinsurance agreements between our U.S. insurance subsidiary and Palomar Re, and the investment income earned in Palomar Re. Effective January 1, 2016, our U.S. insurance subsidiary and Palomar Re entered into a quota share reinsurance agreement under which the U.S. insurance subsidiary ceded 35% of the earthquake gross premiums earned as well as losses and loss adjustment expenses to Palomar Re in exchange for a 20% ceding commission. Effective January 1, 2017, the agreement was amended and the cession was decreased to 26.5% with a 25% ceding commission. Effective September 1, 2017, the agreement was amended and the cession was decreased to 0%. Effective January 1, 2018, the agreement was amended, the cession was increased to 50%, and the Hawaii Hurricane gross premiums earned and losses and loss adjustment expenses were added to the lines of business. As a result of our multinational operations our effective tax rate is currently below that of a fully U.S. based operation.

Following the domestication transactions, we expect that all of our income will be subject to U.S. income tax.

Year ended December 31, 2017 compared to year ended December 31, 2016

The following table summarizes our results for the years ended December 31, 2017 and 2016:

	Years ended December 31,			
	2017	2016	Change	Percent Change
	($ in thousands)			
Revenue:				
Gross written premiums	$ 120,234	$ 82,287	$ 37,947	46.1%
Ceded written premiums	(46,951)	(29,636)	(17,315)	58.4%
Net written premiums	73,283	52,651	20,632	39.2%
Net earned premiums	55,545	40,322	15,223	37.8%
Commission and other income	1,188	260	928	356.9%
Total underwriting revenue(1)	56,733	40,582	16,151	39.8%
Losses and loss adjustment expenses	12,125	7,292	4,833	66.3%
Acquisition expenses	25,522	17,340	8,182	47.2%
Other underwriting expenses	15,146	10,153	4,993	49.2%
Underwriting income(1)	3,940	5,797	(1,857)	(32.0)%
Interest expense	(1,745)	(1,634)	(111)	6.8%
Net investment income	2,125	1,615	510	31.6%
Net realized gains on investments	608	499	109	21.8%
Income before income taxes	4,928	6,277	(1,349)	(21.5)%
Income tax expense (benefit)	1,145	(337)	1,482	(439.8)%
Net income	**3,783**	**6,614**	**(2,831)**	**(42.8)%**
Adjustments	—	—	—	—
Adjusted net income(1)	**$ 3,783**	**$ 6,614**	**$ (2,831)**	**(42.8)%**
Key Financial and Operating Metrics				
Return on equity	5.0%	9.6%		
Adjusted return on equity(1)	5.0%	9.6%		
Loss ratio	21.8%	18.1%		
Expense ratio	71.1%	67.5%		
Combined ratio	92.9%	85.6%		

(1) See "—Reconciliation of Non-GAAP Financial Measures" for a reconciliation of total revenue to underwriting revenue in accordance with GAAP.

Net income was $3.8 million for the year ended December 31, 2017 compared to $6.6 million for the year ended December 31, 2016, a decrease of $2.8 million or 43%. This decrease was primarily driven by higher losses incurred, particularly from Hurricane Harvey, higher acquisition expenses and premium taxes and higher other underwriting expenses, offset in part by higher net earned premiums, and commission and other income.

Gross Written Premiums

Gross written premiums were $120.2 million for the year ended December 31, 2017 compared to $82.3 million for the year ended December 31, 2016, an increase of $37.9 million, or 46.1%. Premium growth in 2017 was due primarily to an increased volume of policies written across our lines of business which was driven by expansion of our product, geographic and distribution footprint as well as strong premium retention rates for our existing book of business. The changes in gross written premiums were most notable in the following lines of business:

- Residential Earthquake, which represented approximately 47.7% of our gross written premiums in 2017, increased by $24.7 million, or 75.5% for the year ended December 31, 2017 over the prior year.
- Specialty Homeowners, which represented approximately 22.0% of our gross written premiums in 2017, increased by $2.1 million, or 8.7%, for the year ended December 31, 2017 over the prior year.
- Commercial Earthquake, which represented approximately 19.2% of our gross written premiums in 2017, increased by $2.5 million, or 12.1% for the year ended December 31, 2017 over the prior year.
- Commercial All Risk, which represented approximately 6.1% of our gross written premiums in 2017, increased by $5.5 million, or 310.4% for the year ended December 31, 2017 over the prior year.
- Hawaii Hurricane, which represented approximately 4.4% of our gross written premiums in 2017, increased by $2.5 million or 85.3% for the year ended December 31, 2017 over the prior year.

Ceded Written Premiums

Ceded written premiums increased $17.3 million, or 58.4% to $46.9 million for the year ended December 31, 2017 from $29.6 million for the year ended December 31, 2016. The increase was primarily due to higher gross written premiums, increased exposure from the growth of our portfolio, and reinstatement premium incurred as a result of Hurricane Harvey. Ceded written premiums as a percentage of gross written premiums increased to 39.0% for the year ended December 31, 2017 from 36.0% for the year ended December 31, 2016.

Net Written Premiums

Net written premiums increased $20.6 million, or 39.2% to $73.3 million for the year ended December 31, 2017 from $52.7 million for the year ended December 31, 2016. The increase was primarily due to higher gross written premiums, offset by higher ceded written premiums under reinsurance agreements.

Net Earned Premiums

Net earned premiums increased $15.2 million or 37.8% to $55.5 million for the year ended December 31, 2017 from $40.3 million for the year ended December 31, 2016 due primarily to the earned portion of the higher gross written premiums described above offset by the earned portion of

the higher ceded written premiums under reinsurance agreements for the year ended December 31, 2017. The below table shows the amount of premiums we earned on a gross and net basis:

	Year Ended December 31,			
	2017	2016	Change	% Change
	($ in thousands)			
Gross earned premiums	$ 100,961	$ 69,316	$ 31,645	45.7%
Ceded earned premiums	(45,416)	(28,994)	(16,422)	56.6%
Net earned premiums	$ 55,545	$ 40,322	$ 15,223	37.8%

Commission and Other Income

Commission and other income increased $0.9 million, or 356.9%, to $1.2 million for the year ended December 31, 2017 from $0.3 million for the year ended December 31, 2016 due primarily to higher commission income due to an increased volume of REI policies written.

Losses and Loss Adjustment Expenses

Losses and loss adjustment expenses increased $4.8 million, or 66.3%, to $12.1 million for the year ended December 31, 2017 from $7.3 million for the year ended December 31, 2016. The increase primarily relates to losses, net of reinsurance, of which $6.5 million was due to Hurricane Harvey. This event increased our loss ratio by 11.7% for the year end December 31 2017.

Acquisition Expenses

Acquisition expenses increased $8.2 million or 47.2% to $25.5 million for the year ended December 31, 2017 from $17.3 million for the year ended December 31, 2016. The primary reason for the increase was due to higher earned premiums as well as a change in the overall mix of the business produced. Acquisition expenses as a percentage of gross earned premiums were 25.3% for the year ended December 31, 2017 and 25.0% for the year ended December 31, 2016.

Other Underwriting Expenses

Other underwriting expenses increased $5.0 million or 49.2% to $15.1 million for the year ended December 31, 2017 from $10.1 million for the year ended December 31, 2016. The increase was primarily due to higher salaries, rent, professional fees and other expenses necessary to support our growth. In addition, other underwriting expenses were impacted by $2.3 million in expenses relating to transaction costs associated with the issuance of catastrophe bonds in June 2017. Other underwriting expenses as a percentage of gross earned premiums were 15.0% for the year ended December 31, 2017 and 14.6% for the year ended December 31, 2016.

Interest Expense

Interest expense increased $0.1 million or 6.8% to $1.7 million for the year ended December 31, 2017 from $1.6 million for the year ended December 31, 2016. The increase was primarily due to the increase in interest rates tied to LIBOR during 2017.

Net Investment Income and Net Realized Gains (Losses) on Investments

Net investment income increased $0.5 million or 31.6% to $2.1 million for the year ended December 31, 2017 from $1.6 million for the year ended December 31, 2016. The primary reason for the increase was a higher average balance of investments during the year ended December 31, 2017. We mainly invest in investment grade fixed maturity securities, including U.S. government issues, state

government issues, mortgage and asset-backed obligations, and corporate bonds with the remainder of investments in equity securities. The following table summarizes the components of our investment income for the years ended December 31, 2017 and 2016:

	Year Ended December 31,			
	2017	2016	Change	% Change
	($ in thousands)			
Interest income	$ 1,916	$ 1,425	$ 491	34.5%
Dividend income	514	472	42	8.9%
Less: investment management fees and expenses	(305)	(282)	(23)	8.2%
Net investment income	$ 2,125	$ 1,615	$ 510	31.6%
Net realized gains on investments	608	499	109	21.8%
Total	$ 2,733	$ 2,114	$ 619	29.3%

Income Tax Expense (Benefit)

Income tax expense increased $1.5 million to a $1.2 million expense for the year ended December 31, 2017 from a $0.3 million benefit for the year ended December 31, 2016. The increase was primarily due to the recognition of a $0.9 million valuation allowance on our deferred tax asset. In 2017 we assessed available positive and negative evidence to estimate whether sufficient future taxable income would be generated to permit use of the existing deferred tax assets. Among the factors considered were the three-year cumulative losses incurred and the increased frequency and severity of large catastrophic events for the year ended December 31, 2017. Based on this evaluation, during 2017, a valuation allowance of $0.9 million was recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are increased or if objective negative evidence in the form of cumulative losses is no longer present.

Reconciliation of Non-GAAP Financial Measures

Underwriting Revenue

We define underwriting revenue as total revenue excluding net investment income and net realized and unrealized gains and losses on investments. Underwriting revenue represents revenue generated by our underwriting operations and allows us to evaluate our underwriting performance without regard to investment income. We use this metric as we believe it gives our management and other users of our financial information useful insight into our underlying business performance. Underwriting revenue should not be viewed as a substitute for total revenue calculated in accordance with GAAP, and other companies may define underwriting revenue differently.

	Year Ended December 31,		
	2018	2017	2016
		(in thousands)	
Total revenues	$ 72,971	$ 59,466	$ 42,696
Net investment income	(3,238)	(2,125)	(1,615)
Net realized and unrealized losses (gains) on investments	2,569	(608)	(499)
Underwriting revenue	$ 72,302	$ 56,733	$ 40,582

Underwriting Income

We define underwriting income as income before income taxes excluding net investment income, net realized and unrealized gains and losses on investments, and interest expense. Underwriting income represents the pre-tax profitability of our underwriting operations and allows us to evaluate our underwriting performance without regard to investment income. We use this metric as we believe it gives our management and other users of our financial information useful insight into our underlying business performance. Underwriting income should not be viewed as a substitute for pre-tax income calculated in accordance with GAAP, and other companies may define underwriting income differently.

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Income before income taxes	$ 18,213	$ 4,928	$ 6,277
Net investment income	(3,238)	(2,125)	(1,615)
Net realized and unrealized losses (gains) on investments	2,569	(608)	(499)
Interest expense	2,303	1,745	1,634
Underwriting income	$ 19,847	$ 3,940	$ 5,797

Adjusted Net Income

We define adjusted net income as net income excluding the impact of expenses relating to various transactions that we consider to be unique and possibly non-recurring in nature. We did not have any adjustments to 2017 and 2016 net income. We use adjusted net income as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Adjusted net income should not be viewed as a substitute for net income calculated in accordance with GAAP, and other companies may define adjusted net income differently.

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Net income	$ 18,219	$ 3,783	$ 6,614
Adjustments:			
Expenses associated with IPO and tax restructuring	1,110	—	—
Expenses associated with retirement of surplus notes	495	—	—
Adjusted net income	$ 19,824	$ 3,783	$ 6,614

Adjusted Return on Equity

We define adjusted return on equity as adjusted net income expressed on an annualized basis as a percentage of average beginning and ending shareholder's equity during the period. We did not have any adjustments to 2017 and 2016 net income. We use adjusted return on equity as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Adjusted return on equity should not be viewed as a

substitute for return on equity calculated in accordance with GAAP, and other companies may define adjusted return on equity differently.

	Year Ended December 31,		
	2018	2017	2016
	($ in thousands)		
Adjusted return on equity calculation:			
Numerator: adjusted net income	$ 19,824	$ 3,783	$ 6,614
Denominator: average shareholder's equity:	87,353	75,762	69,065
Adjusted return on equity	22.7%	5.0%	9.6%

Tangible Shareholder's Equity

We define tangible shareholder's equity as shareholder's equity less intangible assets. Our definition of tangible shareholder's equity may not be comparable to that of other companies, and it should not be viewed as a substitute for shareholder's equity calculated in accordance with GAAP. We use tangible shareholder's equity internally to evaluate the strength of our balance sheet and to compare returns relative to this measure.

	December 31,		
	2018	2017	2016
	(in thousands)		
Shareholder's equity	$ 96,292	$ 78,414	$ 73,109
Less: Intangible assets	744	744	744
Tangible shareholder's equity	$ 95,548	$ 77,670	$ 72,365

Liquidity and Capital Resources

Sources and Uses of Funds

We operate as a holding company with no business operations of our own. Consequently, our ability to pay dividends to stockholders, meet debt payment obligations and pay taxes and administrative expenses is largely dependent on dividends or other distributions from our subsidiaries and affiliates, whose ability to pay us is highly regulated.

Our U.S. insurance company subsidiary is restricted by statute as to the amount of dividends that it may pay without the prior approval of the Oregon and California Insurance Commissioners. Generally, insurers may pay dividends without advance regulatory approval only from earned surplus and only to the extent that all dividends paid in the twelve months ending on the date of the proposed dividend do not exceed the greater of (i) 10% of their policyholders' surplus as of December 31 of the preceding year or (ii) 100% of their net income (excluding realized investment gains or losses) for the calendar year preceding the year in which the value is being determined. In addition, a domestic insurer may only declare a dividend from earned surplus, which does not include surplus arising from unrealized capital gains or revaluation of assets. A domestic insurer may declare a dividend from other than earned surplus only if the Insurance Commissioner approves the declaration prior to payment of the dividend. Our U.S. insurance company subsidiary may not pay a dividend or distribution to us in 2019 without the prior approval of the Oregon and California Insurance Commissioners due to our U.S. Insurance Company Subsidiary's negative earned surplus as of December 31, 2018. In addition, there is no assurance that dividends of the maximum amount calculated under any applicable formula would be permitted by state insurance regulators. In the future, state insurance regulatory authorities may adopt statutory provisions more restrictive than those currently in effect.

Insurance companies in the United States are also required by state law to maintain a minimum level of policyholder's surplus. Oregon and California's state insurance regulators have a risk-based capital standard designed to identify property and casualty insurers that may be inadequately capitalized based on inherent risks of the insurer's assets and liabilities and its mix of net written premium. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action. As of December 31, 2018, the total adjusted capital of our U.S. insurance subsidiary was in excess of its respective prescribed risk-based capital requirements.

Under the Insurance Act and related regulations, our Bermuda reinsurance subsidiary is required to maintain certain solvency and liquidity levels, which it maintained as of December 31, 2018 and 2017.

Our Bermuda reinsurance subsidiary maintains a Class 3A license and thus must maintain a minimum liquidity ratio in which the value of its relevant assets is not less than 75% of the amount of its relevant liabilities for general business. Relevant assets include cash and cash equivalents, fixed maturity securities, accrued interest income, premiums receivable, losses recoverable from reinsurers, and funds withheld. The relevant liabilities include total general business insurance reserves and total other liabilities, less sundry liabilities. As of December 31, 2018, 2017 and 2016, we met the minimum liquidity ratio requirement.

Bermuda regulations limit the amount of dividends and return of capital paid by a regulated entity. A Class 3A insurer is prohibited from declaring or paying a dividend if it is in breach of its minimum solvency margin, its enhanced capital requirement, or its minimum liquidity ratio, or if the declaration or payment of such dividend would cause such a breach. If a Class 3A insurer has failed to meet its minimum solvency margin on the last day of any financial year, it will also be prohibited, without the approval of the BMA, from declaring or paying any dividends during the next financial year. Furthermore, the Insurance Act limits the ability of our Bermuda reinsurance subsidiary to pay dividends or make capital distributions by stipulating certain margin and solvency requirements and by requiring approval from the BMA prior to a reduction of 15% or more of a Class 3A insurer's total statutory capital as reported on its prior year statutory balance sheet. Moreover, an insurer must submit an affidavit to the BMA, sworn by at least two directors and the principal representative in Bermuda of the Class 3A insurer, at least seven days prior to payment of any dividend which would exceed 25% of that insurer's total statutory capital and surplus as reported on its prior year statutory balance sheet. The affidavit must state that in the opinion of those swearing the declaration of such dividend has not caused the insurer to fail to meet its relevant margins.

Further, under the Companies Act, our Bermuda reinsurance subsidiary may only declare or pay a dividend, or make a distribution out of contributed surplus, if it has no reasonable grounds for believing that: (1) it is, or would after the payment be, unable to pay its liabilities as they become due or (2) the realizable value of its assets would be less than its liabilities.

Pursuant to Bermuda regulations, the maximum amount of dividends and return of capital available to be paid by a reinsurer is determined pursuant to a formula. Under this formula, the maximum amount of dividends and return of capital available to us from our Bermuda subsidiary during 2018 is calculated to be approximately $2.4 million, and as of December 2018, the BMA approved a $13.2 million dividend. All dividends are subject to annual enhanced solvency requirement calculations.

Cash Flows

Our primary sources of cash flow are written premiums, investment income, reinsurance recoveries, sales and redemptions of investments, and proceeds from offerings of debt securities. We use our cash flows primarily to pay operating expenses, losses and loss adjustment expenses, and income taxes.

Our cash flows from operations may differ substantially from our net income due to non-cash charges or due to changes in balance sheet accounts.

The timing of our cash flows from operating activities can also vary among periods due to the timing by which payments are made or received. Some of our payments and receipts, including loss settlements and subsequent reinsurance receipts, can be significant. Therefore, their timing can influence cash flows from operating activities in any given period. The potential for a large claim under an insurance or reinsurance contract means that our insurance subsidiaries may need to make substantial payments within relatively short periods of time, which would have a negative impact on our operating cash flows.

We generated positive cash flows from operations in each of the years ended December 31, 2018, 2017 and 2016 and management believes that cash receipts from premium, proceeds from investment sales and redemptions, investment income and reinsurance recoveries, if necessary, are sufficient to cover cash outflows in the foreseeable future.

The following table summarizes our cash flows for the years ended December 31, 2018, 2017 and 2016:

	Year ended December 31,		
	2018	2017	2016
	($ in thousands)		
Cash provided by (used in):			
Operating activities	$ 22,808	$ 20,248	$ 15,825
Investing activities	(25,365)	(19,128)	(11,531)
Financing activities	1,549	—	—
Change in cash, cash equivalents, and restricted cash	$ (1,008)	$ 1,120	$ 4,294

Our cash flow from operating activities has been positive in each of the last three years. Variations in operating cash flow between periods are primarily driven by variations in our gross and ceded written premiums and the volume and timing of premium receipts, claim payments, and reinsurance payments. In addition, fluctuations in losses and loss adjustment expenses and other insurance operating expenses impact operating cash flow.

Cash used in investing activities for each of the last three years related primary to purchases of fixed income and equity securities in excess of sales and maturities.

Cash provided by financing activities in 2018 was related to the issuance of floating rate notes and the payoff of surplus notes in September 2018. There was no cash flow from financing activities in 2017 or 2016.

We do not have any current plans for material capital expenditures other than current operating requirements. We believe that we will generate sufficient cash flows from operations to satisfy our liquidity requirements for at least the next 12 months and beyond. The key factor that will affect our future operating cash flows is the frequency and severity of catastrophic loss events. To the extent our future operating cash flows are insufficient to cover our net losses from catastrophic events, we had $157.3 million in cash and investment securities available at December 31, 2018. We also have the ability to access additional capital through pursuing third-party borrowings, sales of our equity or debt securities or entrance into a reinsurance arrangement.

Notes Payable

2015 Surplus Notes

On February 3, 2015, we issued surplus notes totaling $17.5 million in exchange for cash to four non-affiliated holders. The surplus notes had a term of 7 years with a maturity on February 3, 2022. The surplus notes had restrictions as to payments of interest and principal and any such payment required the prior approval of the Oregon Insurance Commissioner before such payments can be made. The surplus notes were repaid in full in September 2018.

2018 Floating Rate Notes

In September 2018, we completed a private placement financing of $20.0 million floating rate senior secured notes (the "Floating Rate Notes"). The Floating Rate Notes mature on September 6, 2028 and bear interest at a rate, reset quarterly, equal to the three-month treasury rate plus 6.50% per annum, payable quarterly in arrears on March 20, June 20, September 20 and December 20 of each year, commencing on December 20, 2018.

Palomar Insurance Holdings, Inc. ("Palomar Insurance Holdings") may redeem the Floating Rate Notes at its option, in whole or in part, at any time at certain redemption prices. Prior to September 6, 2020, Palomar Insurance Holdings may redeem the Floating Rate Notes at its option, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the Floating Rate Notes redeemed, plus a "make-whole" premium and accrued and unpaid interest and additional interest, if any. If a change of control occurs, Palomar Insurance Holdings must offer to purchase the Floating Rate Notes at 100% of their principal amount, plus accrued and unpaid interest.

The Floating Rate Notes are fully and unconditionally guaranteed on a senior secured basis by a pledge of the capital stock owned by Palomar Holdings, Inc. of its equity interests in Palomar Insurance Holdings Such security interest consists of a first-priority lien with respect to the collateral.

The Floating Rate Notes contain certain customary affirmative and negative covenants and events of default. The negative covenants limit Palomar Insurance Holdings' ability to, among other things, incur additional indebtedness, create liens on certain assets, pay dividends or prepay junior debt or make other restricted payments, make certain loans, acquisitions or investments, engage in transactions with affiliates, conduct asset sales, restrict dividends from subsidiaries or restrict liens, or merge, consolidate, sell or otherwise dispose of all or substantially all of Palomar Insurance Holdings' assets.

Immediately after the closing of the 2018 Floating Rate Notes financing, we used surplus funds, as required by the agreement governing the Notes, to pay down our existing $17.5 million of surplus notes described above. We incurred a pre-payment penalty of $0.1 million which, along with unamortized debt issuance costs of $0.4 million, was charged to income in 2018.

Contractual Obligations and Commitments

The following table illustrates our contractual obligations and commercial commitments by due date as of December 31, 2018:

	Total	Less Than One Year	One Year to Less Than Three Years	Three Years to Less Than Five Years	More Than Five Years
			(in thousands)		
Reserves for losses and loss adjustment expenses	$ 16,061	$ 10,191	$ 5,158	$ 712	$ —
Long-term notes payable	20,000	—	—	—	20,000
Interest payable	17,281	1,777	3,554	3,554	8,396
Operating lease obligations	4,281	720	1,504	1,591	466
Total	$ 57,623	$ 12,688	$ 10,216	$ 5,857	$ 28,862

The reserve for losses and loss adjustment expenses represent management's estimate of the ultimate cost of settling losses. As more fully discussed in "—Critical Accounting Policies—Reserve for Losses and Loss Adjustment Expenses" below, the estimation of the reserve for losses and loss adjustment expenses is based on various complex and subjective judgments. Actual losses paid may differ, perhaps significantly, from the reserve estimates reflected in our consolidated financial statements. Similarly, the timing of payment of our estimated losses is not fixed and there may be significant changes in actual payment activity. The assumptions used in estimating the likely payments due by period are based on our historical claims payment experience and industry payment patterns, but due to the inherent uncertainty in the process of estimating the timing of such payments, there is a risk that the amounts paid can be significantly different from the amounts disclosed above.

The amounts in the above table represent our gross estimates of known liabilities as of December 31, 2018 and do not include any allowance for claims for future events within the time period specified. Accordingly, it is highly likely that the total amounts of obligations paid by us in the time periods shown will be greater than those indicated in the table.

Interest on debt obligations was calculated using the LIBOR rate as of December 31, 2018 with the assumption that interest rates would remain flat over the remainder of the period that the debt was outstanding.

Financial Condition

Shareholder's Equity

At December 31, 2018, total shareholder's equity was $96.3 million and tangible shareholder's equity was $95.5 million, compared to total shareholder's equity of $78.4 million and tangible shareholder's equity of $77.7 million as of December 31, 2017. The increase in both total and tangible shareholder's equity was primarily due to net income earned for the year ended December 31, 2018.

Tangible shareholder's equity is a non-GAAP financial measure. See "—Reconciliation of Non-GAAP Financial Measures" for a reconciliation of shareholder's equity to tangible shareholder's equity in accordance with GAAP.

Investment Portfolio

Our primary investment objectives are to maintain liquidity, preserve capital and generate a stable level of investment income. We purchase securities that we believe are attractive on a relative value basis and seek to generate returns in excess of predetermined benchmarks. Our Board of Directors determines our investment guidelines in compliance with applicable regulatory restrictions on asset

type, quality and concentration. Our current investment guidelines allow us to invest in taxable and tax-exempt fixed maturities, as well as publicly traded mutual funds and common stock of individual companies. Our cash and invested assets consist of cash and cash equivalents, fixed maturity securities, and equity securities. As of December 31, 2018, the majority of our investment portfolio, or $122.2 million, was comprised of fixed maturity securities that are classified as available-for-sale and carried at fair value with unrealized gains and losses on these securities, net of applicable taxes, reported as a separate component of accumulated other comprehensive income. Also included in our investment portfolio were $25.2 million of equity securities. In addition, we maintained a non-restricted cash and cash equivalent balance of $9.5 million at December 31, 2018. Our fixed maturity securities, including cash equivalents, had a weighted average effective duration of 3.93 and 2.37 years and an average rating of "–Aa3/AA–" and "A1/A+" at December 31, 2018 and 2017, respectively. Our fixed income investment portfolio had a book yield of 3.0% as of December 31, 2018, compared to 1.9% as of December 31, 2017.

At December 31, 2018 and 2017 the amortized cost and fair value on available-for-sale securities were as follows:

December 31, 2018	Amortized Cost or Cost	Fair Value	% of Total Fair Value
		($ in thousands)	
Fixed maturities:			
U.S. Governments	$ 15,299	$ 15,269	12.5%
States, territories, and possessions	1,227	1,221	1.0%
Political subdivisions	825	815	0.7%
Special revenue excluding mortgage/asset-backed securities	12,429	12,453	10.2%
Industrial and miscellaneous	65,885	65,126	53.3%
Mortgage/asset-backed securities	27,284	27,336	22.3%
Total available-for-sale investments	$ 122,949	$ 122,220	100.0%

December 31, 2017	Amortized Cost or Cost	Fair Value	% of Total Fair Value
		($ in thousands)	
Fixed maturities:			
U.S. Governments	$ 13,393	$ 13,285	10.6%
States, territories, and possessions	3,188	3,197	2.5%
Political subdivisions	4,118	4,067	3.2%
Special revenue excluding mortgage/asset-backed securities	24,039	23,914	19.1%
Industrial and miscellaneous	44,582	44,531	35.5%
Mortgage/asset-backed securities	12,981	12,919	10.3%
Total fixed maturities	102,301	101,913	81.2%
Equity securities	19,569	23,586	18.8%
Total available-for-sale investments	$ 121,870	$ 125,499	100.0%

The following tables provide the credit quality of investment securities as of December 31, 2018 and 2017:

December 31, 2018	Estimated Fair Value	% of Total
	($ in thousands)	
Rating		
AAA	$ 57,693	47.2%
AA	13,023	10.7%
A	33,030	27.0%
BBB	17,984	14.7%
B	490	0.4%
	$ 122,220	100.0%

December 31, 2017	Estimated Fair Value	% of Total
	($ in thousands)	
Rating		
AAA	$ 32,310	31.7%
AA	16,798	16.5%
A	37,721	37.0%
BBB	12,630	12.4%
BB	1,421	1.4%
B	1,033	1.0%
	$ 101,913	100.0%

The amortized cost and fair value of our available-for-sale investments in fixed maturity securities summarized by contractual maturity as of December 31, 2018 and 2017, were as follows:

December 31, 2018	Amortized Cost	Fair Value	% of Total Fair Value
		($ in thousands)	
Due within one year	$ 2,621	$ 2,614	2.1%
Due after one year through five years	50,677	49,802	40.7%
Due after five years through ten years	32,471	32,518	26.6%
Due after ten years	9,896	9,950	8.1%
Mortgage and asset-backed securities	27,284	27,336	22.5%
	$ 122,949	$ 122,220	100.0%

December 31, 2017	Amortized Cost	Fair Value	% of Total Fair Value
		($ in thousands)	
Due within one year	$ 11,325	$ 11,312	11.1%
Due after one year through five years	72,602	72,284	70.9%
Due after five years through ten years	5,393	5,398	5.3%
Due after ten years	—	—	—
Mortgage and asset-backed securities	12,981	12,919	12.7%
	$ 102,301	$ 101,913	100.0%

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements (as defined by applicable regulations of the SEC) that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of economic losses due to adverse changes in the estimated fair value of a financial instrument as the result of changes in equity prices, interest rates, foreign currency exchange rates and commodity prices. Our consolidated balance sheets include assets and liabilities with estimated fair values that are subject to market risk. Our primary market risks have been equity price risk associated with investments in equity securities and interest rate risk associated with investments in fixed maturities. We do not have material exposure to foreign currency exchange rate risk or commodity risk.

Credit risk is the potential loss resulting from adverse changes in an issuer's ability to repay its debt obligations. General concern exists about the number of municipalities experiencing financial difficulties in light of the adverse economic conditions experienced over the past several years. We manage the exposure to credit risk in our municipal bond portfolio by investing in high quality securities and by diversifying our holdings, which are typically either general obligation or revenue bonds related to essential products and services. We manage the exposure to credit risk in our corporate bond portfolio by investing in high quality securities and by diversifying our holdings.

We monitor our investment portfolio to ensure that credit risk does not exceed prudent levels. The majority of our investment portfolio is invested in high credit quality, investment grade fixed maturity securities. We also invest in higher yielding fixed maturities and equity securities. Our fixed maturity portfolio has an average rating by at least one nationally recognized rating organization of "AA–," with approximately 84.9% rated "A–" or better. At December 31, 2018, 0.4% of our fixed maturity portfolio was unrated or rated below investment grade. Our fixed maturity portfolio includes some securities issued with financial guaranty insurance. We purchase fixed maturities based on our assessment of the credit quality of the underlying assets without regard to insurance.

Interest Rate Risk

We manage our exposure to interest rate risk through a disciplined asset/liability matching and capital management process. In the management of this risk, the characteristics of duration, credit and variability of cash flows are critical elements. We regularly assess these risks and balance them within the context of our liability and capital position.

As of December 31, 2018, the estimated fair value of our fixed maturities was $122.2 million. We estimate that a 100-basis point increase in interest rates would cause a 4.0% decline in the estimated fair value of our fixed maturities portfolio, while a 100-basis point decrease in interest rates would cause a 3.9% increase in the estimated fair value of that portfolio. The selected scenarios are not predictions of future events, but rather illustrate the effect that such events may have on the fair value of our fixed maturities portfolio.

Critical Accounting Policies and Estimates

We identified the accounting estimates below as critical to the understanding of our financial position and results of operations. Critical accounting estimates are defined as those estimates that are both important to the portrayal of our financial condition and results of operations and which require us to exercise significant judgment. We use significant judgment concerning future results and developments in applying these critical accounting estimates and in preparing our consolidated financial

statements. These judgments and estimates affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of material contingent assets and liabilities. Actual results may differ materially from the estimates and assumptions used in preparing the consolidated financial statements. We evaluate our estimates regularly using information that we believe to be relevant. For a detailed discussion of our accounting policies, see the Notes to Consolidated Financial Statements included in this prospectus.

Reserve for Losses and Loss Adjustment Expenses

The reserve for losses and loss adjustment expenses represents our estimated ultimate cost of all reported and unreported losses and loss adjustment expenses incurred and unpaid at the balance sheet date. We do not discount this reserve. We seek to establish reserves that will ultimately prove to be adequate.

We categorize our reserves for unpaid losses and loss adjustment expenses into two types: case reserves and reserves for incurred but not yet reported losses ("IBNR"). Through our TPAs, we generally are notified of losses by our insureds or their agents or brokers. Based on the information provided by the TPAs, we establish initial case reserves by estimating the ultimate losses from the claim, including administrative costs associated with the ultimate settlement of the claim. Our claims department personnel use their knowledge of the specific claim along with internal and external experts, including underwriters and legal counsel, to estimate the expected ultimate losses.

With the assistance of an independent, actuarial firm, we also use statistical analysis to estimate the cost of losses and loss adjustment expenses related to IBNR. Those estimates are based on our historical information, industry information and estimates of trends that may affect the ultimate frequency of incurred but not reported claims and changes in ultimate claims severity.

We regularly review our reserve estimates and adjust them as necessary as experience develops or as new information becomes known to us. Such adjustments are included in current operations. During the loss settlement period, if we have indications that claims frequency or severity exceeds our initial expectations, we generally increase our reserves for losses and loss adjustment expenses. Conversely, when claims frequency and severity trends are more favorable than initially anticipated, we generally reduce our reserves for losses and loss adjustment expenses once we have sufficient data to confirm the validity of the favorable trends. Even after such adjustments, the ultimate liability may exceed or be less than the revised estimates. Accordingly, the ultimate settlement of losses and the related loss adjustment expenses may vary significantly from the estimate included in our consolidated financial statements.

The following tables summarize our gross and net reserves for unpaid losses and loss adjustment expenses at December 31, 2018 and 2017.

	December 31, 2018			
	Gross	% of Total	Net	% of Total
	($ in thousands)			
Loss and Loss Adjustment Reserves				
Case reserves	$ 5,850	36.4%	$ 3,543	85.1%
IBNR	10,211	63.6%	622	14.9%
Total reserves	$ 16,061	100.0%	$ 4,165	100.0%

	December 31, 2017			
	Gross	% of Total	Net	% of Total
Loss and Loss Adjustment Reserves				
Case reserves	$ 7,587	42.7%	$ 2,229	50.3%
IBNR	10,197	57.3%	2,202	49.7%
Total reserves	$ 17,784	100.0%	$ 4,431	100.0%

The process of estimating the reserves for losses and loss adjustment expenses requires a high degree of judgment and is subject to several variables. On a quarterly basis, we perform an analysis of our loss development and select the expected ultimate loss ratio for each of our product lines by accident year. In our actuarial analysis, we use input from our TPAs and our underwriting and claims departments, including premium pricing assumptions and historical experience. Multiple actuarial methods are used to estimate the reserve for losses and loss adjustment expenses. These methods utilize, to varying degrees, the initial expected loss ratio, detailed statistical analysis of past claims reporting and payment patterns, claims frequency and severity, paid loss experience, industry loss experience, and changes in market conditions, policy forms, exclusions, and exposures. The actuarial methods used to estimate loss and loss adjustment expenses reserves are:

- *Reported and/or Paid Loss Development Methods*—Ultimate losses are estimated based on historical reported and/or paid loss reporting patterns. Reported losses are the sum of paid and case losses. Industry development patterns are substituted for historical development patterns when sufficient historical data is not available.

- *Reported Bornhuetter-Ferguson Methods*—Ultimate losses are estimated as the sum of cumulative reported losses and estimated IBNR losses. IBNR losses are estimated based on historical development patterns and one or more of the following: expected average severity and estimated ultimate claims counts, expected pure premium, and expected loss ratios underlying our filed loss cost multipliers.

- *Paid Bornhuetter-Ferguson Method*—Under this method, ultimate losses are estimated as the sum of cumulative paid losses and estimated unpaid losses. Unpaid losses are estimated based on the expected loss ratios underlying our filed loss cost multipliers, and selected industry development patterns of paid losses.

The method(s) used vary based on the line of business and the loss event. Considering each of the alternative ultimate estimates, we select an estimate of ultimate loss for each line of business. For Earthquake and "Difference in Conditions" policies, more emphasis is placed on reported methods. For the remainder, a weighted average is selected.

Loss Adjustment Expenses include all claims adjustment expenses whether internal or external to us. Reserves for loss adjustment expenses are estimated using the following methods:

- For Earthquake and "Difference in Conditions" policies, the ratio of loss adjustment expense to loss from industry data, is applied to the estimated ultimate loss. Estimated ultimate loss adjustment expense is reduced by paid loss adjustment expense to derive the selected loss adjustment expense reserve.

- For other lines of business, the ratio of paid loss adjustment expense to paid loss is applied to the estimated unpaid loss.

On a quarterly basis, the Chief Executive Officer, President, Chief Financial Officer, Chief Accounting Officer, and Vice President Legal—Compliance & Claims, meet to review the recommendations made by the independent actuarial consultant and use their best judgment to determine the best estimate to be recorded for the reserve for losses and loss adjustment expenses on our balance sheet.

Our reserves are driven by several important factors, including litigation and regulatory trends, legislative activity, climate change, social and economic patterns and claims inflation assumptions. Our reserve estimates reflect current inflation in legal claims' settlements and assume we will not be subject to losses from significant new legal liability theories. Our reserve estimates assume that there will not be significant changes in the regulatory and legislative environment. The impact of potential changes in the regulatory or legislative environment is difficult to quantify in the absence of specific, significant new regulation or legislation. In the event of significant new regulation or legislation, we will attempt to quantify its impact on our business, but no assurance can be given that our attempt to quantify such inputs will be accurate or successful.

The table below quantifies the impact of potential reserve deviations from our carried reserve at December 31, 2018. We applied sensitivity factors to incurred losses for the three most recent accident years and to the carried reserve for all prior accident years combined. We believe that potential changes such as these would not have a material impact on our liquidity.

			December 31, 2018		Potential Impact on 2018	
Sensitivity	Accident Year	Net Ultimate LLAE Sensitivity Factor	Net Ultimate Incurred LLAE	Net LLAE Reserve	Pre-tax income	Shareholder's Equity*
			($ in thousands)			
Sample increases	2018	5.0%	$ 8,164	$ 3,754	$ (158)	$ (158)
	2017	2.5%	$ 10,903	$ 173	$ (98)	$ (98)
	Prior	1.0%	$ 9,308	$ 237	$ (93)	$ (93)
Sample decreases	2018	–5.0%	$ 8,164	$ 3,754	$ 158	$ 158
	2017	–2.5%	$ 10,903	$ 173	$ 98	$ 98
	Prior	–1.0%	$ 9,308	$ 237	$ 93	$ 93

* No tax impact due to full valuation allowance in 2017

The amount by which estimated losses differ from those originally reported for a period is known as "development." Development is unfavorable when the losses ultimately settle for more than the amount reserved or subsequent estimates indicate a basis for reserve increases on unresolved claims. Development is favorable when losses ultimately settle for less than the amount reserved, or subsequent estimates indicate a basis for reducing loss reserves on unresolved claims. We reflect favorable or

unfavorable development of loss reserves in the results of operations in the period the estimates are changed.

Gross Ultimate Loss and LAE
(in thousands)

Accident Year	Calendar Year 2015	2016	2017	2018	Development 2015 to 2016	2016 to 2017	2017 to 2018
Prior	$3,049	$2,835	$ 2,650	$ 2,625	$ (214)	$ (185)	$ (25)
2016	N/A	9,431	8,629	8,127	N/A	(802)	(502)
2017	N/A	N/A	31,833	29,183	N/A	N/A	(2,650)
2018	N/A	N/A	N/A	17,667	N/A	N/A	N/A
					$ (214)	$ (987)	$ (3,177)

Net Ultimate Loss and LAE
(in thousands)

Accident Year	Calendar Year 2015	2016	2017	2018	Development 2015 to 2016	2016 to 2017	2017 to 2018
Prior	$2,685	$2,505	$ 2,356	$ 2,334	$ (180)	$ (149)	$ (22)
2016	N/A	7,473	7,490	6,974	N/A	17	(516)
2017	N/A	N/A	12,256	10,903	N/A	N/A	(1,353)
2018	N/A	N/A	N/A	8,165	N/A	N/A	N/A
					$ (180)	$ (132)	$ (1,891)

During the year ended December 31, 2018, our gross incurred losses for accident years 2017 and prior developed favorably by $3.2 million. This favorable development was due to reported losses emerging at a lower level than expected, primarily in our Specialty Homeowners business. The net favorable development of $1.9 million reflects the effect of our reinsurance program.

During the year ended December 31, 2017, our gross incurred losses for accident years 2016 and prior developed favorably by $1.0 million. This favorable development was due to reported losses emerging at a lower level than expected, primarily in our Specialty Homeowners business. The net favorable development of $0.1 million reflects the effect of our reinsurance program.

During the year ended December 31, 2016, our net incurred losses for accident year 2015 developed favorably by $0.2 million. The favorable development was primarily due to reported losses emerging at a lower level than expected, across most lines of business.

Although we believe that our reserve estimates are reasonable, it is possible that our actual loss experience may not conform to our assumptions. Specifically, our actual ultimate loss ratio could differ from our initial expected loss ratio or our actual reporting and payment patterns could differ from our expected reporting and payment patterns, which are based on our own data and industry data. Accordingly, the ultimate settlement of losses and the related loss adjustment expenses may vary significantly from the estimates included in our financial statements. We regularly review our estimates and adjust them as necessary as experience develops or as new information becomes known to us. Such adjustments are included in the results of current operations.

Investment Valuation and Impairment

Fair value measurements

We invest in a variety of investment grade fixed maturity securities, including U.S. government issues, state government issues, mortgage and asset-backed obligations, and corporate bonds. All of our investments in fixed maturity securities and equity securities are carried at fair value, defined as the price that we would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. Market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange and not acting under duress.

In our disclosure of the fair value of our investments, we utilize a hierarchy based on the quality of inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value. The three levels of the fair value hierarchy are described below:

Level 1—Unadjusted quoted prices are available in active markets for identical investments as of the reporting date.

Level 2—Pricing inputs are quoted prices for similar investments in active markets; quoted prices for identical or similar investments in inactive markets; or valuations based on models where the significant inputs are observable or can be corroborated by observable market data.

Level 3—Pricing inputs into models are unobservable for the investment. The unobservable inputs require significant management judgment or estimation.

We use independent pricing sources to obtain the estimated fair values of investments. The fair value is based on quoted market prices, where available. In cases where quoted market prices are not available, the fair value is based on a variety of valuation techniques depending on the type of investment. The fair values obtained from independent pricing sources are reviewed for reasonableness and any discrepancies are investigated for final valuation.

The fair value of our investments in fixed maturity securities is estimated using relevant inputs, including available market information, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. An Option Adjusted Spread model is also used to develop prepayment and interest rate scenarios. These fair value measurements are estimated based on observable, objectively verifiable market information rather than market quotes; therefore, these investments are classified and disclosed in Level 2 of the hierarchy.

The fair value of our investments in equity securities is based on quoted prices available in active markets and classified and disclosed in Level 1 of the hierarchy.

Investment securities are subject to fluctuations in fair value due to changes in issuer-specific circumstances, such as credit rating, and changes in industry-specific circumstances, such as movements in credit spreads based on the market's perception of industry risks. In addition, fixed maturities are subject to fluctuations in fair value due to changes in interest rates. As a result of these potential fluctuations, it is possible to have significant unrealized gains or losses on a security. Unrealized gains and losses on our fixed maturity securities are included in accumulated other comprehensive income as a separate component of total shareholder's equity. Equity securities are carried at fair value with unrealized gains and losses included as a component of net income on the Company's consolidated statement of income. Prior to 2018, unrealized gains and losses on equity securities were included in accumulated other comprehensive income as a separate component of shareholder's equity.

Impairment

We review all securities with unrealized losses on a quarterly basis to assess whether the decline in the securities fair value is deemed to be other-than-temporary. This decision requires judgement and we consider the following factors in determining whether declines in the fair value of investments are other-than-temporary:

- The significance of the decline in fair value compared to the cost basis;
- The time period during which there has been a significant decline in fair value;
- Whether the unrealized loss is credit-driven or a result of changes in market interest rates;
- A fundamental analysis of the business prospects and financial condition of the issuer;
- For fixed maturity securities, our intent to sell the securities as of each reporting date;
- If we do not expect to recover the entire amortized cost basis or cost of the investment;
- For equity securities, the general macro-economic outlook for the underlying economy represented; and
- For equity securities, our ability and intent to hold the investments for a period of time sufficient to allow for any anticipated recovery in fair value.

Other-than-temporary declines in fair value of fixed maturity securities are evaluated for amounts considered credit losses by comparing the expected present value of cash flows to be collected to the amortized cost of the security. Once the amount of other-than-temporary impairment ("OTTI") related to the credit loss is determined, the unrealized loss is then bifurcated into the credit-related loss and the loss related to all other factors. The credit-related OTTI loss is recognized as a realized loss in the statement of comprehensive income and the cost basis of the security is reduced. The OTTI related to other factors remain in accumulated other comprehensive income. Other-than-temporary declines in the fair value of equity securities are recorded as realized losses in the consolidated statement of comprehensive income and the cost basis of the security is reduced.

In our review as of December 31, 2018 and 2017, we determined that, for fixed maturity securities in an unrealized loss position, the unrealized losses were primarily the result of the interest rate environment and not the credit quality of the issuers. None of the fixed maturity securities were determined to be other-than-temporarily impaired; therefore, none of the fixed maturity securities were written down during the respective years.

In our review as of December 31, 2017, we determined that the unrealized losses of the equity securities lots were considered to be temporary due to the severity of the declines therefore, none of the equity securities were written down, and any remaining unrealized losses of equity securities at that time were recognized to retained earnings upon adoption of ASU 2016-01 on January 1, 2018. See "Note 2—Recent Accounting Pronouncements" in the Notes to Consolidated Financial Statements included in this prospectus for a discussion of accounting pronouncements recently adopted and recently issued accounting pronouncements not yet adopted and their potential impact to our financial statements.

Deferred Income Taxes

We account for taxes under the asset and liability method, under which we record deferred income taxes as assets or liabilities on our balance sheet to reflect the net tax effect of the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets and liabilities are measured by applying enacted tax rates in effect for the years in which such differences are expected to reverse.

Our deferred tax assets result from temporary differences primarily attributable to unearned premiums and net operating losses. Our deferred tax liabilities result primarily from deferred acquisition costs and unrealized gains in the investment portfolio. On a quarterly basis, we review our deferred tax assets and, if we determine that it is more likely than not that some portion or all of the deferred tax assets will not be realized we reduce our deferred tax asset with a valuation allowance. The assessment requires significant judgement.

We recorded a valuation allowance in 2017 due to 3-year cumulative losses and a large catastrophe event during 2017. We increased the valuation allowance by $0.7 million in 2018. The amount of our deferred tax assets considered realizable could be adjusted if estimates of future taxable income during the carryforward period are increased or if objective negative evidence in the form of cumulative losses is no longer present.

On December 22, 2017, the President of the United States signed into law the Tax Act. The legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates from 35% to 21%, effective January 1, 2018. U.S. GAAP requires companies to recognize the effect of tax law changes in the period of enactment. We evaluated all available information and made reasonable estimates of the impact of tax reform to substantially all components of our net deferred tax assets as of December 31, 2017. We finalized our accounting for the Tax Act during 2018 with no significant impact to earnings or deferred taxes.

Our March 2019 U.S. domestication will impact future taxable income and the likelihood of utilizing the existing deferred tax assets.

Recent Accounting Pronouncements

See "Note 2—Recent Accounting Pronouncements" in the Notes to Consolidated Financial Statements included in this prospectus for a discussion of accounting pronouncements recently adopted and recently issued accounting pronouncements not yet adopted and their potential impact to our financial statements.

Inflation

We establish our insurance premiums prior to knowing the amount of losses and loss adjustment expenses or the extent to which inflation may affect such amounts. We attempt to anticipate the potential impact of inflation in our pricing and our establishing of reserves for losses and loss adjustment expenses. Inflation in excess of the levels we have assumed could cause losses and loss adjustment expenses to be higher than we anticipated.

Substantial future increases in inflation could also result in future increases in interest rates, which in turn are likely to result in a decline in the market value of the investment portfolio and cause unrealized losses or reductions in total shareholder's equity.

Seasonality

Our Commercial All Risk, Specialty Homeowners and Hawaii Hurricane businesses expose us to claims from seasonal weather events such as hurricanes and windstorms. The occurrence of such events typically increases between June and November of each year. As a result, we may experience increased losses in our Commercial All Risk, Specialty Homeowners and Hawaii Hurricane lines of business during this period. Our Residential Earthquake and Commercial Earthquake businesses are not subject to seasonality.

INDUSTRY

P&C Industry

The property and casualty ("P&C") insurance industry provides protection from covered loss events, such as damage to property or liability claims by third parties. Property insurance provides protection against risks to property such as fire, theft, or other physical damages such as those caused by wind. Losses are generally short tailed such that they are usually known, reported and paid within a relatively short period of time after the underlying loss event has occurred. Casualty insurance generally refers to insurance that covers liability for injuries, negligent acts or omissions; casualty losses are generally long tailed, which means that there can be a significant delay between the occurrence of a loss and the time it is settled by the insurer. In addition to the property-casualty distinction, P&C insurance can be broadly classified into personal lines, in which insurance is provided to individuals, and commercial lines, in which insurance is provided to businesses. According to S&P Global, the United States P&C insurance industry generated approximately $643 billion in direct premiums written in 2017, split 53% and 46% respectively between personal lines and commercial lines, with the remaining 1% of premium in accident & health.

In the United States, P&C insurance products are written in admitted and non-admitted markets. In the admitted market, insurance rates and forms are generally approved by state regulators and coverages tend to be standardized. Carriers are subject to assessments by state insurance departments and are backed by individual state guaranty funds, up to a limit set by the state. The non-admitted market, also known as the E&S or surplus lines market, focuses on harder-to-place risks that most admitted insurers do not underwrite. Agents and brokers generally are only permitted to place business with non-admitted insurers once coverage has been denied in the admitted market from a specified number of admitted carriers. As a result, admitted products are often easier for agents or brokers to sell. For the year ended December 31, 2018, all of our gross written premium came from the sale of admitted insurance products.

Specialty Property Industry

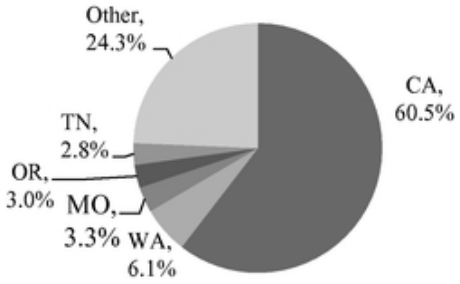
While no standard definition of the specialty market exists, Standard & Poor's Ratings Services indicates that the following lines of business or exposure profiles exemplify the space: high-hazard or nonstandard insurance, niche market segments and tailored underwriting. Specialty risks can be written by both admitted and non-admitted carriers. Many specialty insurers focus on niches of business that other carriers decline to pursue or do not have the underwriting expertise, distribution relationships or operating capabilities to write on a profitable basis.

We focus on specialty property insurance markets in the United States that we believe are underserved and mispriced. These markets typically cover damage caused by particular perils including earthquake, wind (including from hurricanes) and flood. We compete in lines of business and states that represented over $20 billion in annual direct premium during 2017. We are currently licensed in 25 states and we have applied for state approval for licenses in 4 additional states which we believe would increase our addressable market by over 50%.

Earthquake

According to the NAIC, the United States earthquake insurance market generated $2.9 billion of direct premium written in 2017. California is the largest state for earthquake insurance, representing 60.5% of the market. Other markets for earthquake insurance include the Pacific Northwest (Oregon and Washington), Alaska and the New Madrid Seismic Zone (Midwestern states, primarily Illinois, Indiana, Kentucky, Missouri, Ohio and Tennessee).

2017 U.S. Earthquake
Direct Premiums Written
$2.9 billion



Earthquake insurance generally provides coverages for a dwelling or business, contents, any additional external structures, additional living expenses and business interruption following an earthquake. These products typically do not include coverages for fire following an event, land, vehicles, pre-existing damage, external water damage or masonry. Unlike a homeowners' insurance policy, earthquake insurance is not required by mortgage providers. Traditionally, earthquake insurance coverages have high deductibles, and the pricing is based on broad territorial zones, age of home, construction type, and cost to rebuild. Due to the voluntary nature of the product, high annual cost, and inflexible features, the take-up rate of earthquake insurance is low. In 2017, 13% of homeowners in California carried earthquake insurance, according to the California Department of Insurance. While this rate is low today, we seek to expand the residential earthquake insurance market by attracting homeowners who may not have otherwise purchased earthquake coverage through our lower deductibles, flexible coverage terms and more granular pricing. We also believe that there is the potential for market penetration to increase significantly following an earthquake due to increased consumer awareness.

California residential property owners have three primary options for buying earthquake insurance: (i) from the California Earthquake Authority ("CEA"), (ii) from specialty insurers such as Palomar or (iii) through "mini-policies" from large standard carriers that also offer homeowners' insurance. In California, state law requires all homeowners insurers to offer their homeowners' policyholders a separate catastrophe residential earthquake policy with statutorily mandated deductibles, coverage limitations and other state-mandated provisions every two years; these policies are often referred to as "mini-policies". Homeowners' insurers may elect to offer mini-policies directly to their customers, or, for carriers that prefer not to underwrite the earthquake risk, the insurers can join the CEA. The CEA is a state managed, privately funded organization that offers California homeowners, condominium owners, mobile home owners and renters basic earthquake coverage. The CEA is funded by its member insurance companies, who upon joining may offer their homeowners policyholders a CEA policy instead of issuing a mini-policy themselves. As of August 2018, CEA participating insurers were responsible for almost 80% of California's residential property insurance, and the CEA accounted for roughly 40% of California's residential earthquake insurance. Outside of California, residential property owners' primary options for buying earthquake insurance are from specialty insurers such as Palomar or through "mini-policies" from large standard carriers that also offer homeowners' insurance.

Wind

Our Specialty Homeowners products compete in three states (Alabama, Mississippi and Texas) that generated $11.5 billion in total homeowners premium in 2017 according to the NAIC. Premium earned by our Commercial All Risk products is classified by the NAIC as a combination of Allied Lines and Fire premium; we currently operate in seven states (Alabama, Georgia, Louisiana, Mississippi, North Carolina, South Carolina and Texas) that generated $6.2 billion in total premium across these lines of

business in 2017. A variety of private and state-managed companies insure risks in the wind-exposed property insurance market and tend to focus on specific geographic zones. The private market is served by a variety of specialty property insurers, E&S insurers and some standard lines carriers. In our target geographies we believe standard carriers often decline applications from these higher-risk wind-exposed zones, and as a result we believe there are few admitted products offered and consequently less competition for mandatory homeowners' insurance and higher limit commercial business. In cases where there is not adequate coverage from the private market, state insurance funds such as Louisiana Citizens Property Insurance Corporation and the Texas Windstorm Insurance Association ("TWIA") provide residual residential coverage for homeowners who cannot buy insurance in the private market. For example, TWIA's primary purpose is to provide an adequate market for windstorm and hail insurance in certain designated portions of the seacoast territory of Texas.

Hawaii Hurricane

Premium earned by hurricane insurers in the state of Hawaii has been separately classified by the NAIC as Fire premium and as Homeowners premium. These two lines of business generated $450 million of total premium in Hawaii in 2017. A significant hurricane has not made landfall in Hawaii since 1992, at which time Hurricane Iniki caused estimated property damage of over $1.8 billion. After Hurricane Iniki, many insurers left the market. Mortgage providers require hurricane insurance in Hawaii. We believe the retail agents who distribute the product prefer carriers that have "A–" or higher financial strength rating from A.M. Best, creating a tangible opportunity for us given that we offer one of the few products in the market rated by A.M. Best as "A–" or higher.

Flood

Flood insurance is offered in the private market and in the public market by the NFIP, a federal program in the United States, managed by the Federal Emergency Management Administration ("FEMA"). The NFIP generated $3.0 billion in premiums in 2017, while the private market generated $569 million of total premiums in 2017 according to the NAIC. The NFIP allows property owners in participating communities to buy insurance to protect against flood losses. We believe that the NFIP product is inflexible and in many cases provides insufficient coverage. For example, contents coverage must be purchased separately and the NFIP will only pay for the replacement cost of the damage up to a maximum limit of $250,000. If homeowners require more expansive coverage, they are required to purchase insurance in the private market. The 2017 hurricane season, which caused significant flood damage pushed the NFIP into $20.5 billion of indebtedness as of February 2018. The NFIP was due to expire in September 2017 and was reauthorized for short, additional periods between March 2017 and May 2019 as members of Congress consider potential reform. The NAIC's NFIP reauthorization recommendations for Congress includes encouraging greater growth in the private flood insurance market. Should proposed regulatory changes to the NFIP be enacted, we believe we are well positioned to capture premium that would come into the private market.

BUSINESS

Who We Are

We are a rapidly growing and profitable company focused on the provision of specialty property insurance. We focus on certain markets that we believe are underserved by other insurance companies, such as the markets for earthquake, wind and flood insurance. We provide specialty property insurance products in our target markets to both individuals and businesses. We use proprietary data analytics and a modern technology platform to offer our customers flexible products with customized and granular pricing on an admitted basis. We distribute our products through multiple channels, including retail agents, program administrators, wholesale brokers, and in partnership with other insurance companies. Our business strategy is supported by a comprehensive risk transfer program with reinsurance coverage that we believe provides both consistency of earnings and appropriate levels of protection in the event of a major catastrophe. Our management team combines decades of insurance industry experience across specialty underwriting, reinsurance, program administration, distribution, and analytics.

Founded in 2014, we have significantly grown our business and have generated attractive returns. We have organically increased gross written premiums from $16.6 million for the year ended December 31, 2014, our first year of operations, to $154.9 million for the year ended December 31, 2018, a compound annual growth rate ("CAGR") of approximately 75%. Our return on equity and combined ratio were 20.9% and 71.6%, respectively, for the year ended December 31, 2018. During 2018, we experienced average monthly premium retention rates above 90% for our Residential Earthquake, Residential Flood and Hawaii Hurricane lines and approximately 84% overall across all lines of business, providing strong visibility into future revenue. In February 2014, Palomar Specialty Insurance Company was awarded an "A–" (Excellent) (Outlook Stable) rating from A.M. Best Company ("A.M. Best"), a leading rating agency for the insurance industry. In February 2019, A.M. Best affirmed our "A–" (Excellent) (Outlook Stable) rating for Palomar Specialty Insurance Company and affirmed our "A–" (Excellent) (Outlook Stable) group rating for Palomar Holdings, Inc. This rating reflects A.M. Best's opinion of our financial strength, operating performance and ability to meet obligations to policyholders and is not an evaluation directed towards the protection of investors.

We believe that our market opportunity, distinctive products and differentiated business model position us to profitably grow our business.

Our Business

Our management team founded our company to address unmet needs that we perceived to exist in certain specialty property insurance markets. These markets have primarily been served by either large generalist insurance companies and state-managed entities applying "one-size-fits-all" pricing and policy forms across broad geographies, or excess and surplus ("E&S") companies offering relatively volatile pricing and coverage without the backing of state guaranty funds. We are an admitted insurance company, which means that, unlike our E&S competitors, our rates and policy forms have been approved by the insurance department of each state in which we sell our policies thus providing a further level of security to policyholders through our backing from state guaranty funds. As a result, our products typically have lower taxes and fees. We believe that both our customers and distribution partners prefer the ease of use and security of admitted products with flexible coverages. Additionally, we believe that we can generate superior risk-adjusted returns through underwriting that better reflects our customers' underlying risk through a more granular approach to pricing than what is typically offered by standard carriers. We believe this market acceptance and return potential is evidenced by the fact that we have quickly and profitably grown to be the 6th largest writer of earthquake insurance in the state of California and are experiencing growth and increasing profitability across our other lines of business.

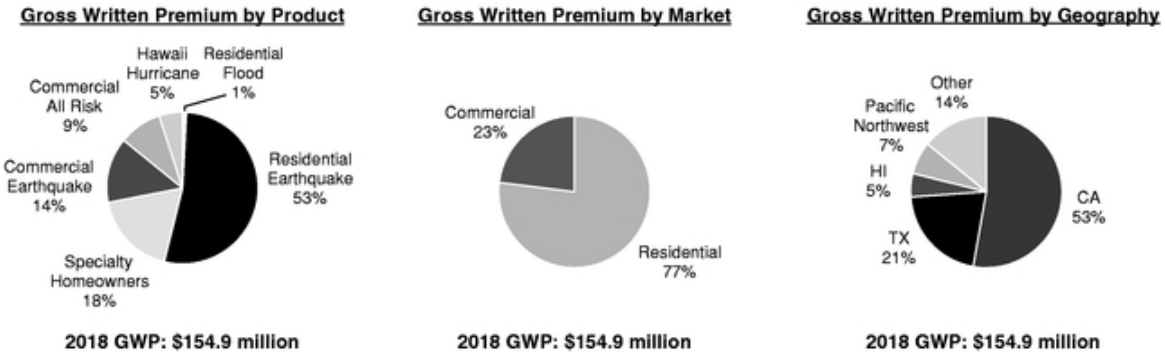
Our primary lines of business include: Residential Earthquake, Commercial Earthquake, Specialty Homeowners, Commercial All Risk, Hawaii Hurricane, Residential Flood, and REI. We seek to write a diverse mix of business by loss exposure, customer type and geography in order to mitigate the potential impact of any single catastrophe event, reduce our cost of reinsurance, and position us to capitalize on emerging market opportunities. The following table outlines our lines of business and the market opportunities that they address:

Risk	Opportunity	Palomar Lines of Business
Earthquake	• Competitors' products have limited options and are priced in broad territorial zones.	• Our **Residential** and **Commercial Earthquake** products are priced at a granular level and offer flexible product features.
	• Residential earthquake is an optional coverage that many homeowners choose not to purchase due to the high price and limited coverage options.	• Our Residential Earthquake products seek to expand the residential earthquake insurance market by attracting buyers who may not otherwise purchase protection.
	• Commercial earthquake coverage is often offered through the E&S market, which is not backed by state guaranty funds.	• Our products are admitted and backed by state guaranty funds, which we believe makes them easier to sell.
Wind	• Homeowners insurance on a national level is generally highly competitive; however, we believe there are specific markets with attractive return potential that many carriers avoid due to hurricane exposure.	• Our **Specialty Homeowners** products are offered in markets that we identified through detailed analysis of pricing dynamics and historical loss ratios.
	• We identified specific hurricane-exposed geographic markets in the Southeastern United States with limited admitted commercial insurance product offerings due to the perceived risk of windstorms.	• The majority of our Specialty Homeowners premium is generated through a fee-generating 'fronting' arrangement.
		• For our **Commercial All Risk** products, we use detailed technical analysis to identify a subset of target occupancies and developed a proprietary risk pricing methodology that we believe enables us to select and price risk appropriately.
		• Our Commercial All Risk policy covers fire and wind damage (wind includes hurricane, tornado, and hail storm).
		• Our Commercial All Risk business generates fee income from underwriting on behalf of third parties.

Risk	Opportunity	Palomar Lines of Business
		• We currently do not write Florida property business due to what we perceive to be a currently unfavorable pricing and regulatory environment.
Hawaii Hurricane	• There are a limited number of highly rated insurers writing standalone residential hurricane business in Hawaii.	• Our **Hawaii Hurricane** products are preferred by local retail agents due to our "A–" rating and our easy to use technology platform.
	• Coverage is required for homeowners that carry a mortgage for their property in the state.	• Coverage is only provided for named hurricanes, which eliminates our exposure to attritional losses.
Residential Flood	• Flood represents one of the largest sources of property damage in the United States. However, we believe the current private market flood product offerings are scarce and outdated.	• Our **Flood** products offer property coverage up to $5 million and price risk at the specific geocode level.
	• Our primary competitor in this market is the National Flood Insurance Program ("NFIP"), which caps dwelling coverage at $250,000 and prices risks using broad territorial zones.	• Our Flood products also provide broader coverage than the NFIP and have a more streamlined approval process with no required elevation certificate or waiting period.
Real Estate Investor	• There are limited options for small real estate investors to aggregate coverage for multiple properties.	• Our **REI** program provides property and liability coverage to owners of 1-4 dwelling investment property portfolios.
	• We created a product that allows investors to expand or contract coverage for multiple properties on a single master policy.	• Our wholly-owned managing general agent, Prospect General Insurance Agency, administers the program and writes on behalf of capacity provided by syndicates at Lloyd's of London.

Since our founding, we have made substantial progress diversifying our business by product, market and geography. In 2014, our first year of operations, all of our premiums were related to earthquake insurance. For the year ended December 31, 2018, 67% of our gross written premiums were related to earthquake risk. For the same time period, 77% of our gross written premiums were attributable to residential business and 23% of gross written premiums were attributable to commercial business. For the year ended December 31, 2018, non-earthquake related premiums grew 31% while earthquake related premiums grew 28% versus the prior year. We are currently licensed in 25 states, with California and Texas representing our largest exposures with 53.0% and 21.0% of our gross written premiums for the year ended December 31, 2018, respectively. We have applications for certificates of authority submitted in four states with plans to enter additional states in the future. Our business strategy is to continue diversifying our book of business by extending our geographic reach and

expanding our product portfolio. The following charts illustrate our business mix by product, residential versus commercial markets, and geography for the year ended December 31, 2018:



We employ a highly granular and analytical underwriting process to assess each insurance policy that we write. Our systems enable us to underwrite all of our residential business automatically within minutes by leveraging our proprietary modeling techniques to analyze data at the geocode or ZIP code level. For example, our 2016 Residential Earthquake rate and policy form filing with the Washington State Office of the Insurance Commissioner has over 20,000 distinct pricing zones that take into account nuanced regional differences in soil types, liquefaction potential and distance from known faults. In contrast, we believe most competing earthquake insurance rate filings in Washington are based on broad territorial pricing zones across the entire state. In our commercial products, we balance automation with human expertise and controls to underwrite more complex risks. Because the data we collect through our underwriting process is highly granular, we are able to utilize detailed portfolio analytics to actively manage aggregation of policies and to ensure an appropriate dispersion of risks across our full portfolio.

We purchase a significant amount of reinsurance from a diverse group of third parties which we believe enhances our business by reducing our exposure to potential catastrophe losses and volatility in our underwriting performance. This in turn provides us with greater visibility into our earnings. As of January 1, 2019 our reinsurance program featured excess of loss reinsurance, quota share reinsurance, insurance linked securities, and per risk reinsurance protection from a panel of more than 80 highly rated reinsurers and capital markets investors. Many of our reinsurance contracts have multi-year terms and additional features, such as prepaid reinstatements and expanded coverage windows for catastrophe events, that we believe provide us with significant protection and flexibility should market conditions change. Effective January 1, 2019, we retain $5 million of risk per earthquake and wind event, inclusive of any amounts retained through our Bermuda reinsurance subsidiary, and our reinsurance program currently provides for coverage up to $850 million for earthquake events, subject to customary exclusions, with coverage in excess of our estimated peak zone 1 in 250 year probable maximum loss ("PML") event and of our A.M. Best requirement. Furthermore, our earthquake policies do not provide coverage for fire damage arising from an earthquake. In addition, we maintain reinsurance coverage equivalent or better to 1 in 250 year PML for our other lines.

Our Competitive Strengths

We believe that our competitive strengths include:

Focus on capturing market share and expanding underserved markets. We focus on specialty property insurance markets that we believe are underserved, and where we believe we can capture market share and expand the market to new customers. In our target markets, there are few direct competitors who focus exclusively on specialty property risks. With our specialized knowledge of these risks and our customized products, pricing and risk management, we believe we can better serve these markets than

our competitors. Furthermore, we are able to expand our markets by creating products that attract insureds who previously had not obtained coverage. Our focus and expertise have enabled us to rapidly increase our market share; for example, we have grown into the 6th largest writer of earthquake insurance in California. In markets with similar characteristics, we are experiencing growth and increasing profitability across our other lines of business. We believe that our focus on addressing the needs of specialty property markets provides us with a competitive advantage.

Differentiated products built with the customer in mind. We have invested significant time and resources into developing what we believe are innovative and unique product offerings to address customer needs within our target markets. Our products generally offer our customers the certainty of admitted insurance products with flexible features that are not typical of standard products in our markets. By offering our customers the ability to choose deductibles and other a la carte coverage options, we believe we have created products that are attractive both to those who have existing coverages with our competitors, and to those who have not historically bought insurance in our target markets. Furthermore, since our products have been approved by individual state regulators and have been supported by proprietary pricing models since inception, we believe that our products are not easily replicable, particularly by existing carriers who would face the burden of gathering data, building new models and revising existing rates and policy forms with regulators. Finally, our policy forms and ratings methodology provide us with significant flexibility to manage coverage options and pricing. During 2018, we experienced average monthly premium retention rates above 90% for our Residential Earthquake, Residential Flood and Hawaii Hurricane lines and 84% overall across all lines of business, providing strong visibility into future revenue.

Analytically driven, disciplined and scalable underwriting. Our underwriting approach combines decades of specialty property underwriting experience of our management team with sophisticated, customized modeling tools we have developed that utilize extensive geospatial and actuarial data across all of our lines of business. Our proprietary models enable automated pricing of risks at the geocode or ZIP code level, in contrast to our competitors who we believe use less granular analytics and more manual underwriting processes. For example, we believe that our Commercial All Risk product has the only filing in the admitted market that produces location-level wind pricing, enabling us to price wind risk more accurately than competitors who establish wind pricing at the county or zonal level. Our analytical pricing framework is embedded in all facets of our business and is incorporated into our filings, pricing, underwriting and risk management. We believe that our analytically-driven underwriting approach has been the foundation of our ability to generate attractive risk-adjusted underwriting margins.

Multi-channel distribution model. Our open architecture distribution framework allows us to attract and underwrite business from multiple channels. We work with a wide variety of retail agents, program administrators, and wholesale brokers. We serve over 20 insurance companies as a specialty property partner either by issuing companion policies or providing reinsurance for their in-force risks that fit our strict underwriting parameters. The breadth and flexibility of our distribution model allows us to generate premium from many different parts of the insurance ecosystem and to rapidly take advantage of changing market conditions.

Sophisticated and conservative risk transfer program. We manage our exposure to catastrophe events through several risk mitigation strategies, including the purchase of reinsurance. We believe that our reinsurance program provides appropriate levels of protection and superior visibility into our earnings. We believe our current reinsurance program provides coverage well in excess of our theoretical losses from any recorded historical event. We regularly model our hypothetical losses from historically significant catastrophes, including the 1906 San Francisco and 1994 Northridge earthquakes. Under our current reinsurance program, should an event equivalent to either of these two events recur, our hypothetical net loss would be capped at our current net retention of $5 million, equivalent to 5.2% of our total shareholder's equity as of December 31, 2018, inclusive of any amounts retained through our Bermuda reinsurance subsidiary. While we only select reinsurers whom we believe to have acceptable credit and a minimum A.M. Best rating of "A–", if our reinsurers are unable to pay the claims for which they are responsible, we ultimately retain primary liability to our policyholders. In addition, at each reinsurance treaty renewal, we consider any plans to change the underlying insurance coverage we offer, our current capital, our risk appetite, and the cost and availability of reinsurance coverage, which may vary from time to time. In addition to the magnitude of coverage, we believe our reinsurance program provides us with significant protection and stability during potential periods of market volatility due to our use of staggered, multi-year contracts, and features such as prepaid reinstatements and expanded coverage windows for catastrophe events and our diverse panel of more than 80 highly-rated reinsurers and capital markets investors. Given that our reinsurance purchases are driven primarily by our peak zone earthquake exposure, as we scale and diversify our book of business into uncorrelated geographies and perils, we have been able to secure multi-peril coverage that reduces the cost of reinsurance per dollar of risk.

Emphasis on the use of technology and analytics across our business. As a recently formed insurance company, we have built a proprietary operating platform that employs best practices derived from our management team's extensive prior experience. Our technology platform is not burdened by outdated legacy technology and process which may be utilized by older insurance companies. In building our platform, we have emphasized automated processes that use granular data and analytics consistently across all aspects of our business. Our internally developed Palomar Automated Submission System ("PASS") acts as our interface with retail agents and wholesale brokers. PASS serves as the conduit to our policy administration system that integrates policy issuance, underwriting, billing and portfolio analytics. Our platform enables us to rapidly quote and bind policies via automated processing, and also to run detailed risk-management analytics for internal and external constituents including distribution partners, carrier partners and reinsurers. We believe that this real-time access to data and analytics provides us with an advantage in distributing our products, managing our risk, and purchasing reinsurance.

Entrepreneurial and highly experienced management team and board. Our management team is highly qualified, with an average of more than twenty years' of relevant experience in insurance, reinsurance and capital markets. We are led by our Chief Executive Officer, Mac Armstrong, who prior to founding Palomar was President of Arrowhead. Many of our management team members such as Mac Armstrong, Heath Fisher, our President and Co-Founder, and Christopher Uchida, our Chief Financial Officer and Corporate Secretary, have a long history of working together. For example, while at Arrowhead, Mac Armstrong worked closely with Christopher Uchida, who served as Executive Vice President and Chief Accounting Officer. As owners of approximately % of our outstanding common stock after completion of this offering, we believe our management team has closely aligned interests with our stockholders. Additionally, our Board of Directors is comprised of accomplished industry veterans who bring decades of experience from their prior roles working in insurance and financial services companies.

Our Strategy

We believe that our approach to our business will allow us to achieve our goals of both growing our business and generating attractive returns. Our strategy involves:

Expand our presence in existing markets. We compete in lines of business and states that represented over $20 billion in total written premiums during 2017. By comparison, we generated $154.9 million of gross written premiums for the year ended December 31, 2018. We believe that our differentiated product offerings will enable us to continue growing in our existing markets by (i) gaining market share from competitors who have less flexible product offerings; (ii) continuing to expand our strong distribution network; and (iii) increasing the total addressable market by providing attractive products to customers who previously elected not to purchase coverage.

Extend our geographic reach and product portfolio. We are currently licensed in 25 states that represented over $20 billion in total written premiums during 2017. We have applied for certificates of authority in four additional states that we believe would increase our addressable market by over 50% within our existing product lines alone. In addition, we continue to evaluate additional lines of business that will harness our core competencies and where we believe we can generate attractive risk-adjusted returns. Our research and development efforts are exemplified through the initial growth of our Commercial All Risk and Flood products.

Maintain our distinctive combination of industry leading profitability and growth. Our analytically informed risk selection and disciplined underwriting guidelines enable us to identify segments of the market that are both underserved and mispriced. As a result, we are able to generate an attractive underwriting profit through expanding the addressable market and winning market share with our distinctive products. For the year ended December 31, 2018, our return on equity was 20.9%. Additionally, we will look to achieve industry leading combined ratios to ensure we are achieving attractive risk-adjusted returns. As we seek premium growth, we intend to remain disciplined in our pricing, underwriting, and risk management processes, including closely managing our net PML, AAL and spread of risk. We will remain focused on lines of business with attractive pricing dynamics and a favorable risk / return profile, and we will not participate in markets that we believe are commoditized or where our business model cannot add incremental value.

Maintain a diversified book of business. We currently write a book of specialty property insurance that is diversified by underlying loss exposure, customer type and geography. Our major product lines and exposures are uncorrelated, such that events contributing to a loss in one line of business are unlikely to generate material losses in our other lines of business. The diversification of our book of business improves our risk-adjusted returns, reduces our reinsurance cost per dollar of premium, insulates us from swings in any single insurance or reinsurance market, and allows us to capitalize on market shifts opportunistically. As we grow, we intend to maintain a diversified book of business to continue to capitalize on these advantages.

Leverage our underwriting, analytics, and risk transfer acumen to generate fee income. We generate fee income in multiple ways including: underwriting on behalf of other insurance companies, fronting arrangements, and quota share reinsurance. Our multi-channel distribution model produces attractive business in excess of what we can prudently hold on our own balance sheet. As a result, we have an increasing number of partnerships where we write policies on behalf of other insurance and reinsurance companies who pay us a ceding commission to access the business. We believe these partnerships are an important validation of the intellectual property and expertise we have developed. We also act as a fronting carrier in certain lines of business where we cede substantially all of the risk and earn a fee for providing access to our A.M. Best rated balance sheet and admitted products. We believe this strategy enables us to scale our business more quickly and profitably and provides a growing and valuable fee stream to complement our profitable underwriting operations.

Continue to purchase conservative reinsurance coverage, while optimizing for risk-adjusted returns. We believe that protecting our earnings and balance sheet through the use of reinsurance is critical to our business to help ensure that we are able to meet obligations to our policyholders and other constituents, and to generate strong returns for our stockholders. We plan to maintain a conservative, robust reinsurance program to help ensure that we are adequately protected against potential catastrophe losses. Our goal is to protect our earnings, and we constructed our current reinsurance program to mitigate losses and ensure profitability in a severe catastrophe. As we grow, we expect that we will benefit from increased scale and diversification of risk in our business, and we plan to optimize our reinsurance program continuously by adjusting terms, structure, pricing, and participants in an effort to maximize our risk-adjusted returns.

Strengthen and harness our strong and growing capital base. The markets we currently serve are capital intensive, and as a recently established entrant, we compete with larger, more longstanding insurers. Nevertheless, we were awarded an "A–" (Excellent) (Outlook Stable) rating from A.M. Best at our formation, which we believe has been a source of competitive differentiation in certain markets where we operate. As we continue to demonstrate profitable underwriting operations and generate additional equity, we believe we will have access to more distribution sources that are typically reluctant to refer business to startup insurance companies. Notably, we believe that surpassing five years of underwriting operations and exceeding $100 million in total shareholder's equity are both important thresholds for potential distribution partners, and meeting these thresholds may enable us to generate business through those partners. We aim to surpass those thresholds in the near term including the use of proceeds from this offering.

Continue to invest in proprietary technology assets that deepen our competitive advantage. We believe that the success of our business is centered upon our relentless commitment to apply technology to improve our business. For example, we have dedicated software developers focused on building application programming interfaces ("APIs"), which enable seamless integration into the point of sale systems of our partner carriers and distribution partners. This integration increases the ease of use for our partners, embeds us within their systems, and facilitates real-time sharing of information between our distribution, underwriting, and risk management functions. We will continue to evaluate and invest in proprietary and third-party technology assets, which deepen our competitive advantage, strengthen our operations and improve our returns.

History

We are an insurance holding company that was originally incorporated under the laws of the Cayman Islands in October 2013. In March 2019, we (i) implemented a domestication pursuant to Section 388 of the Delaware General Corporation Law and Section 206 of the Companies Law (2018 Revision), as amended, of the Cayman Islands pursuant to which we became a Delaware corporation and no longer subject to the laws of the Cayman Islands, (ii) effected a 17,000,000 for one forward stock split and (iii) caused our then-sole shareholder, GC Palomar Investor LP, to distribute all of the post-split shares of our common stock to its various partners and other interest holders, including to Genstar Capital and its affiliates. We collectively refer to these transactions as the "domestication transactions." In March 2019, we made a one-time cash distribution totaling approximately $5.1 million to certain of our stockholders in order to allow such stockholders to satisfy tax obligations incurred as a result of the domestication transactions.

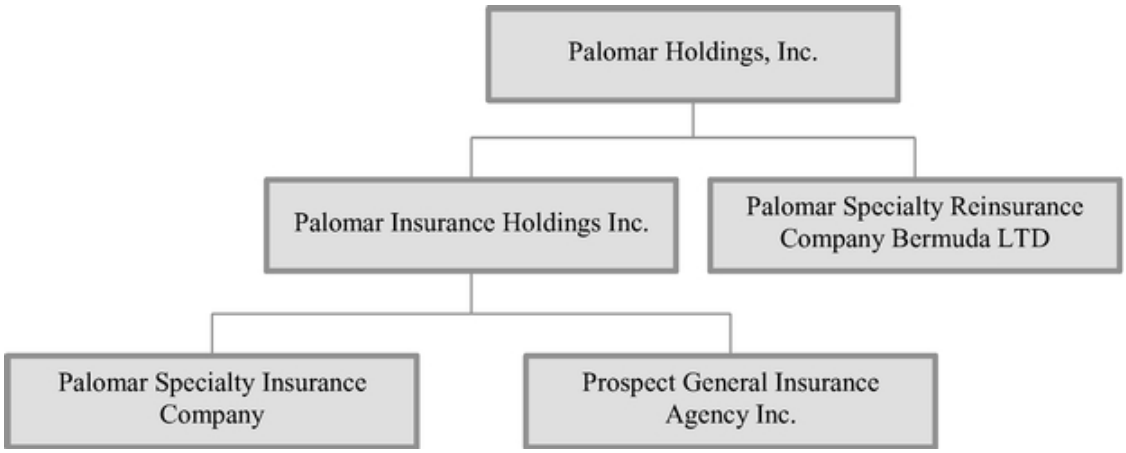
Our primary operating subsidiary, Palomar Specialty Insurance Company, is an insurance company domiciled in the state of Oregon and is an admitted insurer licensed to write business in 25 states as of January 3, 2019. Palomar Specialty Insurance Company was formed in February 2014 and was initially capitalized with $75 million of capital invested by Genstar Capital, a private equity firm with a focus on the financial services sector, as well as our management team. In August 2014, we incorporated Palomar Specialty Reinsurance Company Bermuda Ltd., a Bermuda-based reinsurance subsidiary that

provides reinsurance support exclusively to Palomar Specialty Insurance Company and that benefits from the favorable operating environment for reinsurers domiciled in Bermuda. In August 2015, we incorporated Prospect General Insurance Agency, Inc., a managing general agency formed to underwrite specialty insurance products on behalf of third party insurance companies.

Palomar Specialty Insurance Company was awarded an "A–" (Excellent) (Outlook Stable) financial strength rating from A.M. Best in February 2014. In February 2019, A.M. Best affirmed the "A–" (Excellent) (Outlook Stable) rating for Palomar Specialty Insurance Company and affirmed the "A–" (Excellent) (Outlook Stable) group rating for Palomar Holdings, Inc. This rating reflects A.M. Best's opinion of our financial strength, operating performance and ability to meet obligations to policyholders and is not an evaluation directed towards the protection of investors.

Our Structure

The chart below displays our corporate structure to be in effect prior to completion of this offering:



Our Products

We provide personal and commercial specialty property insurance products in our target markets. We believe that our core markets within the specialty property sector have primarily been served by either large generalist insurance companies and state-managed entities that apply "one-size-fits-all" pricing and policy forms across broad geographies, or E&S companies that offer volatile pricing and coverage without the backing of state guaranty funds. With the goal of giving customers better options, we designed an analytical framework to create flexible, admitted products with innovative coverages and pricing that we believe better reflects the underlying risk. Using this framework, we initially introduced residential and commercial earthquake products in 2014 and have subsequently expanded our product portfolio to cover multiple specialty property risks in several regions of the United States. We have grown our business by entering markets that demonstrated one or more of the following attributes: (i) have loss characteristics, including limited attritional losses, similar to our initial earthquake product, (ii) can benefit from our technology platform, data analytics and customer centric products, and/or (iii) allow us to leverage our existing underwriting talent, reinsurance expertise and distribution relationships.

Our insurance product offerings include Residential and Commercial Earthquake, Specialty Homeowners, Commercial All-Risk, Hawaii Hurricane, Residential Flood and Real Estate Investor. In addition, we are currently developing Builder's Risk and Inland Marine insurance products to address markets in which we believe we can offer distinctive products and generate attractive underwriting

results. We aim to develop a diversified portfolio with exposure spread across geographic regions with limited correlation. Our largest exposure remains in the state of California and we have expanded to address the insurance needs in the New Madrid Seismic zone in the Midwestern United States, wind-exposed markets in the southeastern United States and the hurricane market in the state of Hawaii. We tailor our risk participation to optimize our returns depending on the conditions of specific markets; this approach includes utilizing a fronting arrangement in the state of Texas. In total, we are licensed in 25 total states and, including our REI offering, we have active policies in 37 total states. The following table shows our gross written premium for Palomar Specialty Insurance Company, our U.S. insurance subsidiary, by state for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,					
	2018	% of Total	2017	% of Total	2016	% of Total
	($ in thousands)					
Gross written premiums by state:						
California	$ 82,119	53.0%	$ 64,231	53.4%	$ 44,999	54.7%
Texas	32,568	21.0%	29,273	24.4%	25,286	30.7%
Hawaii	8,128	5.2%	5,323	4.4%	2,872	3.5%
Washington	5,658	3.7%	2,803	2.3%	1,513	1.8%
Oregon	5,286	3.4%	4,250	3.6%	3,278	4.0%
Illinois	4,403	2.8%	4,854	4.0%	332	0.4%
South Carolina	3,208	2.1%	1,706	1.4%	674	0.8%
Oklahoma	1,261	0.8%	1,302	1.1%	1,030	1.3%
All other states	12,260	8.0%	6,492	5.4%	2,303	2.8%
	$ 154,891	100%	$ 120,234	100.0%	$ 82,287	100.0%

We believe that maintaining a balanced book of residential and commercial business is beneficial. For example, while our Residential Earthquake products experience higher premium retention rates, our Commercial Earthquake products provide more flexibility on pricing, which enables us to increase premium rates more quickly when market conditions accommodate price increases. As of December 31, 2018, 77% of our gross written premium consisted of residential business and 23% of gross written premium consisted of commercial business. The following table shows gross written premium by product line for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Gross written premiums by product:			
Residential Earthquake	$ 81,679	$ 57,328	$ 32,662
Specialty Homeowners	27,680	26,516	24,389
Commercial Earthquake	20,946	23,079	20,580
Commercial All Risk	14,338	7,321	1,784
Hawaii Hurricane	8,128	5,323	2,872
Residential Flood	2,120	667	—
Total	$ 154,891	$ 120,234	$ 82,287

Residential Earthquake

We offer Residential Earthquake products on an admitted basis in 17 states primarily under the brand names Value Select and Flex Choice. Our products insure against damage to the home, contents and any appurtenant structures and reimburse for temporary housing costs in the event of an

earthquake. We design our products to provide agents and policyholders with coverage flexibility, including a full range of deductible options and the ability to tailor limits to a customer's individual preferences. We aim to sell our products to buyers who may not have previously purchased earthquake coverage. We believe that our pricing model is a distinctive feature of our product offering. Using data from industry-leading catastrophe models we are able to evaluate and accurately price exposures at the ZIP code or geocode level based on characteristics particular to the risk. For example, we believe competing earthquake insurance products in California are commonly based on broad territorial pricing zones that do not take into account regional differences in soil types, liquefaction potential and include little price differentiation between risks with varying proximity to known faults. Our ability to divide geographies into highly resolute grids, or ZIP codes, and price according to more detailed information relating to the exposure allows us to obtain a more appropriate rate for the risk, and often allows us to offer rate relief, particularly in low risk areas that historically have low earthquake insurance penetration. We write policy limits up to $15 million; all policies involve automated underwriting and policies under $5 million in limit are issued via automated processing.

Commercial Earthquake

We offer Commercial Earthquake products, commonly known as "Difference in Conditions" policies, on an admitted basis in 16 states. Our Commercial Earthquake products focus on providing coverage for benign commercial risks where the business interruption exposure is typically less than 15% of the total insured value ("TIV"). We attempt to avoid risks where the contents are hard to value or represent a disproportionate percentage of the value. We write policy limits up to $25 million with the ability to serve larger accounts through the use of facultative reinsurance. We believe we occupy a unique position in the market as we are one of a select group of admitted carriers that price risk at the location level. Furthermore our approved rate and form filings provide us with the requisite pricing and coverage flexibility to compete with E&S carriers.

Specialty Homeowners

Our Specialty Homeowners product provides admitted insurance coverage to homeowners in wind-exposed coastal regions. We sell homeowners coverage through our distribution partners in certain counties in Texas, Alabama and Mississippi. We believe that the homeowners insurance market on a national level is highly competitive but that there are specific geographic markets with attractive return potential that many insurance companies avoid due to windstorm exposure. For example, our Texas program focuses on counties that face lower frequency windstorm exposure rather than higher frequency exposure to tornado and hail perils experienced by inland counties. Similarly, our programs in Alabama and Mississippi target newer construction in areas no closer than half a mile from the coast, which we believe optimizes the catastrophe premium we are able to price into the risk while minimizing the relative exposure. The majority of our Specialty Homeowners gross written premium is generated through fronting arrangements where we originate, underwrite and issue polices and then transfer the underlying risk to third parties in exchange for fee income.

Commercial All Risk

We offer Commercial All Risk insurance on an admitted basis in Alabama, Georgia, Louisiana, Mississippi, North Carolina, South Carolina and Texas. The All Risk policy covers the perils of fire and wind, with wind including hurricane, tornado, and hail storm. For an additional premium the policy can include the peril of earthquake. We believe we occupy a unique position in the market as an admitted carrier with the ability to generate location level pricing informed by windstorm exposure. We write policy limits up to $25 million for occupancy types including homeowner's associations, strip malls, hotels, motels and office buildings.

Hawaii Hurricane

We provide admitted residential property coverage for named hurricanes in the state of Hawaii. This is a required coverage for homeowners that carry a mortgage on their properties in the state. Similar to our residential earthquake product, insureds have the ability to tailor limits to their preferences. The policies we write only trigger coverage if wind damage occurs while the insured risk is in a county that is under a hurricane watch or warning as deemed by the Pacific division of the National Weather Service. Coverage only remains in effect for a period of 72 hours after the hurricane watch or warning expires. Therefore, there is no exposure to attritional losses with this product. We believe our products are preferred by local retail agents due to our "A–" (Excellent) (Outlook Stable) rating by A.M. Best. We write policy limits up to $15 million; all policies involve automated underwriting and policies under $5 million in limit are issued via automated processing.

Residential Flood

We provide admitted residential flood products under the Flood Guard brand in Arizona, California, Hawaii, Illinois, Indiana, Nevada, Oklahoma, Oregon, Pennsylvania, South Carolina and Utah. Our products primarily compete against those of the NFIP, which caps dwelling coverage at $250,000 and prices risk using broadly defined zones. We offer higher limits than the NFIP and price risk at the specific geocode level having developed detailed granular models of all current markets in partnership with a leading national catastrophe modeling agency. Furthermore, due to our proprietary pricing grid models we eliminate the need for a waiting period or an elevation certificate prior to binding and issuance of policies. We write policy limits up to $5 million, all of which involve automated underwriting and are issued via automated processing. Should proposed regulatory changes to the NFIP be enacted, we believe we are well positioned to capture premium that would come into the private market.

Real Estate Investor

Our REI program provides property and liability coverage on an E&S basis to owners of 1-4 dwelling investment property portfolios and is administered through our affiliated managing general agent, Prospect General Insurance Agency, an Approved Coverholder at Lloyd's of London with delegated authority to write business on behalf of capacity provided by syndicates at Lloyd's of London. While we generate commission and fee income from the sale of REI products, we do not retain any of the underlying risk of losses incurred by those policies. As of December 31, 2018, we have written policies in 30 states and are licensed to write in all 50 states. We write policy limits up to $2 million.

Premium Retention Rates

Our products demonstrate strong renewal rate trends, which we believe are an indication of the distinctive value we provide to insureds and which provide visibility into future earned premium. The following table shows our renewal retention by policy for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	2017
Average monthly premium retention by product(1):		
Residential Earthquake	93%	92%
Commercial Earthquake	74%	80%
Specialty Homeowners	72%	72%
Commercial All Risk	81%	79%
Hawaii Hurricane	100%	92%
Residential Flood	97%	N/A
Real Estate Investor	92%	101%

(1) All Risk, REI products reflect partial year data given inception date of programs. Residential Flood excluded from 2017 due to lack of renewal data for that year.

Marketing and Distribution

We market and distribute our products through a multi-channel, open architecture distribution model which includes retail agents, wholesale brokers, program administrators and carrier partnerships. We have well-defined underwriting criteria and have designed our distribution model to access our targeted risks through what we believe to be the most efficient channels.

Retail Agents: We primarily distribute our residential and REI products through retail agents. We believe that retail agents are an important pillar of our distribution model due to the high retention rates and rate stability that we are able to achieve with policies sold through this channel. We believe this outcome is a result of the distinctive offering we provide agents in the form of admitted, flexible products that are preferred by end consumers and are easier for agents to sell than E&S alternatives. In many cases, we provide agents with direct access to our policy management system that enables them to quote, bind and issue policies in a matter of minutes. We believe this ease of use and quick speed-to-quote serves as a competitive advantage.

Wholesale Brokers: We distribute our Commercial Earthquake, Commercial All Risk and REI products primarily through wholesale brokers. Wholesale brokers are an important channel for commercial property insurance products as they control much of the premium in these segments. We select wholesale brokers based on our management's review of their experience, knowledge and business plan. We target brokers with the experience to serve our target markets and with business plans consistent with our strategy and underwriting objectives. Brokers must demonstrate an ability to produce both the quality and quantity of business that we seek. To assist with this goal, our underwriters regularly visit with brokers to market and discuss the products we offer. We terminate brokers who are unable to produce consistently profitable business or who produce unacceptably low volumes of business.

Program Administrators: Within the earthquake and Specialty Homeowners market segments, we partner with select program administrators in order to harness the efficiency and scale of their existing marketing and distribution infrastructures. Generally, policies bound by our program administrators are pre-underwritten using our pricing models which have been programmed into the policy administration system of each partner. For business that is not automatically underwritten, we set strict underwriting guidelines to which our partners must adhere. We audit the underwriting, systems, financial strength and reporting capabilities of all of our program administrators on a regular basis. For our Value Select Residential Earthquake products, we have a mutually exclusive program administrator agreement with Arrowhead for the states of California, Oregon and Washington. Under this agreement, which accounts for $65.6 million of our gross written premiums for the year ended December 31, 2018, we conduct product development and underwriting while our program administrator manages a base of over 1,000 retail agents who individually bind policies through PASS or an internal system which automatically applies our pricing and underwriting guidelines to new policies, and is subjected to our disciplined risk management. The fees payable by us to Arrowhead under the agreement are based upon our premiums written in each state. The agreement remains in effect until terminated by either party upon 180 days' prior written notice to the other party for cause. Our Specialty Homeowner products are sold in Texas, Alabama and Mississippi through program administrators with local expertise in their respective markets. Our program administrators participate in the economics of produced business through risk sharing agreements, which we believe strengthens the alignment of interests toward generating underwriting profit.

Carrier Partnerships: Given our unique specialty property focus and underwriting expertise, we are a carrier of choice for other insurance companies seeking a specialty property insurance partner in order to transfer certain classes of risk, satisfy insurance department mandatory offer requirements or provide a more comprehensive risk solution to their customers. As of December 31, 2018, we had partnerships with over twenty insurance companies. Several carriers invite us to provide a companion

offer for residential earthquake insurance alongside their homeowners' insurance policy offerings. Other carriers will direct their captive agents to our online system so that they may quote, bind and issue policies directly. Finally, we offer assumed reinsurance arrangements to carriers whereby we assume up to 100% of the underlying risk for specific classes of business, typically Residential Earthquake, in exchange for a ceding commission. Our assumed reinsurance treaties represent risks that we would ordinarily underwrite on a primary basis and that fit well within our risk tolerance, however, the cedant either (i) has already written these policies or (ii) the cedant wants to issue the policies on their paper but not retain any of the risk. We believe that our carrier partnerships with sophisticated industry participants speak to the value and quality of our products, service offering and systems. Furthermore, carrier partnerships are a highly scalable distribution model as they enable us to tap into a sizable customer base and to quickly build scale in new markets. With all partnerships, we carefully ensure that the risk characteristics of both new and assumed business are consistent with our underwriting of direct business. Furthermore, we primarily maintain full claims authority or otherwise require the ceding carrier to retain a share of the risk.

Underwriting

Our underwriting team combines comprehensive data analysis with experienced underwriting techniques to build a profitable, stable and diversified book of business. Our underwriting process involves securing an adequate level of underwriting information, classifying and evaluating each individual risk exposure, assessing the impact of the risk upon our existing portfolio, and pricing the risk accordingly. Our overarching underwriting philosophy is 'to write what we know'; therefore, our underwriters tend to avoid exposures that are overly complex or cannot easily be recognized from a photograph. This straightforward approach allows our underwriters to focus on business they understand and can process quickly without sacrificing diligence and attention to detail.

We develop our underwriting guidelines and pricing models through traditional underwriting metrics, management experience, and advanced data analytics that allow us to assess information about construction type, contingent exposure, location, occupancy type and size and granularly rate exposure at the ZIP code or geocode level. We access data for our pricing models provided from multiple leading risk modeling vendors, and use our information from proprietary extensions of catastrophe models to assist in evaluating soil types, proximity to faults, and loss estimates in the form of modeled marginal impact, AAL and PML. This analytical underwriting framework enables us to offer rate relief in low risk areas and to accurately price locations that are at higher risk.

Residential policies are issued via automated underwriting and account for approximately 77% of our gross written premium for the year ended December 31, 2018. Using our predefined underwriting guidelines, distribution partners can rapidly quote and bind accounts under $5 million in limit via automated processing. We believe that automated underwriting improves efficiency, reduces errors, and enhances the customer experience.

Since our commercial lines products do not lend themselves to highly automated underwriting, we use our customized operating platform to evaluate individual risk and to quote business efficiently. We regularly audit data gathered during our underwriting process to determine the accuracy of rating information and risk pricing. For example, we often inspect properties as part of our underwriting process to discover any unrepaired damage and identify any other conditions that affect the insurability of the property. Additionally, we continue to assess the use of new technology enabled tools to assist us with inspections as well as other components of the underwriting process.

Ongoing risk management of our portfolio in aggregate is a critical component of our underwriting process. We use third-party catastrophe modeling software to evaluate our ongoing risk exposure. We regularly review the output of these models to evaluate the geographic spread of our risk, including the evaluation of AAL and PML by line of business and for the portfolio as a whole. This review enables

us to optimize the design and pricing of our reinsurance program including the purchase of appropriate reinsurance coverage.

Claims Management

Given the low frequency nature of the perils that we insure, we outsource our claims handling infrastructure to eliminate the expense associated with maintaining full time dedicated claims personnel. We currently contract with four TPAs to reduce our reliance on any single TPA, as well as to benefit from expertise of individual vendors in specific lines of business. Our management team, led by our Vice President of Legal, Compliance and Claims, is responsible for overseeing our TPAs, including the management of loss reserves, event preparation, settlement, arbitration, and mediation. Claims are reported directly to us and the applicable TPA, which adheres to agreed upon service level standards.

In the case of a catastrophe event, our technology infrastructure and data analytics enable us quickly to identify potentially affected policies and begin assisting our customers by notifying our TPAs, our reinsurance partners and other potentially impacted parties. A network of TPAs improves our ability immediately to mobilize claims adjusters to the areas where our customers are most affected and helps insulate us from the "demand surge" following a catastrophe event. In order to prepare for a potential catastrophe event, we run simulations and work closely with our TPAs to ensure there are dedicated desk and field adjusters to handle the volume of claims that would be expected in each loss scenario. Using each earthquake and hurricane scenario, we project losses and identify an individualized and optimal catastrophe response plan for each event.

We audit claims files, such as field reports, case reserves and service level standards on a frequent basis, as well as make claims decisions and monitor litigation, which we do by directly accessing each TPA's claims management system. Additionally, we have implemented certain managerial requirements including notification, reserve approval, payment management, correspondence with insureds, and reports for all claims in excess of the claims analyst's authority.

Reinsurance

We purchase a significant amount of reinsurance from third parties that we believe enhances our business by reducing our exposure to potential catastrophe losses, limiting volatility in our underwriting performance, and providing us with greater visibility into our future earnings. Reinsurance involves transferring, or ceding, a portion of our risk exposure on policies that we write to another insurer, the reinsurer, in exchange for a premium. To the extent that our reinsurers are unable to meet the obligations they assume under our reinsurance agreements, we remain liable for the entire insured loss See "Risk Factors—Risks Related to Our Business and Industry—We may be unable to purchase third-party reinsurance or otherwise expand our catastrophe coverage in amounts we desire on commercially acceptable terms or on terms that adequately protect us, and this inability may materially adversely affect our business, financial condition and results of operations."

We use treaty reinsurance and, on a limited basis, facultative reinsurance coverage. Treaty coverage refers to a reinsurance contract that is applied to a group or class of business where all the risks written meet the criteria for that class. Our treaty reinsurance program primarily consists of catastrophe XOL, in which the reinsurer(s) agree to assume all or a portion of the ceding company's losses relating to a group of policies occurring in relation to specified events, subject to customary exclusions, in excess of a specified amount. Additionally, we buy program specific reinsurance coverage for specific lines of business on a quota share, property per risk or a facultative basis. In quota share reinsurance, the reinsurer agrees to assume a specified percentage of the ceding company's losses arising out of a defined class of business in exchange for a corresponding percentage of premiums, net of a ceding commission. Property per risk coverage is similar to catastrophe excess of loss except that the treaty applies in individual property losses rather than in the aggregate for all claims associated with a single catastrophic loss occurrence. Facultative coverage refers to a reinsurance contract on individual risks as opposed to a group or class of business. We use facultative reinsurance selectively to supplement limits or to cover risks or perils excluded from other reinsurance contracts.

We have a robust program utilizing a mix of traditional reinsurers and insurance linked securities. As of January 1, 2019, we purchased reinsurance from over 80 reinsurers, who either have an "A–" (Excellent) (Outlook Stable) or better financial strength rating by A.M. Best or post collateral. Our reinsurance contracts include special termination provisions that allow us to cancel and replace any participating reinsurer that is downgraded below a rating of "A–" (Excellent) (Outlook Stable) from A.M. Best, or whose surplus drops by more than 20%. Torrey Pines Re Ltd., the special purpose insurer established in Bermuda, comprises $166 million or 19.4% of total catastrophe XOL limit we have in effect. Torrey Pines Re Ltd. was funded by over 25 different investors, with the largest investor representing less than 3% of our total catastrophe XOL reinsurance limit. Our largest single XOL reinsurer comprises 6.1% of total reinsurance limit we purchased. In addition to ceding risk to traditional reinsurers, we purchase collateralized limit from the insurance linked securities ("ILS") market. For more information regarding our largest reinsurers, see page F-28 to the consolidated financial statements within Note 8, Financial Statements and Supplementary Data. The table below reflects the ratings of our largest consolidated reinsurers.

Reinsurer Ratings	A.M. Best	S&P
Torrey Pines Re Ltd 2017-1	NR	NR
Renaissance Reinsurance Ltd.	A+u	A+
Lloyd's # 1084—Chaucer Syndicates Ltd	A	A+
Lancashire Insurance Company Ltd(1)	A	A–
Houston Casualty Company	A++	AA–
Lloyd's # 0033—Hiscox Syndicates Ltd	A s	A+
Hiscox Insurance Company Bermuda Ltd(2)	A	A
Lloyd's # 2791—Managing Agency Partners Ltd	A	A+
Fidelis Insurance Bermuda Ltd	A–	NR
AXIS Specialty Ltd	A+	A+

(1) Lancashire Holdings Limited participates in our reinsurance program through two of its subsidiaries: Lancashire Insurance Company Ltd. and Cathedral Underwriting Limited Syndicate #2010. This rating reflects the rating for Lancashire Insurance Company Ltd.

(2) Hiscox Group participates in our reinsurance program through two of its subsidiaries: Hiscox Insurance Company Bermuda Ltd. and Hiscox Syndicate 33 at Lloyd's. This rating reflects the rating for Hiscox Insurance Company Bermuda Ltd.

Catastrophe XOL Reinsurance Coverage

Effective January 1, 2019, we retain $5 million of risk per earthquake and wind event, inclusive of any amounts retained through our Bermuda reinsurance subsidiary, and our reinsurance program currently provides for coverage up to $850 million for earthquake events, subject to customary exclusions, with coverage in excess of our estimated peak zone 1 in 250 year probable maximum loss ("PML") event and in excess of our A.M. Best requirement. In addition, we maintain reinsurance coverage equivalent to or better than the 1 in 250 year PML for our other lines. As of December 31, 2018, our first event retention represented 5.2% of our shareholder's equity. In the event of a catastrophe that impacts our reinsurance contracts, our contracts primarily include the right to pay additional premium to reinstate reinsurance limits for potential future recoveries during the same contract year and preserve our limit for subsequent events. This payment for subsequent event coverage is known as a "reinstatement".

To mitigate potential volatility in reinsurance market conditions, we purchase XOL reinsurance coverage at two different renewals during the year, on January 1st and on June 1st. Additionally, we divide our catastrophe XOL treaty into multiple layers and place many of the layers on alternating

24 month contracts. At each reinsurance treaty renewal, we consider any plans to change the underlying insurance coverage we offer, our current capital, our risk appetite, and the cost and availability of reinsurance coverage.

In May 2017 we completed our first ILS transaction with the successful close of a $166 million 144A catastrophe bond completed through Torrey Pines Re Ltd, a special purpose insurer established solely for our benefit in Bermuda. Torrey Pines Re provides fully collateralized protection over a three-year risk period, which we believe enhances the overall security and stability of our reinsurance program. Torrey Pines Re is subject to an annual reset mechanism that determines the attachment point of the coverage. This may fluctuate from year to year which could result in a gap in coverage.

To assess the sufficiency of our catastrophe XOL reinsurance coverage, we continuously quantify our exposure to catastrophes including earthquakes, hurricanes, tornadoes and hail storms. We evaluate and monitor the total policy limit insured for each peril and in each geographic region, and we use third-party catastrophe models to evaluate the AAL as well as the estimated PML at various intervals. Our PML modeling is consistent with standards established by A.M. Best and includes "demand surge," and loss amplification. To protect against model bias, we perform probabilistic modeling as well as deterministic modeling using a variety of industry models including AIR Touchstone for all perils and regions, RMS RiskLink for all perils and regions, and EQECAT RQE for earthquake across all regions. We believe our current reinsurance program provides coverage well in excess of our theoretical losses from any recorded historical event. This coverage includes events such as the 1906 San Francisco and 1994 Northridge earthquakes. Under our current reinsurance program, should an event equivalent to either of these two events recur, our hypothetical net loss would be capped at our current net retention of $5 million. While we only select reinsurers whom we believe to have acceptable credit and a minimum A.M. Best rating of "A–", if our reinsurers are unable to pay the claims for which they are responsible, we ultimately retain primary liability to our policyholders. In addition, at each reinsurance treaty renewal, we consider any plans to change the underlying insurance coverage we offer, our current capital, our risk appetite, and the cost and availability of reinsurance coverage, which may vary from time to time.

Catastrophe XOL Treaty Summary

Our catastrophe XOL treaty as of January 1, 2019 is summarized below:

Peril Specific Buy-down Layer. We have purchased coverage for $10 million of losses and loss adjustment expenses ("LAE") in excess of our $5 million retention through two separate placements: a wind-only layer with a prepaid reinstatement and an earthquake-only layer that does not include a reinstatement feature. Both placements expire on June 1, 2019.

Layers 1-3. We have purchased coverage for $115 million of losses and LAE in excess of $15 million, placed in three distinct horizontal layers that are each divided evenly across two distinct two-year contracts. Our Contract A, which provides coverage for 49% of losses and loss adjustment expenses, expires on January 1, 2020 while our Contract B, which provides coverage for 51% of losses and loss adjustment expenses, expires on January 1, 2021. Should the aggregate limit available for recovery under these layers be exhausted due to multiple events, unused limit from our Torrey Pines Re catastrophe bond would 'drop down' and provide coverage for subsequent events.

Layer 4. Contracts A and B each provides coverage for 22.5% of $100 million of losses and LAE in excess of $130 million. Fifty-five percent of the coverage for losses of this magnitude is provided by our Torrey Pines Re catastrophe bond which expires on June 1, 2020. Our Contract A expires on January 1, 2020 while our Contract B expires on January 1, 2021.

Layer 5. We have purchased coverage for 45.45% of $121 million of losses and LAE in excess of $230 million through a placement that expires on June 1, 2019. Fifty-four and fifty-four thousandths

percent of the coverage for earthquake losses of this magnitude is provided by our Torrey Pines Re catastrophe bond which expires on June 1, 2020.

Layer 6. We have purchased coverage for 70% of $150 million of losses and LAE in excess of $351 million through a placement that expires on June 1, 2019. Thirty percent of the coverage for earthquake losses of this magnitude is provided by our Torrey Pines Re catastrophe bond which expires on June 1, 2020.

Layer 7. We have purchased coverage for $49 million of losses and LAE in excess of $501 million through a placement that expires on June 1, 2019. Should the collateral of our Torrey Pines Re catastrophe bond be exhausted by a prior event, any unused limit from Layer 7 would 'drop down' to cover $49 million of otherwise recoverable loss and LAE in excess of $130 million. In the event this layer experiences losses, we have purchased the reinstatement of any exhausted limit for a specified amount.

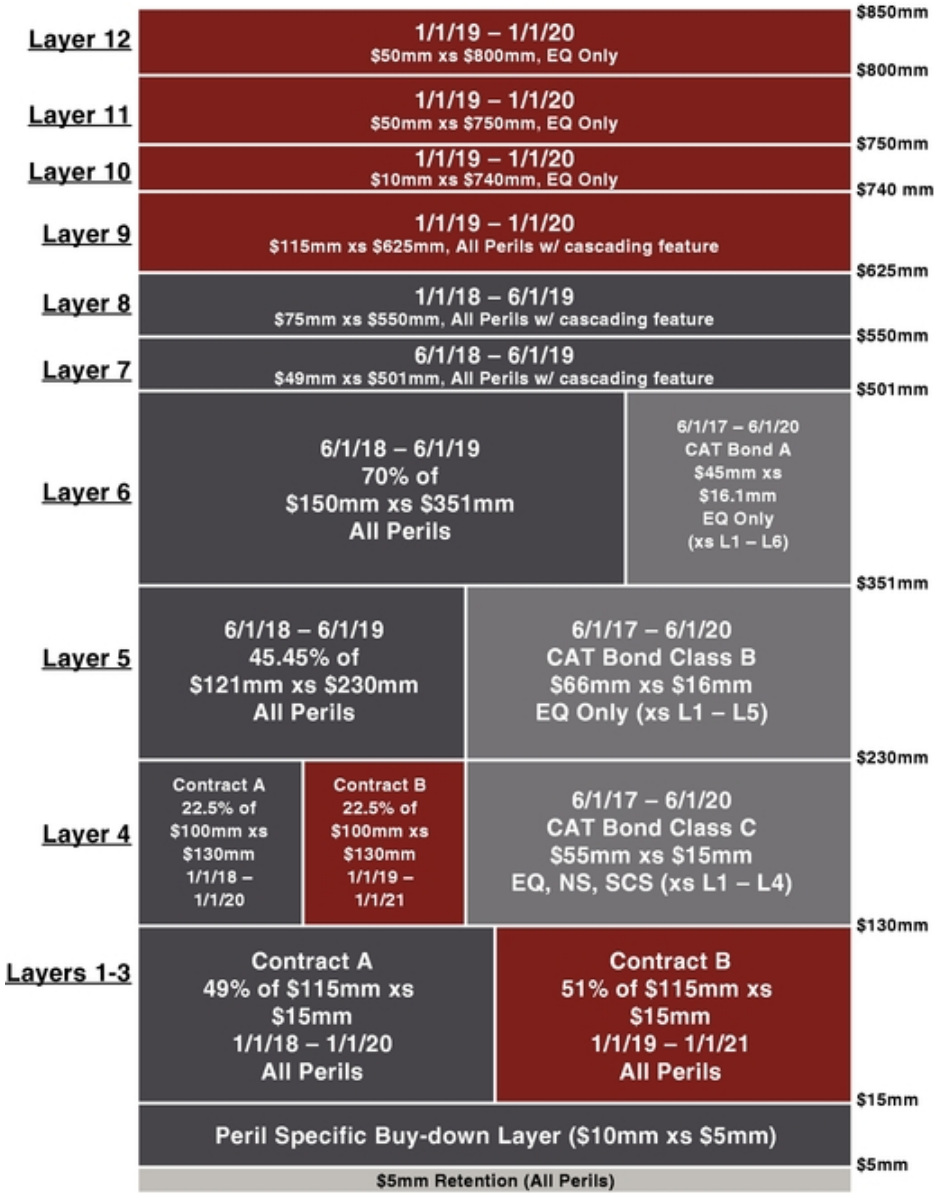
Layer 8. We have purchased coverage for $75 million of losses and LAE in excess of $550 million through a placement that expires on June 1, 2019. Should the collateral of our Torrey Pines Re catastrophe bond be exhausted by a prior event, any unused limit from Layer 8 would 'drop down' to cover $75 million of otherwise recoverable losses and LAE in excess of $130 million. In the event this layer experiences losses, we have purchased the reinstatement of any exhausted limit for a specified amount.

Layer 9. We have purchased coverage for $115 million of losses and LAE in excess of $625 million through a placement that expires on January 1, 2020. Should the collateral of our Torrey Pines Re catastrophe bond be exhausted by a prior event, any unused limit from Layer 9 would 'drop down' to cover $115 million of otherwise recoverable losses and LAE in excess of $130 million. In the event this layer experiences losses, we have purchased the reinstatement of any exhausted limit for a specified amount.

Layers 10-12. We have purchased coverage for $110 million of earthquake losses and LAE in excess of $740 million through three placements that expire on January 1, 2020.

For subsequent catastrophe events, our total available coverage depends on the magnitude of the first event, as we may have coverage remaining from layers that were not previously fully exhausted.

We also have provisions that cover the reinstatement of Layers 1-9 at no additional expense to the Company.



Program Specific Reinsurance Coverage

In addition to our catastrophe XOL coverage, we purchase reinsurance for specific programs in order to control our net exposure for any single risk, manage our exposure to attritional loss and improve our economics through ceding a portion of the risk to reinsurers in exchange for a ceding commission.

Residential and Commercial Earthquake. To reduce our exposure in our peak zone and the overall cost of our catastrophe XOL coverage, we have quota share agreements with reinsurers in which we cede a portion of our California, Oregon and Washington earthquake risk in exchange for a ceding commission.

Commercial All Risk. We are exposed to more frequent, less severe losses from attritional water and fire damage in our Commercial All Risk business, which covers the perils of fire and wind, with wind including hurricanes, tornados, and hail storms. To reduce this attritional loss activity, we cede a portion of the fire premium that we earn on our Commercial All Risk policies to reinsurers, who assume a portion of the subject risk in exchange for a ceding commission. As currently constructed, our maximum loss (excluding catastrophe losses) on any single risk is $150,000. In addition, we have entered into third party capacity arrangements with reinsurers that enable us to offer policy limits up to $25 million while retaining no more than $10 million per risk; we earn a ceding commission for risk ceded to these reinsurers.

Specialty Homeowners. Our Specialty Homeowners programs in Alabama, Mississippi and Texas are subject to attritional loss due to the broader coverage available under a homeowner's policy. For our Alabama and Mississippi homeowners program, we purchase reinsurance to reduce or eliminate the impact of attritional loss. As currently constructed, our maximum loss (excluding catastrophe losses) on any single risk is $225,000. In our Specialty Homeowners operations in the state of Texas, as of June 2018, we cede substantially all underwriting risk in what is known as a "fronting arrangement" whereby the program administrator arranges separate treaty reinsurance coverage for 100% of subject risk up to the 1 in 250 year PML level and we are paid a fronting fee in exchange for the use of our licensed insurance products. We will continue to evaluate our risk participation in the Texas homeowners program in addition to the use of fronting arrangements in other lines of business.

Residential Flood. Losses from our residential flood product, Flood Guard, are not covered under our catastrophe XOL treaty. In order to manage our exposure to any single loss, we currently cede 90% of flood risk up to a $50 million occurrence limit to a panel of reinsurers who assume the subject risk in exchange for a ceding commission.

Third Party Capacity

In order to utilize our internal product development, underwriting and distribution expertise on behalf of third party insurance companies, we launched an affiliated managing general agent called Prospect General Insurance Agency in 2016. Prospect is an Approved Coverholder by Lloyd's of London and currently manages our REI program with delegating authority to write on behalf of capacity provided by syndicates at Lloyd's of London. While we generate commission and fee income from the sale of REI products, we do not retain any of the underlying risk of losses incurred by those policies. We will continue to develop third party capacity relationships that support our products.

Technology

Our integrated technology systems form the backbone of our business as they enable us to offer better service to our policyholders and producers, communicate seamlessly with reinsurers and partner carriers, and run our business more efficiently and cost effectively. As a recently formed insurance company, we have the benefit of having built a proprietary operating platform that employs the best practices of our management team's extensive prior experience and that is not burdened by outdated legacy technology and processes. Our systems offer greater ease of use to distribution partners and provide seamless integration between our pricing models, quoting tools, policy administration systems and portfolio analytics databases. Our proprietary operating platform is based on applications licensed from multiple third party software vendors. We have invested significantly in customizing, building on top of and extending these applications to increase automation and enhance efficiency. We have dedicated in-house software developers as well as external resources, all of whom report to our Chief Technology Officer. Our internally developed Palomar Automated Submission System ("PASS") provides producers direct access to our retail and wholesale distributed products including Hawaii Hurricane, Residential Earthquake, Residential Flood, and Commercial Earthquake. PASS also serves as the administration system for select policy data and the access point for business written through

direct residential partnerships. PASS enables the effective use of predefined underwriting, providing efficiency and optimization to our production partners and real-time transparency in underwriting and aggregate management. Our software development team develops APIs where applicable so that partner carriers and distribution partners can seamlessly access our system.

Our pricing models are based on the most recent versions of catastrophe models from industry leading vendors and our internal expertise. For certain products where limited models are available, we have worked directly with the vendors to develop proprietary models. We update all of our pricing models as new versions are released, which mitigates our exposure to changes in our business following industry-wide model changes. For residential products issued through automated underwriting, our pricing models integrate directly into our policy administration system as well as the systems of program administrator partners. Since our commercial lines products do not lend themselves to highly automated underwriting, we have built a customized operating platform that our underwriters use to evaluate risk and to efficiently quote business. Historically we have licensed web-based policy administration software. During 2018, we engaged a third-party vendor to build a custom application platform for our commercial lines programs to seamlessly integrate policy administration, billing and maintenance.

We emphasize the use of technology in our analytics and enterprise risk management ("ERM") operations. Our analytics team, which reports to our Chief Operating Officer, uses multiple catastrophe modeling software applications to evaluate our ongoing risk exposure. Our data analytics enable us to provide real-time reporting of our in-force portfolio to our reinsurers, TPAs and distribution partners on a regular basis and during severe weather events. This reporting combines content from the catastrophe models that we license with internally developed content. Event reporting is an element of our overall ERM framework which monitors our risks and ensures that we have appropriate controls and preparation are in place. Our technology infrastructure is designed to function through any major disruption, with all data stored offsite and employees provided with the resources work remotely.

Reserves

When a claim is reported to us or when an event occurs, we establish loss reserves to cover our estimated ultimate losses under all insurance policies that we underwrite, and loss adjustment expenses relating to the investigation and settlement of policy claims. These reserves include estimates of the cost of the claims reported to us (case reserves) and estimates of the cost of claims that have been incurred but not yet reported ("IBNR") and are net of estimated related salvage, subrogation recoverables and reinsurance recoverables. Reserves are estimates involving actuarial projections of the expected ultimate cost to settle and administer claims at a given time, but are not expected to represent precisely the ultimate liability. Estimates are based upon past loss experience modified for current trends as well as prevailing economic, legal and social conditions. Such estimates will also be based on facts and circumstances then known, but are subject to significant uncertainty based on the outcome of various factors, such as future events, future trends in claim severity, inflation and changes in the judicial interpretation of policy provisions relating to the determination of coverage.

When a claim is reported and based on information from the adjuster, we establish a case reserve for the estimated amount of the ultimate payment after an appropriate assessment of coverage, damages and other investigation as applicable. The estimate is based on general insurance reserving practices and on the claim adjuster's experience and knowledge of the nature and value of the specific type of claim. Case reserves are revised periodically based on subsequent developments associated with each claim.

We establish IBNR reserves in accordance with industry practice to provide for (i) the estimated amount of future loss payments on incurred claims not yet reported, and (ii) potential development on reported claims. IBNR reserves are estimated based on generally accepted actuarial reserving

techniques that take into account quantitative loss experience data and, where appropriate, qualitative factors.

We regularly review our loss reserves using a variety of actuarial techniques. We also update the reserve estimates as historical loss experience develops, additional claims are reported and/or settled and new information becomes available. Additionally, our loss reserving is reviewed annually for reasonableness by a reputable third-party actuarial firm. A reserve can be increased or decreased over time as claims move towards settlement, which can impact earnings in the form of either adverse development or reserve releases.

The following table presents the development of our loss reserves calculated in accordance with GAAP, as of December 31 for each year.

Gross Ultimate Loss and LAE
(in thousands)

	Calendar Year				Development		
Accident Year	2015	2016	2017	2018	2015 to 2016	2016 to 2017	2017 to 2018
Prior	$3,049	$2,835	$ 2,650	$ 2,625	$ (214)	$ (185)	$ (25)
2016	N/A	9,431	8,629	8,127	N/A	(802)	(502)
2017	N/A	N/A	31,833	29,183	N/A	N/A	(2,650)
2018	N/A	N/A	N/A	17,667	N/A	N/A	N/A
					$ (214)	$ (987)	$ (3,177)

Net Ultimate Loss and LAE
(in thousands)

	Calendar Year				Development		
Accident Year	2015	2016	2017	2018	2015 to 2016	2016 to 2017	2017 to 2018
Prior	$ 2,685	$ 2,505	$ 2,356	$ 2,334	$ (180)	$ (149)	$ (22)
2016	N/A	7,473	7,490	6,974	N/A	17	(516)
2017	N/A	N/A	12,226	10,903	N/A	N/A	(1,323)
2018	N/A	N/A	N/A	8,164	N/A	N/A	N/A
					$ (180)	$ (132)	$ (1,861)

Investments

Investment income is an important component of our earnings. We collect premiums and are required to hold a portion of these funds in reserves until claims are paid. We invest these reserves, primarily in fixed maturity investments. Our fixed maturity investment portfolio is managed by Conning and Company, an investment advisory firm that is an experienced manager of insurance company assets, and operates under guidelines approved by our Board's Investment Committee. In addition to our fixed maturity portfolio, we invest directly in mutual funds and exchange traded funds that provide low-cost exposure to the overall U.S. equity market. We believe our investment strategy allows us to eliminate the expense of a treasury department while allowing our management to maintain oversight over the investment portfolio. Our Investment Committee meets periodically and reports to our Board of Directors.

In the years that we make an underwriting profit, we are able to retain all investment income. Underwriting losses may require us to dedicate a portion of our investment income or capital to cover insurance claims and expenses.

Our cash and invested assets consist of fixed maturity securities, short-term investments, cash and cash equivalents, mutual funds and exchange traded funds. Our fixed maturity securities are classified

as "available-for-sale" and are carried at fair value with unrealized gains and losses on these securities reported, net of tax, as a separate component of accumulated other comprehensive income (loss). Our equity investments are measured at fair value with changes in fair value recognized in net income. Fair value generally represents quoted market value prices for securities traded in the public market or prices analytically determined using bid or closing prices for securities not traded in the public marketplace. Short-term investments are reported at cost and include investments that are both readily convertible to known amounts of cash and have maturities of 12 months or less upon acquisition by us.

Our investment securities available totaled $147.4 million and $125.5 million at December 31, 2018 and 2017, respectively, and are summarized as follows:

December 31, 2018	Fair Value	% of Total Fair Value
Fixed maturities:		
U.S. Governments	$ 15,269	10.4%
States, territories, and possessions	1,221	0.8%
Political subdivisions	815	0.6%
Special revenue excluding mortgage/asset-backed securities	12,453	8.4%
Industrial and miscellaneous	65,126	44.2%
Mortgage/asset-backed securities	27,336	18.5%
Total fixed maturities	$ 122,220	82.9%
Equity securities	25,171	17.1%
Total investments	$ 147,391	100%

December 31, 2017	Fair Value	% of Total Fair Value
Fixed maturities:		
U.S. Governments	$ 13,285	10.6%
States, territories, and possessions	3,197	2.5%
Political subdivisions	4,067	3.2%
Special revenue excluding mortgage/asset-backed securities	23,914	19.1%
Industrial and miscellaneous	44,531	35.5%
Mortgage/asset-backed securities	12,919	10.3%
Total fixed maturities	101,913	81.2%
Equity securities	23,586	18.8%
Total investments	$ 125,499	100%

Our primary investment focus is to preserve capital to support our insurance operations through investing primarily in high quality fixed maturity securities with a secondary focus on maximizing our risk adjusted investment returns. Investment policy is set by the Investment Committee of the Board of Directors, subject to the limits of applicable regulations.

Our investment policy imposes strict requirements for credit quality, with a minimum average credit quality of the portfolio being rated "A+" or higher by Standard & Poor's or the equivalent rating from another nationally recognized rating agency. Our investment policy also imposes restrictions on concentrations of securities by class and issuer and any new asset class must be approved by management and the Investment Committee. Given our existing exposure to property values, notably in the state of California, we have imposed restrictions on municipal obligations in the state of California and CMBS single issuers concentrated in the state of California.

Enterprise Risk Management

We maintain a dedicated ERM function that is responsible for analyzing and reporting our risks, monitoring that risks remain within established tolerances, and monitoring, on an ongoing basis, that our ERM objectives are met. These objectives include ensuring proper risk controls are in place; risks are effectively identified, assessed, and managed, and key risks to which we are exposed are appropriately disclosed. Our ERM framework plays an important role in fostering our risk management culture and practices. We continue to enhance our ERM framework, which is guided by the Own Risk and Solvency Assessment (ORSA) model developed by the NAIC. These ongoing enhancements include the creation of an executive risk management committee, creation and maintenance of a risk register and regular reporting on risk management.

An additional important part of our ERM is business continuity, including in the circumstances of a catastrophe event. We have established a business continuity team made up of executive management with predefined roles and responsibilities in the event of an emergency response situation and a business continuity communication site where employees are directed to receive instructions that are tailored to various scenarios. We store all data offsite and ensure it is accessible remotely. Our communications, virtual file servers, underwriting and distribution systems, and claims portal are hosted in geographically diverse data centers domestically and globally. We maintain a second office 75 miles north of our La Jolla, California headquarters to use as a redundant location in the event of a disruptive event in San Diego, and purchase business continuity services to support the La Jolla office in the event of a disruptive event.

Competition

The specialty property insurance industry is highly competitive. While we currently target underserved markets, some of our competitors have greater financial, marketing and management resources and experience than we do. Our primary competitors include national insurance companies, including American International Group, Inc., Chubb Limited, State Farm Mutual Automobile Insurance Company and Zurich Insurance Group Ltd., as well as specialty property insurers such as Zephyr Insurance Company, a subsidiary of Heritage Insurance Holdings, and GeoVera Holdings, Inc. We also compete with the E&S market, including Lloyd's of London in some of our lines. In addition, we compete against state or other publicly managed enterprises including the California Earthquake Authority, the National Flood Insurance Program and the Texas Wind Insurance Association. We may also compete with new market entrants in the future. Competition is based on many factors, including the reputation and experience of the insurer, coverages offered, pricing and other terms and conditions, customer service, relationships with brokers and agents (including ease of doing business, service provided and commission rates paid), size and financial strength ratings, among other considerations.

Ratings

Our insurance group, Palomar Insurance Holdings, currently has a rating of "A–" (Excellent) (Outlook Stable) from A.M. Best, which rates insurance companies based on factors of concern to policyholders. A.M. Best currently assigns 16 ratings to insurance companies, which currently range from "A++" (Superior) to "S" (Rating Suspended). "A–" (Excellent) (Outlook Stable) is the fourth highest rating. In evaluating a company's financial and operating performance, A.M. Best reviews the company's profitability, leverage and liquidity, as well as its book of business, the adequacy and soundness of its reinsurance, the quality and estimated market value of its assets, the adequacy of its loss and loss expense reserves, the adequacy of its surplus, its capital structure, the experience and competence of its management and its market presence. A.M. Best's ratings reflect its opinion of an insurance company's financial strength, operating performance and ability to meet its obligations to policyholders. These evaluations are not directed to purchasers of an insurance company's securities.

Intellectual Property

We have registered our logo as a trademark in the United States. We will pursue additional trademark registrations and other intellectual property protection to the extent we believe it would be beneficial and cost effective.

Employees

As of March 12, 2019, we had 64 employees. Our employees are not subject to any collective bargaining agreements, and we are not aware of any current efforts to implement such an agreement.

Properties

Our primary executive offices and insurance operations are located in La Jolla, California, which occupy approximately 14,700 square feet of office space for annual rent and rent-related operating payments of approximately $0.7 million. The lease for this space expires in 2024. In addition, we lease additional office space in Rancho Santa Margarita, California that can be used as a redundant location should an event disrupt our primary offices. The annual rent and rent-related operating expenses of our second office are immaterial.

We do not own any real property. We believe that our facilities are adequate for our current needs.

Legal Proceedings

We are subject to routine legal proceedings in the normal course of operating our insurance business. We are not involved in any legal proceedings which reasonably could be expected to have a material adverse effect on our business, results of operations or financial condition.

REGULATION

Insurance Regulation

We are regulated by insurance regulatory authorities in the states in which we operate. State insurance laws and regulations generally are designed to protect the interests of policyholders, consumers and claimants rather than stockholders or other investors. The nature and extent of state regulation varies by jurisdiction, and state insurance regulators generally have broad administrative power relating to, among other matters, setting capital and surplus requirements, licensing of insurers and insurance producers, review and approval of product forms and rates, establishing standards for reserve adequacy, prescribing statutory accounting methods and the form and content of statutory financial reports, regulating certain transactions with affiliates and prescribing types and amounts of investments.

Regulation of insurance companies constantly changes as governmental agencies and legislatures react to real or perceived issues. In recent years, the state insurance regulatory framework has come under increased federal scrutiny, and some state legislatures have considered or enacted laws that alter and, in many cases, increase, state authority to regulate insurance companies and insurance holding company systems. Further, the National Association of Insurance Commissioners ("NAIC") and some state insurance regulators are re-examining existing laws and regulations specifically focusing on issues relating to the solvency of insurance companies, interpretations of existing laws and the development of new laws. Although the federal government does not directly regulate the business of insurance, federal initiatives often affect the insurance industry in a variety of ways. In addition, the Federal Insurance Office (the "FIO") was established within the U.S. Department of the Treasury by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") in July 2010 to monitor all aspects of the insurance industry, although FIO has no express regulatory authority over insurance companies or other insurance industry participants.

Required Licensing

Palomar Specialty Insurance Company is domiciled and admitted in the state of Oregon to transact certain lines of property and casualty insurance. Palomar Specialty Insurance Company's Oregon license is in good standing, and, pursuant to applicable Oregon laws and regulations, will continue in force unless otherwise suspended, revoked or otherwise terminated, subject to certain conditions and the filing of an annual registration statement with the Oregon Division of Financial Regulation.

Palomar Specialty Insurance Company must apply for and maintain an insurance license in those states in which it transacts the business of insurance, including in addition to Oregon (its domiciliary state), Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Georgia, Hawaii, Illinois, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Nevada, North Carolina, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, and Washington.

Insurance Holding Company Regulation

We operate as an insurance holding company system and are subject to the insurance holding company laws of the State of Oregon, the state in which Palomar Specialty Insurance Company is domiciled. Palomar Specialty Insurance Company is also commercially domiciled in California and, as a result, we are subject to the insurance holding company laws of California, as well. These statutes require that each insurance company in the system register with the insurance department of its state of domicile and furnish information concerning the operations of companies within the holding company system that may materially affect the operations, management or financial condition of the insurers within the system and domiciled in that state. These statutes also provide that all transactions among members of a holding company system must be fair and reasonable. Transactions between insurance subsidiaries and their parents and affiliates generally must be disclosed to the state

regulators, and notice to or prior approval of the applicable state insurance regulator generally is required for any material or extraordinary transaction.

Changes of Control

Before a person can acquire control of a U.S. domestic insurer, prior written approval must be obtained from the insurance commissioner of the state where the insurer is domiciled, or the acquiror must make a disclaimer of control filing with the insurance department of such state, which filing must be accepted by such insurance department. Prior to granting approval of an application to acquire control of a domestic insurer, the domiciliary state insurance commissioner will consider a number of factors, which include the financial strength of the proposed acquiror, the acquiror's plans for the future operations of the domestic insurer and any anti-competitive results that may arise from the consummation of the acquisition of control.

Generally, state insurance statutes provide that control over a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent or more of the outstanding voting securities of the domestic insurer. This statutory presumption of control may be rebutted by a showing that control does not exist in fact. The state regulators, however, may find that "control" exists in circumstances in which a person owns or controls less than ten percent of the voting securities of the domestic insurer.

As Palomar Specialty Insurance Company is domiciled in Oregon and commercially domiciled in California, the insurance laws and regulations of those states would be applicable to any proposed acquisition of control of Palomar Specialty Insurance Company. Under applicable insurance laws and regulations of these two states, a proposed acquirer must make substantial disclosures regarding its organization, financial condition, and plans for the acquired insurer. Biographical information must be submitted regarding all individuals who are directors or executive officers or who control the acquirer. This filing, referred to as a Form A typically requires many months to be reviewed and in Oregon a public hearing must be held. Also in Oregon, there is a mandatory minimum 60 day waiting period between when a change of control application is approved and the acquisition can be executed, These requirements may discourage potential acquisition proposals and may delay, deter or prevent a change of control of us, including through transactions that some or all of our stockholders might consider to be desirable.

Restrictions on Paying Dividends

We are a holding company with no business operations of our own. Consequently, our ability to pay dividends to stockholders and meet our debt payment obligations is largely dependent on dividends and other distributions from our insurance subsidiaries. Applicable insurance laws restrict the ability of our insurance subsidiaries to declare stockholder dividends. Applicable insurance regulators require insurance companies to maintain specified levels of statutory capital and surplus. The maximum dividend distribution absent the approval or non-disapproval of the insurance regulatory authority in Oregon and California is limited by Oregon law at ORS 732.576 and California law at Cal. Ins. Code 1215.5(g). Dividend payments are further limited to that part of available policyholder surplus which is derived from net profits on an insurer's business. Insurance regulators have broad powers to prevent reduction of statutory surplus to inadequate levels, and there is no assurance that dividends of the maximum amounts calculated under any applicable formula would be permitted. State insurance regulatory authorities that have jurisdiction over the payment of dividends by our insurance subsidiaries may in the future adopt statutory provisions more restrictive than those currently in effect.

Investment Regulation

Palomar Specialty Insurance Company is subject to Oregon laws which require diversification of our investment portfolios and limits on the amount of our investments in certain categories. Failure to comply with these laws and regulations would cause non-conforming investments to be treated as non-admitted assets by the Oregon Division of Financial Regulation for purposes of measuring statutory surplus and, in some instances, would require us to sell those investments.

Licensing of Our Employees and Adjusters

In certain states in which we operate, insurance claims adjusters are required to be licensed and some must fulfill annual continuing education requirements. In most instances, our employees who are negotiating coverage terms are underwriters and are not required to be licensed agents. As of December 31, 2018, two employees of Palomar Specialty Insurance Company were required to maintain and did maintain requisite licenses for these activities in most states in which we operate.

Enterprise Risk and Other Recent Developments

The NAIC has engaged in a concerted effort to strengthen the ability of U.S. state insurance regulators to monitor U.S. insurance holding company groups. Among other things, the ultimate controlling person of an insurance company must submit an annual enterprise risk management report that describes—the risk that an activity, circumstance, event or series of events involving one or more affiliates of an insurer will, if not remedied promptly, be likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. In addition, in some states, including Oregon any person divesting control over an insurer must provide 30 days' notice to the regulator and the insurer (with an exception for cases where a Form A is being filed). The amendments direct the domestic state insurance regulator to determine those instances in which a divesting person will be required to file for and obtain approval of the transaction. More recently, the NAIC has developed model laws requiring annual reports concerning the nature of corporate governance within an insurance holding company.

In 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment ("ORSA") Model Act, which requires domestic insurers to maintain a risk management framework and establishes a legal requirement for domestic insurers to conduct an ORSA in accordance with the NAIC's ORSA Guidance Manual. The ORSA Model Act provides that domestic insurers, or their insurance group, must regularly conduct an ORSA consistent with a process comparable to the ORSA Guidance Manual process. The ORSA Model Act also provides that, no more than once a year, an insurer's domiciliary regulator may request that an insurer submit an ORSA summary report, or any combination of reports that together contain the information described in the ORSA Guidance Manual, with respect to the insurer and the insurance group of which it is a member. Our subsidiary, Palomar Specialty Insurance Company, will be subject to the requirements of the ORSA Model Act adopted in Oregon when its direct written premiums and unaffiliated assumed premiums, if any, exceed $500 million (Palomar Specialty Insurance Company is currently exempt from such requirements based on the amount of its direct written premiums and unaffiliated assumed premiums).

Additionally, in response to the growing threat of cyber-attacks in the insurance industry, certain jurisdictions have begun to consider new cybersecurity measures, including the adoption of cybersecurity regulations which, among other things, would require insurance companies to establish and maintain a cybersecurity program and implement and maintain cybersecurity policies and procedures. On October 24, 2017, the NAIC adopted its Insurance Data Security Model Law, intended to serve as model legislation for states to enact in order to govern cybersecurity and data protection practices of insurers, insurance agents, and other licensed entities registered under state insurance laws.

We are currently monitoring whether the states in which we conduct business adopt the NAIC's Insurance Data Security Model Law.

Federal and State Legislative and Regulatory Changes

The U.S. federal government's oversight of the insurance industry was expanded under the Dodd-Frank Act with the establishment of the Federal Insurance Office in the U.S. Department of the Treasury. Although FIO has little actual regulatory power, it has the authority to monitor all aspects of the insurance sector and to represent the United States on prudential aspects of international insurance matters, including at the International Association of Insurance Supervisors (the "IAIS"). In addition, the FIO serves as an advisory member of the Financial Stability Oversight Council, assists the secretary of the U.S. Department of the Treasury with administration of the Terrorism Risk Insurance Program, and advises the secretary of the U.S. Department of the Treasury on important national and international insurance matters. In addition, the FIO has the ability to recommend to the Financial Stability Oversight Council the designation of an insurer as "systemically significant" and therefore subject to regulation by the Federal Reserve as a bank holding company.

In addition, a number of federal laws affect and apply to the insurance industry, including various privacy laws and the economic and trade sanctions implemented by the Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury. OFAC maintains and enforces economic sanctions against certain foreign countries and groups and prohibits U.S. persons from engaging in certain transactions with certain persons or entities. OFAC has imposed civil penalties on persons, including insurance and reinsurance companies, arising from violations of its economic sanctions program.

Trade Practices

The manner in which insurance companies and insurance agents and brokers conduct the business of insurance is regulated by state statutes in an effort to prohibit practices that constitute unfair methods of competition or unfair or deceptive acts or practices. Prohibited practices include, but are not limited to, disseminating false information or advertising, unfair discrimination, rebating and false statements. Palomar Specialty Insurance Company, our insurance subsidiary, sets business conduct policies and provide training to make our employee-agents and other sales personnel aware of these prohibitions, and requires them to conduct their activities in compliance with these statutes.

Unfair Claims Practices

Generally, insurance companies, adjusting companies and individual claims adjusters are prohibited by state statutes from engaging in unfair claims practices. Unfair claims practices include, but are not limited to, misrepresenting pertinent facts or insurance policy provisions; failing to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies; and attempting to settle a claim for less than the amount to which a reasonable person would have believed such person was entitled. Palomar Specialty Insurance Company, our insurance subsidiary, sets business conduct policies to make claims adjusters aware of these prohibitions, and requires them to conduct their activities in compliance with these statutes.

Credit for Reinsurance

State insurance laws permit U.S. insurance companies, as ceding insurers, to take financial statement credit for reinsurance that is ceded, so long as the assuming reinsurer satisfies the state's credit for reinsurance laws. There are several different ways in which the credit for reinsurance laws may be satisfied by an assuming reinsurer, including being licensed in the state, being accredited in the state, or maintaining certain types of qualifying collateral. We ensure that all of Palomar Specialty

Insurance Company's reinsurers qualify in order for Palomar Specialty Insurance Company to be able to take full financial statement credit for its reinsurance.

Periodic Financial and Market Conduct Examinations

The insurance regulatory authority in the State of Oregon, Palomar Specialty Insurance Company's state of domicile, conducts on-site visits and examinations of the financial affairs and market conduct condition of Palomar Specialty Insurance Company including its financial condition, its relationships and transactions with affiliates and its dealings with policyholders, every three to five years, and may conduct special or targeted examinations to address particular concerns or issues at any time. Insurance regulators of other states in which Palomar Specialty Insurance Company is licensed may also conduct examinations. The results of these examinations can give rise to regulatory orders requiring remedial, injunctive or other corrective action. Insurance regulatory authorities have broad administrative powers to regulate trade practices and to restrict or revoke licenses to transact business and to levy fines and monetary penalties against insurers and insurance agents and brokers found to be in violation of applicable laws and regulations. Palomar Re is subject to potential audit by the Insurance Department of the Bermuda Monetary Authority, which is responsible for the supervision, regulation and inspection of Bermuda's insurance companies.

Risk-Based Capital

Risk-based capital ("RBC") laws are designed to assess the minimum amount of capital that an insurance company needs to support its overall business operations and to ensure that it has an acceptably low expectation of becoming financially impaired. State insurance regulators use RBC to set capital requirements, considering the size and degree of risk taken by the insurer and taking into account various risk factors including asset risk, credit risk, underwriting risk and interest rate risk. As the ratio of an insurer's total adjusted capital and surplus decreases relative to its risk-based capital, the RBC laws provide for increasing levels of regulatory intervention culminating with mandatory control of the operations of the insurer by the domiciliary insurance department at the so-called mandatory control level. Oregon has adopted the model legislation promulgated by the NAIC pertaining to RBC, and requires annual reporting by Oregon-domiciled insurers to confirm that the minimum amount of RBC necessary for an insurer to support its overall business operations has been met. Oregon-domiciled insurers falling below a calculated threshold may be subject to varying degrees of regulatory action. Failure to maintain risk-based capital at the required levels could adversely affect the ability of Palomar Specialty Insurance Company to maintain the regulatory approvals necessary to conduct its business. However, as of December 31, 2018, Palomar Specialty Insurance Company maintained RBC levels significantly in excess of amounts that would require any corrective actions.

IRIS Ratios

The NAIC Insurance Regulatory Information System, or IRIS, is part of a collection of analytical tools designed to provide state insurance regulators with an integrated approach to screening and analyzing the financial condition of insurance companies operating in their respective states. IRIS is intended to assist state insurance regulators in targeting resources to those insurers in greatest need of regulatory attention. IRIS consists of two phases: statistical and analytical. In the statistical phase, the NAIC database generates key financial ratio results based on financial information obtained from insurers' annual statutory statements. The analytical phase is a review of the annual statements, financial ratios and other automated solvency tools. The primary goal of the analytical phase is to identify companies that appear to require immediate regulatory attention. A ratio result falling outside the usual range of IRIS ratios is not considered a failing result; rather, unusual values are viewed as part of the regulatory early monitoring system. Furthermore, in some years, it may not be unusual for financially sound companies to have several ratios with results outside the usual ranges. An insurance

company may fall out of the usual range for one or more ratios because of specific transactions that are in themselves immaterial.

Bermuda Insurance Regulation

The Insurance Act provides that no person shall carry on insurance business in or from within Bermuda unless registered as an insurer under the Insurance Act by the BMA. The BMA, in deciding whether to grant registration, has broad discretion to act as it thinks fit in the public interest. The BMA is required by the Insurance Act to determine whether the applicant is a fit and proper body to be engaged in the insurance business and, in particular, whether it has, or has available to it, adequate knowledge and expertise. The registration of an applicant as an insurer is subject to its complying with the terms of its registration and such other conditions as the BMA may impose at any time.

The Insurance Act also grants to the BMA powers to supervise, investigate and intervene in the affairs of insurance companies. Palomar Re, as an entity domiciled in Bermuda, maintains a Class 3A license and is subject to the Bermuda insurance regulatory framework.

Minimum Paid-Up Share Capital

The Insurance Act requires each insurer which has a share capital to maintain a minimum amount paid up on such share capital. A Class 3A insurer is required to maintain fully paid-up share capital of $120,000.

Loss Reserve Specialist

Generally, Class 3A insurers must appoint an individual approved by the BMA to be its loss reserve specialist who is qualified as a loss reserve specialist to provide an opinion in accordance with the requirements of Schedule XIV ("Statutory Economic Balance Sheet") of the Insurance (Prudential Standards) (Class 3A Solvency Requirement) Rules 2011, as amended, or "Class 3A Rules," and submit annually an opinion of its approved loss reserve specialist with its capital and solvency return which takes into account the insurer's technical provisions calculated in accordance with Line 19 of Schedule XIV ("Statutory Economic Balance Sheet") and Schedule XV of the Class 3A Rules.

Principal Representative, Principal Office and Head Office

A Class 3A insurer is required to maintain a principal office and to appoint and maintain a principal representative in Bermuda.

The insurance business of a Class 3A must be directed and managed from Bermuda (i.e., such insurer must maintain a head office in Bermuda) and, in determining whether the insurer complies with this requirement the BMA shall consider, inter alia, the following factors: (1) where the underwriting, risk management and operational decision making of the insurer occurs, (2) whether the presence of senior executives who are responsible for and involved in the decision making related to the insurance business of the insurer is located in Bermuda and (3) where meetings of the board of directors of the insurer occur. Notwithstanding the considerations set out above, the BMA may also have regard to the following matters: (1) the location where management of the insurer meets to effect policy decisions of the insurer, (2) the residence of the officers, insurance managers or employees of the insurer and (3) the residence of one or more directors of the insurer in Bermuda.

Annual Statutory Financial Statements and Return, Declaration of Compliance, GAAP Financial Statements and Independent Auditor

The Insurance Act generally requires all insurers to: (1) prepare annual statutory financial statements and returns and (2) appoint an independent auditor who will annually audit and report on

the statutory financial statements and returns of the insurer. In addition, as Class 3A, our Bermuda reinsurance subsidiary will also be required to prepare and submit to the BMA financial statements which have been prepared under GAAP that apply in Bermuda, Canada, the United Kingdom or the United States of America, international financial reporting standards or such other GAAP as the BMA may recognize GAAP financial statements. Notwithstanding the above, Class 3A insurers, such as our Bermuda reinsurance subsidiary, may, where appropriate, submit condensed general purpose financial statements prepared in accordance with any insurance accounts rules instead of additional GAAP financial statements. An insurer may, however, file an application under the Insurance Act to have the requirement of filing annual audited statutory financial statements with the BMA waived. Our Bermuda reinsurance subsidiary does not have such a waiver.

The Insurance Act requires all insurers to deliver a declaration of compliance to the BMA ("Declaration of Compliance") when filing their annual statutory financial statements. In relation to the preceding financial year, the Company is required to declare whether it has: complied with all requirements of the minimum criteria, (2) complied with the applicable minimum solvency margin, (3) complied with applicable ECR, (4) observed the conditions, limitations and restrictions of its insurance license and (5) complied with the minimum liquidity ratio for general business as at its financial year end.

The independent auditor of the insurer must be approved by the BMA and may be the same person or firm that audits the insurer's financial statements and reports for presentation to its shareholders. If the insurer fails to appoint an approved auditor or at any time fails to fill a vacancy for such auditor, the BMA may appoint an approved auditor for the insurer and shall fix the remuneration to be paid to such approved auditor within 14 days, if not agreed sooner by the insurer and the auditor. The BMA shall cause to be published in such manner as it considers appropriate a copy of the Declaration of Compliance and every GAAP financial statement together with notes to those statements and the auditor's report.

Financial Condition Report

A Class 3A insurer is required to prepare a financial condition report, which will be comprised of an electronic version and a printed version, and will be filed with the BMA on or before the filing date (i.e., four months after the insurer's financial year end). The financial condition report shall provide particulars of the following matters: (1) business and performance; (2) governance structure; (3) risk profile; (4) solvency valuation; (5) capital management and (6) subsequent event.

An insurer with a website shall publish on its website a copy of the financial condition report within 14 days of the date the report was filed with the BMA. An insurer that does not have a website shall furnish to the public a copy of the financial condition report within ten days of receipt of a request made in writing. Each insurer shall keep copies of the financial condition report at its principal office for a period of five years beginning with its filing date.

Where a significant event occurs after an insurer's financial year end, but before the filing of its financial condition report, the insurer shall submit to the BMA a report on the event at the time of filing its financial condition report. Where a significant event occurs after an insurer's filing date, such insurer shall submit to the BMA a report on the event within 14 days of the occurrence of such event.

There are circumstances where the BMA will, upon application and approval, allow exemptions or modifications of the financial condition report requirements.

Minimum Liquidity Ratio

The Insurance Act provides a minimum liquidity ratio for general business. An insurer engaged in general business is required to maintain the value of its relevant assets at not less than 75% of the

amount of its relevant liabilities. Our Bermuda reinsurance subsidiary is required to maintain the value of its relevant assets at not less than 100% of the amount of its relevant liabilities. Relevant assets include cash and time deposits, quoted investments, unquoted bonds and debentures, first liens on real estate, investment income due and accrued, accounts and premiums receivable, reinsurance balances receivable, and funds held by ceding reinsurers.

There are certain categories of assets which, unless specifically permitted by the BMA, do not automatically qualify as relevant assets, such as unquoted equity securities, investments in and advances to affiliates, investments in real estate, and collateral loans.

The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income tax and sundry liabilities (by interpretation, those not specifically defined) and letters of credit and guarantees and other instruments.

Minimum Solvency Margins

The Insurance Act provides that the value of the statutory assets of an insurer must exceed the value of its statutory liabilities by an amount greater than its prescribed minimum solvency margin ("MSM").

The MSM that must be maintained by our Bermuda reinsurance subsidiary as a Class 3A insurer with respect to its general business is the greater of (1) $1,000,000, (2) the premium test, where net premiums written (being the net amount (after deductions of any premium ceded by the insurer for reinsurance) of premiums written by such reinsurer in that year in respect of general business) do not exceed $6,000,000, 20% of net premium written, and, where net premiums written exceed $6,000,000, $1,200,000 plus 15% of net premiums written which exceed $6,000,000, (3) 15% of net discounted aggregate loss and loss expense provisions and other insurance reserves and (4) 25% of its ECR.

Capital Requirements

The BSCR model is a RBC model which provides a method for determining an insurer's capital requirements (statutory capital and surplus) by taking into account the risk characteristics of different aspects of the insurer's business. The BSCR formulae establishes on a consolidated basis capital requirements for ten categories of risk: fixed income investment risk, equity investment risk, interest rate/liquidity risk, currency risk, concentration risk, premium risk, reserve risk, credit risk, catastrophe risk and operational risk. For each category, the capital requirement is determined by applying factors to asset, premium, reserve, creditor, probable maximum loss, and operation items, with higher factors applied to items with greater underlying risk and lower factors for less risky items.

From January 1, 2016, the Economic Balance Sheet ("EBS Framework") has been embedded in the capital and solvency return and all existing schedules of the capital and solvency return have been adjusted to refer to the EBS schedule. The EBS Framework is used to calculate technical provisions, policyholder obligations, and available statutory economic capital and surplus. Our Bermuda reinsurance subsidiary is subject to the EBS Framework.

Furthermore, to enable the BMA to better assess the quality of the insurer's capital resources, applicable insurers are required to disclose the makeup of their capital in accordance with the "3-tiered capital system." In order to minimize the risk of a shortfall in capital arising from an unexpected adverse deviation, the BMA expects that such insurers operate at or above a threshold capital level, which exceeds an insurer's ECR.

Under this system, all of the insurer's capital instruments will be classified as either basic or ancillary capital which in turn will be classified into one of three tiers based on their "loss absorbency" characteristics. Highest quality capital will be classified as Tier 1 Capital, lesser quality capital will be classified as either Tier 2 Capital or Tier 3 Capital. Under this regime, up to certain specified

percentages of Tier 1, Tier 2, and Tier 3 Capital may be used to support the insurer's MSM, ECR, and target capital level (as set out below).

The characteristics of the capital instruments that must be satisfied to qualify as Tier 1, Tier 2, and Tier 3 Capital are set out in the Insurance (Eligible Capital) Rules 2012, as amended. Under these rules, Tier 1, Tier 2, and Tier 3 Capital may, until January 1, 2026, include capital instruments that do not satisfy the requirement that the instrument be non-redeemable or settled only with the issuance of an instrument of equal or higher quality upon a breach, or if it would cause a breach, in the ECR.

While the BMA has previously approved the use of certain instruments for capital purposes, the BMA's consent will need to be obtained if such instruments are to remain eligible for use in satisfying the MSM and the ECR.

While not specifically referred to in the Insurance Act, the BMA has also established a target capital level ("TCL") equal to 120% of its ECR. While an insurer is not currently required to maintain its statutory capital and surplus at this level, the TCL serves as an early warning tool for the BMA and failure to maintain statutory capital at least equal to the TCL will likely result in increased regulatory oversight.

Any applicable insurer which at any time fails to meet the MSM requirements must, upon becoming aware of such failure, immediately notify the BMA and, within 14 days thereafter, file a written report with the BMA describing the circumstances that gave rise to the failure and setting out its plan detailing specific actions to be taken and the expected time frame in which the company intends to rectify the failure.

Any applicable insurer which at any time fails to meet the ECR applicable to it will upon becoming aware of that failure, or of having reason to believe that such a failure has occurred, immediately notify the BMA in writing and, within 14 days of such notification, file with the BMA a written report containing particulars of the circumstances leading to the failure; and a plan detailing the manner, specific actions to be taken and time within which the insurer intends to rectify the failure and within 45 days of becoming aware of that failure, or of having reason to believe that such a failure has occurred, furnish the BMA with: (1) unaudited interim statutory financial statements covering such period as the BMA may require, (2) the opinion of a loss reserve specialist, (3) a general business solvency certificate in respect of the financial statements and unaudited statutory EBS prepared in accordance with GAAP, and (4) a capital and solvency return reflecting an ECR prepared using post-failure data.

Pursuant to the Bermuda Insurance Rules 2016, our Bermuda reinsurance subsidiary, as a Class 3A insurer, is required to maintain available statutory capital and surplus at a level equal to or in excess of its ECR which is established by reference to either the BSCR model or an approved internal capital model.

On November 30, 2016, the BMA issued a consultation paper on a series of potential adjustments to the BSCR standard formula, published revised prudential standard rules in July 2018 and revised BSCR in December 2018. The new rules entered into force on January 1, 2019 notwithstanding grade-in provisions and apply to commercial insurers including Class 3A insurers. This restructuring is focused on equity risk, premium risk, credit risk, dependencies within premium and reserve risks, the overall risk aggregation process, operational risk, other BSCR adjustments, treatment of run-off insurers, currency risk, interest rate and liquidity risk, risk mitigation, use of management actions, the use of look through, treatment of derivatives and grade-in arrangements.

Restrictions on Dividends

The Insurance Act prohibits our Bermuda reinsurance subsidiary from declaring or paying any dividends during any financial year if it is in breach of its solvency margin or if the declaration or

payment of such dividends would cause such a breach. If it has failed to meet its MSM on the last day of any financial year, an insurer will also be prohibited, without the approval of the BMA, from declaring or paying any dividends during the next financial year. Our Bermuda reinsurance subsidiary is also prohibited from declaring or paying a dividend where it has failed to comply with the ECR, until such noncompliance is rectified. Furthermore, the Insurance Act limits the ability of our Bermuda reinsurance subsidiary to pay dividends or make capital distributions by stipulating certain margin and solvency requirements and by requiring approval from the BMA prior to a reduction of 15% or more of an insurer's total statutory capital as reported on its prior year statutory balance sheet. Moreover, an insurer must submit an affidavit to the BMA, sworn by at least two directors and the principal representative in Bermuda of the Bermuda reinsurance subsidiary, at least seven days prior to payment of any dividend which would exceed 25% of an insurer's total statutory capital and surplus as reported on its prior year statutory balance sheet. The affidavit must state that in the opinion of those swearing the declaration of such dividend has not caused the insurer to fail to meet its relevant margins.

Further, under the Companies Act, our Bermuda reinsurance subsidiary may only declare or pay a dividend, or make a distribution out of contributed surplus, if it has no reasonable grounds for believing that: (1) it is, or would after the payment be, unable to pay its liabilities as they become due or (2) the realizable value of its assets would be less than its liabilities.

Reduction of Capital or Surplus

The Insurance Act prohibits any insurer, such as our Bermuda reinsurance subsidiary, from reducing by 15% or more its total statutory capital, as set out in its previous year's financial statements, unless it has received the prior approval of the BMA and any application for such approval must include an affidavit stating that it will continue to meet the required margins. Such affidavit must be signed by the insurer's principal representative and at least two of the insurer's directors, one of whom must be a Bermuda resident (if any of the directors are resident in Bermuda), and shall be available for public inspection at the offices of the BMA. Total statutory capital consists of the insurer's paid in share capital, its contributed surplus, sometimes called "additional paid in capital" and any other fixed capital designated by the BMA as statutory capital such as letters of credit.

Supervision, Investigation and Intervention

Insurance regulatory authorities have broad administrative powers to regulate trade practices and to restrict or revoke licenses to transact business and to levy fines and monetary penalties against insurers and insurance agents and brokers found to be in violation of applicable laws and regulations.

Disclosure of Information

In addition to powers under the Insurance Act to investigate the affairs of an insurer, the BMA may require certain information from an insurer (or certain other persons) to be provided. Further, the BMA has been given powers to assist foreign regulatory authorities with their investigations involving insurance and reinsurance companies in Bermuda, subject to certain restrictions. For example, the BMA must be satisfied that the assistance being requested is in connection with the discharge of regulatory responsibilities of the foreign regulatory authority.

Insurance Code of Conduct

Our Bermuda reinsurance subsidiary will be subject to the Insurance Code of Conduct (the "Insurance Code"), which establishes duties and standards which must be complied with by all insurers registered under the Insurance Act, including the procedures and sound principles to be observed by such insurers. Failure to comply with the requirements under the Insurance Code will be a factor taken into account by the BMA in determining whether an insurer is conducting its business in a sound and

prudent manner as prescribed by the Insurance Act. Failure to comply with the requirements of the Insurance Code could result in the BMA's exercising its powers of intervention and, in the case of our Bermuda reinsurance subsidiary, will be a factor in calculating the operational risk charge under such insurers' BSCR or approved internal model.

Notification of Material Changes

All registered insurers are required to give notice to the BMA of their intention to effect a "material change" within the meaning of the Insurance Act. For the purposes of the Insurance Act, the following changes are material: (1) the transfer or acquisition of insurance business being part of a scheme falling within or any transaction relating to a scheme of arrangement under section 25 of the Insurance Act or section 99 of the Companies Act, (2) the amalgamation with or acquisition of another firm, (3) engaging in unrelated business that is retail business, (4) the acquisition of a controlling interest in an undertaking that is engaged in non -insurance business which offers services and products to persons who are not affiliates of the insurer, (5) outsourcing all or substantially all of the company's actuarial, risk management and internal audit functions, (6) outsourcing all or a material part of an insurer's underwriting activity, (7) the transfer other than by way of reinsurance of all or substantially all of a line of business, (8) the expansion into a material new line of business, (9) the sale of an insurer and (10) the outsourcing of an officer role.

No registered insurer will take any steps to give effect to a material change unless it has first served notice on the BMA that it intends to effect such material change and before the end of 30 days, either the BMA has notified such company in writing that it has no objection to such change or that period has lapsed without the BMA having issued a notice of objection.

Before issuing a notice of objection, the BMA is required to serve upon the person concerned a preliminary written notice stating the BMA's intention to issue formal notice of objection. Upon receipt of the preliminary written notice, the person served may, within 28 days, file written representations with the BMA which will be taken into account by the BMA in making its final determination.

In addition to the above, an insurer's principal representative also has obligations to notify the BMA and provide the BMA with information on the occurrence of a "material change" within the meaning of the Insurance Act.

MANAGEMENT

Executive Officers and Directors

Set forth below is certain biographical and other information regarding our directors and our executive officers, after giving effect to the domestication transactions.

Name	Age	Position(s)
Executive Officers		
Mac Armstrong	44	Chief Executive Officer and Director
Heath A. Fisher	45	President
Andrew T. Robinson	56	Chief Underwriting Officer
Jon Christianson	39	Chief Operating Officer
T. Christopher Uchida	45	Chief Financial Officer and Corporate Secretary
Non-Employee Directors		
James Ryan Clark	44	Chairman of the Board
Robert E. Dowdell	73	Director
George L. Estes III	70	Director
Geoffrey I. Miller	34	Director
Richard H. Taketa	47	Director

The following are brief biographies describing the backgrounds of our executive officers and directors.

Executive Officers

Mac Armstrong. Mr. Armstrong has served as our Chief Executive Officer and a director since February 2014. Prior to joining our company, Mr. Armstrong most recently served as the President of Arrowhead General Insurance Agency, which he joined in June 2009, previously holding the positions of Chief Financial Officer and Chief Operating Officer. Mr. Armstrong led the sale of Arrowhead to Brown & Brown, Inc. in January 2012. Mr. Armstrong's prior experience includes Spectrum Equity Investors, a private equity investment firm where he led the insurance investing practice and Alex. Brown & Sons/ BT Alex. Brown Inc., an investment bank acquired by Deutsche Bank. Mr. Armstrong earned an A.B. from Princeton University. Mr. Armstrong is a member of the Board of Advisors of Cloverlay Investment Management LLC, a private equity investment firm, and is a member of the Board of Trustees of the Gillispie School. We believe Mr. Armstrong is qualified to serve on our Board of Directors due to his extensive experience leading insurance companies and his industry knowledge.

Heath A. Fisher. Mr. Fisher has served as our President since February 2014. Mr. Fisher was most recently a Managing Director of Guy Carpenter & Company, LLC, the largest global reinsurance broker in the insurance industry, which he joined in 2009. Prior to Guy Carpenter, Mr. Fisher held various leadership positions at reinsurance brokers John B. Collins Associates, Inc. and E.W. Blanch Company. Mr. Fisher earned an A.B. from Brown University.

Andrew T. Robinson. Mr. Robinson has served as our Chief Underwriting Officer since February 2014. Prior to joining our company, Mr. Robinson was the Vice President of Underwriting, Specialty Property Division at Colony Specialty Insurance Company, a subsidiary of Argo Group International Holdings, Ltd., between January 2010 and December 2013. Prior to Colony, Mr. Robinson held Vice President level positions at DirectFac Inc. and American Re. Mr. Robinson earned a B.A. from San Diego State University and an M.B.A. from University of California, Los Angeles.

Jon Christianson. Mr. Christianson has served as our Chief Operating Officer since February 2014. Mr. Christianson most recently served as a Vice President of Holborn Corporation from April

2010 to December 2013. Mr. Christianson started his career with John B. Collins Associates in Minneapolis in 2002, where he serviced both casualty and property business. Mr. Christianson earned a B.A. in Economics from St. Olaf College.

T. Christopher Uchida. Mr. Uchida has served as our Chief Financial Officer since September 2017 and our Corporate Secretary since March 2019. Mr. Uchida previously served as our Senior Vice President, Operations since June 2015. Prior to joining our company, Mr. Uchida served as the Executive Vice President and Chief Accounting Officer at Arrowhead, which he joined in October 2004. Prior to joining Arrowhead, he was a Tax Manager at PricewaterhouseCoopers LLP. Mr. Uchida earned a B.S. and M.S. from San Diego State University and is a California Certified Public Accountant.

Non-Employee Directors

James Ryan Clark. Mr. Clark has served as our Chairman of the Board of Directors since March 2019 and on the board of directors of our insurance subsidiaries since February 2014. Mr. Clark is the President and a Managing Director of Genstar Capital, LLC, where he has worked since 2004. Prior to joining Genstar Capital, Mr. Clark was an Associate at Hellman & Friedman LLC, a private equity investment firm in San Francisco. Previously, he worked in the Mergers, Acquisitions and Restructuring Department at Morgan Stanley in New York. Mr. Clark earned his B.A. in Environmental Science and Public Policy from Harvard College and his M.B.A. from Harvard Business School. Mr. Clark currently serves on the board of directors, and on the compensation and audit committees, of a number of private companies. We believe Mr. Clark is qualified to serve on our Board due to his experience in a wide range of industries, his leadership experience at a private equity firm and his service as a director on numerous private companies.

Robert E. Dowdell. Mr. Dowdell has served as a member of our Board of Directors since March 2019 and on the board of directors of our insurance subsidiaries since October 2018. Mr. Dowdell founded Career Education Corporation and served as its Chief Executive Officer and President from September 2006 to March 2007, as a board member from 1994 until 2008, and its Chairman of the Board from 2004 until March 2008. Previously, Mr. Dowdell served as Chief Executive Officer of Marshall & Swift/Boeckh, LLC, President of National Education Centers, Corporate Controller of National Education Corp and Chamberlain Manufacturing Corp, and as an Audit Manager at Price Waterhouse Coopers. Mr. Dowdell is a Certified Public Accountant in California and Illinois. Mr. Dowdell currently serves on the boards of a number of private companies. Mr. Dowdell earned his B.B.A. and M.B.A. from the University of Notre Dame. We believe Mr. Dowdell is qualified to serve on our Board due to his more than 30 years of leadership and management experience in various insurance servicing firms and other institutions, as well as previous corporate controller and audit committee responsibilities for both public and private firms.

George L. Estes III. Mr. Estes has served as a member of our Board of Directors since March 2019 and on the board of directors of our insurance subsidiaries since February 2014. Mr. Estes was most recently Executive Chairman of SPARTA Insurance Company. Mr. Estes co-founded SPARTA, serving as its Chairman and Chief Executive Officer from 2007 until 2013 and its Executive Chairman thereafter until 2014. Previously, Mr. Estes was co-founder of Discover Re Managers, Inc., a leading carrier for the alternative risk marketplace, serving as its Chairman and Chief Executive Officer from inception in 1989 to 2005. Prior to that, in more than 25 years of service, Mr. Estes served in a variety of management roles at General Reinsurance Corporation, Hartford Economic Development Corporation and Hartford National Corporation. Mr. Estes has a Bachelor of Arts degree from Williams College and has served on the Board of Directors of Alterra Capital Holdings Limited (formerly Max Re Capital Group) and Rockhill Insurance Company. We believe Mr. Estes is qualified

to serve on our Board due his more than 40 years of experience in the insurance industry as well as his various executive leadership roles with insurance and reinsurance companies.

Geoffrey I. Miller. Mr. Miller has served as a member of our Board of Directors since March 2019 and on the board of directors of our insurance subsidiaries since February 2014. Mr. Miller serves as a Director at Genstar Capital, where he has worked since 2008. Prior to joining Genstar, Mr. Miller worked in the Services and Technology Investment Banking Group at Robert W. Baird. Mr. Miller earned his B.A. in Economics and Mathematical Methods in the Social Sciences from Northwestern University and his M.B.A. from Stanford University's Graduate School of Business. Mr. Miller currently serves on the board of directors of a number of private companies. We believe Mr. Miller is qualified to serve on our Board due to his experience in a wide range of industries, his investment experience and his service as a director on numerous private companies.

Richard H. Taketa. Mr. Taketa has served as a member of our Board of Directors since March 2019 and on the board of directors of our insurance subsidiaries since October 2018. Mr. Taketa serves as President of Taketa Capital Corporation, where he has worked since September 2018. Previously, Mr. Taketa served as Chief Executive Officer and President of York Risk Services Group, Inc., from January 2014 through September 2018, previously holding the positions of Chief Operating Officer, Chief Strategy Officer, and President at numerous York divisions and subsidiaries since 2006. Prior to joining York, Mr. Taketa served as the Chief Executive Officer of Southern California Risk Management Associates and an associate at DLA Piper LLP. In addition, Mr. Taketa serves on the board of directors of a number of private companies. Mr. Taketa earned his B.A. in Economics from Colgate University and his J.D. from Stanford Law School. We believe Mr. Taketa is qualified to serve on our Board due to his executive and insurance industry experience, as well as his experience as a director of numerous private companies.

Board Composition

Our bylaws provide that our Board of Directors shall initially consist of six members, and thereafter shall be fixed from time to time by resolution of our Board of Directors. Currently our Board of Directors consists of six members: James Ryan Clark (Chairman), Mac Armstrong, Robert E. Dowdell, George L. Estes III, Geoffrey I. Miller and Richard H. Taketa.

In accordance with our certificate of incorporation, our Board of Directors will be divided into three classes with staggered three year terms. At each annual meeting of stockholders after the initial classification, the successors to the directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following their election. Our directors will be divided among the three classes as follows:

- the Class I directors will be Robert E. Dowdell and George L. Estes III, and their terms will expire at the annual meeting of stockholders to be held in 2020;
- the Class II directors will be Richard H. Taketa and Geoffrey I. Miller, and their terms will expire at the annual meeting of stockholders to be held in 2021; and
- the Class III directors will be James Ryan Clark and Mac Armstrong, and their terms will expire at the annual meeting of stockholders to be held in 2022.

Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our Board of Directors may have the effect of delaying or preventing changes in control of our company.

Our Board of Directors has determined that upon completion of this offering, Messrs. Dowdell, Estes, and Taketa will be independent directors. In making this determination, our Board of Directors applied the standards set forth in Nasdaq Marketplace Rules and in Rule 10A-3 under the Securities

Exchange Act of 1934, as amended (the "Exchange Act"). In evaluating the independence of Messrs. Dowdell, Estes, and Taketa, our Board of Directors considered their current and historical employment, any compensation we have given to them, any transactions we have with them, their beneficial ownership of our capital stock, their ability to exert control over us, all other material relationships they have had with us and the same facts with respect to their immediate family. The Board of Directors also considered all other relevant facts and circumstances known to it in making this independence determination. In addition, James Ryan Clark, Robert E. Dowdell, George L. Estes III, Geoffrey L. Miller and Richard H. Taketa are non-employee directors, as defined in Rule 16b-3 of the Exchange Act.

Although there is no specific policy regarding diversity in identifying director nominees, both the Nominating and Corporate Governance Committee and the Board of Directors seek the talents and backgrounds that would be most helpful to us in selecting director nominees. In particular, the Nominating and Corporate Governance Committee, when recommending director candidates to the full Board of Directors for nomination, may consider whether a director candidate, if elected, assists in achieving a mix of Board of Directors members that represents a diversity of background and experience.

Board Leadership Structure

Our Board of Directors recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure so as to provide effective oversight of management. Our bylaws and corporate governance guidelines, will provide our Board of Directors with flexibility to combine or separate the positions of Chairman of the Board and Chief Executive Officer. Our Board of Directors currently believes that our existing leadership structure, under which Mac Armstrong serves as our chief executive officer, is effective, provides the appropriate balance of authority between independent and non-independent directors, and achieves the optimal governance model for us and for our stockholders.

Board Oversight of Risk

Although management is responsible for the day to day management of the risks our company faces, our Board of Directors and its committees take an active role in overseeing management of our risks and have the ultimate responsibility for the oversight of risk management. The Board of Directors regularly reviews information regarding our operational, financial, legal and strategic risks. Specifically, senior management attends quarterly meetings of the Board of Directors, provides presentations on operations including significant risks, and is available to address any questions or concerns raised by our Board of Directors.

In addition, we expect that our three committees will assist the Board of Directors in fulfilling its oversight responsibilities regarding risk. The Audit Committee will coordinate the Board of Director's oversight of our internal control over financial reporting, disclosure controls and procedures, related party transactions and code of conduct and corporate governance guidelines and management will regularly report to the Audit Committee on these areas. The Compensation Committee will assist the Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs as well as succession planning as it relates to our Chief Executive Officer. The Nominating and Corporate Governance Committee will assist the Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks associated with board organization, membership and structure, succession planning for our directors and corporate governance. When any of the committees receives a report related to material risk oversight, the chairman of the relevant committee will report on the discussion to the full Board of Directors.

Code of Business Conduct and Ethics

We anticipate adopting a code of conduct and ethics, effective immediately prior to the completion of this offering, which will apply to all of our employees, officers and directors, including those officers responsible for financial reporting. Following its completion, the code of conduct and ethics will be available on our website at www.PalomarSpecialty.com. We intend to disclose any amendments to the code, or any waivers of its requirements, on our website to the extent required by the applicable rules and exchange requirements. The inclusion of our website address in this prospectus does not incorporate by reference the information on or accessible through our website into this prospectus.

Controlled Company Exception

After giving effect to this offering, Genstar Capital will continue to control a majority of the voting power of our outstanding common stock. As a result, under our certificate of incorporation, Genstar Capital will be able to nominate a majority of the total number of directors comprising our Board of Directors and we will remain a "controlled company" within the meaning of the Nasdaq Marketplace Rules. Under the Nasdaq Marketplace Rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance standards, including (1) the requirement that a majority of the Board of Directors consist of independent directors, (2) the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities, (3) the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities, and (4) the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees. We intend to utilize certain of these exemptions. Accordingly, you do not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq Marketplace Rules. In the event that we cease to be a "controlled company," we will be required to comply with these provisions within the transition periods specified in the Nasdaq Marketplace Rules.

Board Committees

Our Board of Directors has established the following committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. In addition, we intend to avail ourselves of the "controlled company" exception under the Nasdaq Marketplace Rules which exempts us from certain requirements, including the requirements that we have a majority of independent directors on our Board of Directors and that we have compensation and nominating and corporate governance committees composed entirely of independent directors. We will, however, remain subject to the requirement that we have an audit committee composed entirely of independent members by the end of the transition period for companies listing in connection with an initial public offering. The anticipated composition and responsibilities of each committee are described below. Members will serve on these committees until their resignation or until otherwise determined by our Board of Directors.

Audit Committee

Our audit committee oversees our corporate accounting and financial reporting process. Among other matters, the audit committee:

- appoints our independent registered public accounting firm;
- evaluates the independent registered public accounting firm's qualifications, independence and performance;

- determines the engagement of the independent registered public accounting firm;
- reviews and approves the scope of the annual audit and the audit fee;
- discusses with management and the independent registered public accounting firm the results of the annual audit and the review of our quarterly financial statements;
- approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services;
- monitors the rotation of partners of the independent registered public accounting firm on our engagement team in accordance with requirements established by the SEC;
- is responsible for reviewing our financial statements and our management's discussion and analysis of financial condition and results of operations to be included in our annual and quarterly reports to be filed with the SEC;
- reviews our critical accounting policies and estimates; and
- reviews the audit committee charter and the committee's performance at least annually.

The members of our audit committee are Richard H. Taketa (chairperson), Robert E. Dowdell and George L. Estes III. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the Nasdaq Marketplace Rules. Our Board of Directors has determined that Richard H. Taketa is an audit committee financial expert as defined under the applicable rules of the SEC and has the requisite financial sophistication as defined under the applicable rules and regulations of the Nasdaq Stock Market. Under the rules of the SEC, members of the audit committee must also meet heightened independence standards. However, a minority of the members of the audit committee may be exempt from the heightened audit committee independence standards for one year from the date of effectiveness of the registration statement of which this prospectus forms a part. Our Board of Directors has determined that each of Richard H. Taketa, Robert E. Dowdell and George L. Estes III are independent under the heightened audit committee independence standards of the SEC and Nasdaq Marketplace Rules. As allowed under the applicable rules and regulations of the SEC and the Nasdaq Marketplace Rules, we intend to phase in compliance with the heightened audit committee independence requirements prior to the end of the one-year transition period. The audit committee operates under a written charter that satisfies the applicable standards of the SEC and the Nasdaq Marketplace Rules.

Compensation Committee

Our compensation committee reviews and recommends policies relating to compensation and benefits of our officers and employees. Among other matters, the compensation committee:

- reviews and recommends corporate goals and objectives relevant to compensation of our chief executive officer and other executive officers;
- evaluates the performance of these officers in light of those goals and objectives recommends to our board of directors the compensation of these officers based on such evaluations;
- recommends to our Board of Directors the issuance of stock options and other awards under our stock plans; and
- reviews and evaluates, at least annually, the performance of the compensation committee and its members, including compliance by the compensation committee with its charter.

The members of our compensation committee are James Ryan Clark (chairperson), George L. Estes III and Geoffrey I. Miller. We intend to avail ourselves of the "controlled company" exception under the Nasdaq Marketplace Rules which exempts us from the requirement that we have a

Compensation Committee composed entirely of independent directors. Each of the members of our Compensation Committee is a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act and is an "outside director" as that term is defined in Section 162(m) of the Internal Revenue Code of 1986, as amended, or Section 162(m). The compensation committee operates under a written charter that satisfies the applicable standards of the SEC and the Nasdaq Marketplace Rules.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee consists of Geoffrey I. Miller (chairperson), James Ryan Clark and Robert E. Dowdell. The principal duties and responsibilities of the Nominating and Corporate Governance Committee are as follows:

- to identify candidates qualified to become directors, consistent with criteria approved by our Board of Directors;
- to recommend to our Board of Directors nominees for election as directors at the next annual meeting of stockholders or a special meeting of stockholders at which directors are to be elected, as well as to recommend directors to serve on the other committees of the Board of Directors;
- to recommend to our Board of Directors candidates to fill vacancies and newly created directorships on the Board;
- to identify best practices and recommend corporate governance principles, including giving proper attention and making effective responses to stockholder concerns regarding corporate governance;
- to develop and recommend to our Board of Directors guidelines setting forth corporate governance principles; and
- to oversee the evaluation of our Board of Directors and senior management.

We intend to avail ourselves of the "controlled company" exception under the Nasdaq Marketplace Rules which exempts us from the requirement that we have a Nominating and Corporate Governance Committee composed entirely of independent directors.

Compensation Committee Interlocks and Insider Participation

None of the expected members of our compensation committee has at any time been one of our officers or employees. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers on our Board or compensation committee.

EXECUTIVE COMPENSATION

This section discusses the material components of the executive compensation program for our executive officers who are named in the "Summary Compensation Table" below. In 2018, our "named executive officers" and their positions were as follows:

- Mac Armstrong, our Chief Executive Officer;
- Heath Fisher, our President; and
- Jon Christianson, our Chief Operating Officer.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt following the completion of this offering may differ materially from the currently planned programs summarized in this discussion.

Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for the years ended December 31, 2018 and 2017.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	All Other Compensation ($)(1)	Total ($)
Mac Armstrong	2018	$ 500,000	$ 337,937	$ 14,120	$ 852,057
Chief Executive Officer	2017	$ 525,426	$ 225,000	$ 13,970	$ 764,396
Heath Fisher	2018	$ 410,000	$ 183,049	$ 13,950	$ 606,999
President	2017	$ 406,560	$ 173,250	$ 13,800	$ 593,610
Jon Christianson	2018	$ 348,267	$ 142,000	$ 8,250	$ 498,517
Chief Operating Officer	2017	$ 335,749	$ 113,256	$ 8,100	$ 457,105

(1) The amounts shown represent 401(k) plan contributions for Messrs. Armstrong, Fisher and Christianson, medical concierge services for Mr. Armstrong and a monthly car allowance for Mr. Fisher.

Narrative Description of Summary Compensation Table

Employment Agreements

We have entered into employment agreements with each of our named executive officers setting forth the terms of the officer's employment with us. The material terms of employment with our named executive officers are described below.

Mac Armstrong

We entered into an employment agreement with Mr. Armstrong, our Chief Executive Officer, dated April 10, 2014, as amended on March 5, 2018. The term of the agreement is automatically renewed for successive one year terms unless otherwise terminated (or unless either party gives written notice of its intent not to renew at least sixty days prior to the expiration of the then-current term). Pursuant to the terms of this agreement, Mr. Armstrong is eligible to receive an annual discretionary target bonus of up to 2.4% of our fiscal year GAAP after-tax net income that exceeds 8% of prior year book value, as such terms are defined by the Board (the "Bonus Pool"). In addition, Mr. Armstrong is eligible for a one-time incentive cash bonus of $1,000,000 upon the receipt by Genstar Capital of total cash proceeds equal to at least two and one-half times its investment through dividends, the sale of

shares of common stock held by Genstar Capital or otherwise. In the event that Mr. Armstrong is terminated by us without cause or if he resigns for good reason, he will be entitled to a severance package consisting of continued payment of 12 months of his then current base salary payable in accordance with our regular payroll cycle beginning on the first regular payday occurring following the termination date, subject to his execution and non-revocation of a general release of claims in our favor.

Heath Fisher

We entered into an employment agreement with Mr. Fisher, our President, dated April 15, 2014, as amended on March 1, 2018. The term of the agreement is automatically renewed for successive one year terms unless otherwise terminated (or unless either party gives written notice of its intent not to renew at least sixty days prior to the expiration of the then-current term). Pursuant to the terms of this agreement, Mr. Fisher is eligible to receive an annual discretionary target bonus of up to 1.3%, 1.2%, 1.1% and 1.0% of our annual Bonus Pool for fiscal years 2018, 2019, 2020 and 2021, respectively. In addition, Mr. Fisher is eligible for a one-time incentive cash bonus of $500,000 upon the receipt by Genstar Capital of total cash proceeds equal to least two and one-half times its investment through dividends, the sale of shares of common stock held by Genstar Capital or otherwise. In the event that Mr. Fisher is terminated by us without cause or if he resigns for good reason, he will be entitled to a severance package consisting of continued payment of 12 months of his then current base salary payable in accordance with our regular payroll cycle beginning on the first regular payday occurring following the termination date, subject to his execution and non-revocation of a general release of claims in our favor.

Jon Christianson

We entered into an employment agreement with Mr. Christianson, our Chief Operating Officer, dated April 15, 2014, as amended on March 1, 2018. The term of the agreement is automatically renewed for successive one year terms unless otherwise terminated (or unless either party gives written notice of its intent not to renew at least sixty days prior to the expiration of the then-current term). Pursuant to the terms of this agreement, Mr. Christianson is eligible to receive an annual discretionary target bonus of up to 40% of his then-current base salary. In the event that Mr. Christianson is terminated by us without cause or if he resigns for good reason, he will be entitled to a severance package consisting of continued payment of six months of his then current base salary payable in accordance with our regular payroll cycle beginning on the first regular payday occurring following the termination date, subject to his execution and non-revocation of a general release of claims in our favor.

Employee Benefit and Equity Incentive Plans

2019 Equity Incentive Plan

On March 15, 2019 our board of directors adopted, and our stockholders approved, the 2019 Plan, which will become effective immediately prior to the completion of this offering. We intend to use the 2019 Plan following the completion of this offering to provide incentives that will assist us to attract, retain, and motivate employees, including officers, consultants, and directors. We may provide these incentives through the grant of stock options, stock appreciation rights, restricted stock, RSUs, performance shares, and units and other cash-based or share-based awards. In addition, the 2019 Plan contains a mechanism through which we may adopt a deferred compensation arrangement in the future.

A total of 2,400,000 shares of our common stock are initially authorized and reserved for issuance under the 2019 Plan. This reserve will automatically increase on January 1, 2020 and each subsequent anniversary through 2029, by an amount equal to the smaller of:

- 3% of the number of shares of common stock issued and outstanding on the immediately preceding December 31; and
- an amount determined by our board of directors.

Appropriate adjustments will be made in the number of authorized shares and other numerical limits in the 2019 Plan and in outstanding awards to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to awards which expire or are cancelled or forfeited will again become available for issuance under the 2019 Plan.

The shares available under the 2019 Plan will not be reduced by awards settled in cash, but will be reduced by shares withheld to satisfy tax withholding obligations with respect to stock options and stock appreciation rights (but not other types of awards). The gross number of shares issued upon the exercise of stock appreciation rights or options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under the 2019 Plan.

The 2019 Plan generally will be administered by the compensation committee of our board of directors. Subject to the provisions of the 2019 Plan, the compensation committee will determine in its discretion the persons to whom and the times at which awards are granted, the sizes of such awards and all of their terms and conditions. The compensation committee will have the authority to construe and interpret the terms of the 2019 Plan and awards granted under it. The 2019 Plan provides, subject to certain limitations, for indemnification by us of any director, officer, or employee against all reasonable expenses, including attorneys' fees, incurred in connection with any legal action arising from such person's action or failure to act in administering the 2019 Plan.

During any fiscal year of the Company, no non-employee director may be granted one or more awards pursuant to the Plan which in the aggregate are for more than a number of shares of our common stock determined by dividing $250,000 by the fair market value of a share of our stock determined on the last trading day immediately preceding the date on which the award is granted.

The 2019 Plan will authorize the compensation committee, without further stockholder approval, to provide for the cancellation of stock options or stock appreciation rights with exercise prices in excess of the fair market value of the underlying shares of common stock on the date of grant in exchange for new options or other equity awards with exercise prices equal to the fair market value of the underlying common stock on the date of grant or a cash payment.

Awards may be granted under the 2019 Plan to our employees, including officers, directors, or consultants or those of any present or future parent or subsidiary corporation or other affiliated entity. All awards will be evidenced by a written agreement between us and the holder of the award and may include any of the following:

- *Stock options.* We may grant non-statutory stock options or incentive stock options (as described in Section 422 of the Code), each of which gives its holder the right, during a specified term (not exceeding ten years) and subject to any specified vesting or other conditions, to purchase a number of shares of our common stock at an exercise price per share determined by the administrator, which may not be less than the fair market value of a share of our common stock on the date of grant.
- *Stock appreciation rights.* A stock appreciation right, or SAR, gives its holder the right, during a specified term (not exceeding ten years) and subject to any specified vesting or other conditions, to receive the appreciation in the fair market value of our common stock between the date of

grant of the award and the date of its exercise. We may pay the appreciation in shares of our common stock or in cash.

- *Restricted stock.* The administrator may grant restricted stock awards either as a bonus or as a purchase right at a price determined by the administrator. Shares of restricted stock remain subject to forfeiture until vested, based on such terms and conditions as the administrator specifies. Holders of restricted stock will have the right to vote the shares and to receive any dividends paid, except that the dividends may be subject to the same vesting conditions as the related shares.

- *Restricted stock units.* Restricted stock units, or RSUs, represent rights to receive shares of our common stock (or their value in cash) at a future date without payment of a purchase price, subject to vesting or other conditions specified by the administrator. Holders of RSUs have no voting rights or rights to receive cash dividends unless and until shares of common stock are issued in settlement of such awards. However, the administrator may grant RSUs that entitle their holders to dividend equivalent rights.

- *Performance awards.* Performance awards, consisting of either performance shares or performance units, are awards that will result in a payment to their holder only if specified performance goals are achieved during a specified performance period. The administrator establishes the applicable performance goals based on one or more measures of business performance, such as revenue, gross margin, net income or total stockholder return. To the extent earned, performance awards may be settled in cash, in shares of our common stock or a combination of both in the discretion of the administrator. Holders of performance shares or performance units have no voting rights or rights to receive cash dividends unless and until shares of common stock are issued in settlement of such awards. However, the administrator may grant performance shares that entitle their holders to dividend equivalent rights.

- *Cash-based awards and other share-based awards.* The administrator may grant cash-based awards that specify a monetary payment or range of payments or other share-based awards that specify a number or range of shares or units that, in either case, are subject to vesting or other conditions specified by the administrator. Settlement of these awards may be in cash or shares of our common stock, as determined by the administrator. Their holders will have no voting rights or right to receive cash dividends unless and until shares of our common stock are issued pursuant to the awards. The administrator may grant dividend equivalent rights with respect to other share-based awards.

In the event of a change in control as described in the 2019 Plan, the acquiring or successor entity may assume or continue all or any awards outstanding under the 2019 Plan or substitute substantially equivalent awards. The compensation committee may provide for the acceleration of vesting of any or all outstanding awards upon such terms and to such extent as it determines, except that the vesting of all awards held by members of the board of directors who are not employees will automatically be accelerated in full. Any awards that are not assumed, continued, or substituted for in connection with a change in control or are not exercised or settled prior to the change in control will terminate effective as of the time of the change in control. Notwithstanding the foregoing, except as otherwise provided in an award agreement governing any award, as determined by the compensation committee, any award that is not assumed, continued, or substituted for in connection with a change in control shall, subject to the provisions of applicable law, become fully vested and exercisable and/or settleable immediately prior to, but conditioned upon, the consummation of the change in control. The 2019 Plan will also authorize the compensation committee, in its discretion and without the consent of any participant, to cancel each or any outstanding award denominated in shares upon a change in control in exchange for a payment to the participant with respect to each share subject to the cancelled award of an amount

equal to the excess of the consideration to be paid per share of common stock in the change in control transaction over the exercise price per share, if any, under the award.

The 2019 Plan will continue in effect until it is terminated by our board of directors, provided, however, that all awards will be granted, if at all, within ten years of its effective date. The board of directors may amend, suspend or terminate the 2019 Plan at any time, provided that without stockholder approval, the plan cannot be amended to increase the number of shares authorized, change the class of persons eligible to receive incentive stock options, or effect any other change that would require stockholder approval under any applicable law or listing rule.

2019 Employee Stock Purchase Plan

On March 15, 2019 our board of directors adopted, and our stockholders approved, our 2019 Employee Stock Purchase Plan, which will become effective as of the day immediately preceding the day on which this offering is completed.

A total of 240,000 shares of our common stock are initially authorized and reserved for issuance under the 2019 ESPP. In addition, our 2019 ESPP provides for annual increases in the number of shares available for issuance under the 2019 ESPP on January 1, 2020 and each subsequent anniversary through 2029, equal to the smallest of:

- 240,000 shares of our common stock; or
- such other amount as may be determined by our board of directors.

Appropriate adjustments will be made in the number of authorized shares and in outstanding purchase rights to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to purchase rights which expire or are cancelled will again become available for issuance under the 2019 ESPP.

The compensation committee of our board of directors will administer the 2019 ESPP and have full authority to interpret the terms of the 2019 ESPP. The 2019 ESPP provides, subject to certain limitations, for indemnification by us of any director, officer or employee against all judgments, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred in connection with any legal action arising from such person's action or failure to act in administering the 2019 ESPP.

All of our employees, including our named executive officers, and employees of any of our subsidiaries designated by the compensation committee are eligible to participate if they are customarily employed by us or any participating subsidiary for more than 20 hours per week and more than five months in any calendar year, subject to any local law requirements applicable to participants in jurisdictions outside the United States. However, an employee may not be granted rights to purchase stock under our 2019 ESPP if such employee:

- immediately after the grant would own stock or options to purchase stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock; or
- holds rights to purchase stock under all of our employee stock purchase plans that would accrue at a rate that exceeds $25,000 worth of our stock for each calendar year in which the right to be granted would be outstanding at any time.

Our 2019 ESPP is intended to qualify under Section 423 of the Code. Any such sub-plan may or may not be intended to qualify under Section 423 of the Code. The administrator may, in its discretion, establish the terms of future offering periods, including establishing offering periods of up to twenty-seven months and providing for multiple purchase dates. The administrator may vary certain terms and conditions of separate offerings for employees of our non-U.S. subsidiaries where required by local law or desirable to obtain intended tax or accounting treatment.

In general, our 2019 ESPP permits participants to purchase common stock through payroll deductions of up to 15% of their eligible cash compensation, which includes a participant's regular base wages or salary and payments of overtime, shift premiums and paid time off before deduction of taxes and certain compensation deferrals. Amounts deducted and accumulated from participant compensation, or otherwise funded through other means in any participating non-U.S. jurisdiction in which payroll deductions are not permitted, are used to purchase shares of our common stock at the end of each offering period.

Unless otherwise provided by the administrator, the purchase price of the shares will be 85% of the lesser of the fair market value of our common stock on the purchase date and the first day of the offering period. In any event, the purchase price in any offering period may not be less than 85% of the fair market value of our common stock on the first day of the offering period or on the purchase date, whichever is less. Participants may end their participation at any time during an offering period and will receive a refund of their account balances not yet used to purchase shares. Participation ends automatically upon termination of employment.

Each participant in an offering will have an option to purchase for each month contained in the offering period a number of shares determined by dividing $2,083.33 by the fair market value of one (1) share of our common stock on the first day of the offering period or 300 shares, if less, and except as limited in order to comply with Section 423 of the Code. Prior to the beginning of any offering period, the administrator may alter the maximum number of shares that may be purchased by any participant during the offering period or specify a maximum aggregate number of shares that may be purchased by all participants in the offering period. If insufficient shares remain available under the plan to permit all participants to purchase the number of shares to which they would otherwise be entitled, the administrator will make a pro rata allocation of the available shares. Any amounts withheld from a participant's compensation in excess of the amounts used to purchase shares will be refunded, without interest unless otherwise required by a participant's local law.

A participant may not transfer rights granted under the 2019 ESPP other than by will, the laws of descent and distribution or as otherwise provided under the 2019 ESPP.

In the event of a change in control, an acquiring or successor corporation may assume our rights and obligations under outstanding purchase rights or substitute substantially equivalent purchase rights. If the acquiring or successor corporation does not assume or substitute for outstanding purchase rights, then the purchase date of the offering periods then in progress will be accelerated to a date prior to the change in control.

Our 2019 ESPP will continue in effect until terminated by the administrator. The compensation committee has the authority to amend, suspend, or terminate our 2019 ESPP at any time.

Retirement Plan

We maintain a retirement savings plan, or 401(k) Plan, for the benefit of our eligible employees, including our named executive officers. Our 401(k) Plan is intended to qualify under Sections 401 of the Internal Revenue Code. In general, all employees are eligible to participate in the plan on the date they are hired. Each participant in the 401(k) Plan may contribute up to the statutory limit of his or her pre-tax compensation. We contribute the lesser of 3% of the employee's compensation or the maximum amount allowed under statutory law. Under the plan, each employee is fully vested in his or her deferred salary contributions as well as the matching contributions.

Outstanding Equity Awards at Fiscal Year-End

No equity awards were outstanding as of December 31, 2018, 2017 and 2016.

Limitation of Liability and Indemnification

Our certificate of incorporation that will become effective immediately prior to the consummation of this offering, contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which the director derived an improper personal benefit.

Our certificate of incorporation and bylaws that will become effective immediately prior to the consummation of this offering, provide that we are required to indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law. Our certificate of incorporation bylaws will also provide that we may indemnify a director, officer, employee or agent (including the advancement of the final disposition of any action or proceeding), and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under Delaware law. We have entered and expect to continue to enter into agreements to indemnify and advance expenses to our directors, executive officers and other employees as determined by our board of directors. With specified exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and our stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage.

Director Compensation

We do not currently have a formal compensation program for our non-employee directors. The following table sets forth information regarding compensation earned by our non-employee-directors

for service on our Board of Directors and the board of directors of our subsidiaries during the year ended December 31, 2018.

Name	Fees Earned or Paid in Cash ($)(1)	Option Awards ($)	All Other Compensation ($)	Total ($)
James Ryan Clark	—	—	—	—
Robert E. Dowdell(2)	25,000	—	—	25,000
George L. Estes III	100,000	—	—	100,000
Geoffrey I. Miller	—	—	—	—
Richard H. Taketa(2)	25,000	—	—	25,000

(1) Includes fees paid for service as a member of the board of directors of our subsidiaries.

(2) Messrs. Dowdell and Taketa joined the board of directors of Palomar Insurance Holdings, Inc. effective October 1, 2018.

We are currently considering a compensation program for our non-employee directors for future implementation that may consist of annual retainer fees or long-term equity awards; however, there can be no assurance at this time that such a program will be implemented or that it will consist of the components noted here. Directors who are also our employees will not receive fees for service on our board of directors.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions during our last three fiscal years to which we have been a party, in which the amount involved exceeds or will exceed $120,000 and in which any of our directors, executive officers or holders of more than 5% of our capital stock, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest.

Mac Armstrong's brother, Jake Armstrong, serves as SVP, Commercial Lines. During fiscal 2018, Jake Armstrong earned $180,250 in base salary, $73,000 in bonus payments and $6,967 in 401(k) contributions.

Stockholders Agreement with Genstar Capital

Prior to the consummation of this offering, we intend to enter into a stockholders agreement with Genstar Capital, which we refer to as the "Stockholders Agreement". The Stockholders Agreement will give Genstar Capital the right to nominate 50% of our directors after the consummation of this offering as long as Genstar Capital beneficially owns 50% or more of our outstanding common stock, with such nomination rights gradually decreasing as Genstar Capital's beneficial ownership of our common stock decreases over time. See "Description of Capital Stock—Composition of Board of Directors; Election and Removal of Directors." The Stockholders Agreement sets forth certain information rights granted to Genstar Capital. It also specifies that we will not take certain significant actions specified therein without the prior written consent Genstar Capital. Such specified actions include, but are not limited to:

- amendments or modifications to our or our subsidiaries' organizational documents in a manner that adversely affects Genstar Capital;
- making any payment or declaration of any dividend or other distribution on any shares of our common stock;
- merging or consolidating with or into any other entity, or transferring all or substantially all of our or our subsidiaries' assets, taken as a whole, to another entity, or entering into or agreeing to undertake any transaction that would constitute a "Change of Control" as defined in our or our subsidiaries' credit facilities or note indentures;
- other than in the ordinary course of business with vendors, customers and suppliers, enter into or effecting any (A) acquisition by us or any of our subsidiaries of the equity interests or assets of any person, or the acquisition by us or any of our subsidiaries of any business, properties, assets, or person, in one transaction or a series of related transactions or (B) disposition of assets of us or any of our subsidiaries or the shares or other equity interests of any of our subsidiary, in each case where the amount of consideration for any such acquisition or disposition exceeds $15 million in any single transaction, or an aggregate amount of $30 million in any series of transactions during a calendar year;
- undertaking any liquidation, dissolution or winding up; and
- changing the size of the Board of Directors.

The Stockholders Agreement will terminate at such time as Genstar Capital no longer owns at least 10% of our outstanding common stock.

Registration Rights Agreement with Genstar Capital

Prior to the consummation of this offering, we intend to enter into a registration rights agreement with Genstar Capital, which we refer to as the "Registration Rights Agreement", pursuant to which Genstar Capital will be entitled to demand the registration of the sale of certain or all of our common

stock that it beneficially owns. Among other things, under the terms of the Registration Rights Agreement:

- if we propose to file certain types of registration statements under the Securities Act with respect to an offering of equity securities, we will be required to use our reasonable best efforts to offer the other parties to the Registration Rights Agreement, if any, the opportunity to register the sale of all or part of their shares on the terms and conditions set forth in the Registration Rights Agreement (customarily known as "piggyback rights"); and

- Genstar Capital has the right, subject to certain conditions and exceptions, to request that we file registration statements with the SEC for one or more underwritten offerings of all or part of our common stock that it beneficially owns and the Company is required to cause any such registration statements (a) to be filed with the SEC promptly and, in any event, on or before the date that is 90 days, in the case of a registration statement on Form S-1, or 45 days, in the case of a registration statement on Form S-3, after we receive the written request to effectuate the demand registration, and (b) to become effective as promptly as reasonably practicable.

All expenses of registration under the Registration Rights Agreement, including the legal fees of one counsel retained by or on behalf of Genstar Capital, will be paid by us.

The registration rights granted in the Registration Rights Agreement are subject to customary restrictions such as minimums, blackout periods and, if a registration is underwritten, any limitations on the number of shares to be included in the underwritten offering as reasonably advised by the managing underwriter. The Registration Rights Agreement also contains customary indemnification and contribution provisions. The Registration Rights Agreement is governed by New York law.

Indemnification Agreements and Directors' and Officers' Liability Insurance

We have entered into indemnification agreements with each of our directors and executive officers. These agreements, among other things, require us to indemnify each director and executive officer to the fullest extent permitted by Delaware law, including indemnification of expenses such as attorneys' fees, judgments, penalties fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person's services as a director or executive officer.

Policies and Procedures for Related Party Transactions

Our board of directors has adopted a written related person transaction policy, to be effective upon the consummation of this offering, setting forth the policies and procedures for the review and approval or ratification of related person transactions. This policy will cover, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we were or are to be a participant, where the amount involved exceeds $120,000 and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person. In reviewing and approving any such transactions, our audit committee is tasked to consider all relevant facts and circumstances, including, but not limited to, whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction with an unrelated third party and the extent of the related person's interest in the transaction. All of the transactions described in this section occurred prior to the adoption of this policy.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock as of December 31, 2018, and as adjusted to reflect the sale of our common stock offered by us in this offering, for:

- each of our named executive officers;
- each of our directors;
- all of our current directors and executive officers as a group; and
- each person, or group of affiliated persons, known by us to be the beneficial owner of more than 5% of our outstanding shares common stock.

We have determined beneficial ownership in accordance with the rules of the SEC, which generally means that a person has beneficial ownership of a security if he or she possesses sole or shared voting or investment power of that security, including options that are currently exercisable or exercisable within 60 days of December 31, 2018. Unless otherwise indicated, to our knowledge, the persons and entities named in the table below have sole voting and sole investment power with respect to all shares that they beneficially own, subject to community property laws where applicable. The information in the table below does not necessarily indicate beneficial ownership for any other purpose, including for purposes of Sections 13(d) and 13(g) of the Securities Act.

We have based our calculation of the percentage of beneficial ownership prior to this offering on 17,000,000 shares of common stock outstanding as of March 15, 2019. We have based our calculation of the percentage of beneficial ownership after this offering on shares of common stock outstanding immediately after the completion of this offering. In computing the number of shares beneficially owned by an individual or entity and the percentage ownership of that person, shares of common stock subject to options, convertible securities or other rights, held by such person that are currently exercisable or will become exercisable within 60 days of March 15, 2019, are considered outstanding. We did not, however, deem such shares outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o 7979 Ivanhoe Avenue, Suite 500, La Jolla, California 92037.

	Shares Beneficially Owned		% of Outstanding Shares Beneficially Owned after this Offering
	Shares	%	
5% Stockholders:			
Genstar Capital[1]	14,467,797	85.1%	
4 Embarcadero Center, Suite 1900, San Francisco, CA 94111			
Named Executive Officers and Directors[2]:			
Mac Armstrong[3]	970,388	5.7%	
James Ryan Clark[1]	14,467,797	85.1%	
Robert E. Dowdell[4]	120,039	*	
George L. Estes III	23,580	*	
Geoffrey I. Miller		*	
Richard H. Taketa	38,156	*	
Heath Fisher	366,198	2.2%	
Jon Christianson	130,595	*	
All executive officers and directors as a group (10 persons)	16,305,177	95.9%	

* less than 1%.

(1) Consists of (i) 9,832,483 shares held of record by Genstar Capital Partners V AIV, L.P. ("Genstar V"), the general partner of which is Genstar Capital V AIV, L.P. ("Genstar V GP"), the general partner of which is Genstar V GP AIV LTD. ("Genstar V LTD"), (ii) 294,975 shares held of record by Stargen V AIV, L.P. ("Stargen V"), the general partner of which is Genstar V GP, the general partner of which is Genstar V LTD, (iii) 4,021,062 shares held of record by Genstar Capital Partners VI AIV, L.P. ("Genstar VI"), the general partner of which is Genstar Capital VI AIV, L.P. ("Genstar VI GP"), the general partner of which is Genstar VI GP AIV LTD. ("Genstar VI LTD"), (iv) 166,254 shares held of record by Genstar Capital Partners VI AIV (DEL), L.P. (Genstar VI DEL), the general partner of which is Genstar VI GP, the general partner of which is Genstar VI LTD, and (v) 153,023 shares held of record by Stargen VI AIV, L.P. ("Stargen VI", together with Genstar V, Stargen V, Genstar VI and Genstar VI DEL, the "Genstar Entities"), the general partner of which is Genstar VI GP, the general partner of which is Genstar VI LTD . As such, Genstar V LTD and Genstar VI LTD may be deemed to have beneficial ownership of the securities over which any of the Genstar Entities has voting or dispositive power. Genstar V LTD and Genstar VI LTD are controlled by a board of 3 directors that acts by majority approval and possesses sole voting and dispositive power with respect to the shares held by the Genstar Entities. The individual members of such board are: J. Ryan Clark; Jean-Pierre L. Conte; and Eli P. Weiss. The address for each of the entities referenced above is c/o Genstar Capital, 4 Embarcadero Center, Suite 1900, San Francisco, CA 94111.

(2) None of our executive officers or directors beneficially own shares of common stock subject to options convertible, securities or other rights that are currently exercisable or exercisable within 60 days of March 15, 2019.

(3) These shares are held by the Armstrong Family Trust. Mr. Armstrong is co-Trustee of the Armstrong Family Trust and may be deemed to have beneficial ownership of the shares held by this entity.

(4) These shares are held by RGD Partners, LP. Mr. Dowdell may be deemed to have beneficial ownership of the shares held by this entity.

DESCRIPTION OF CAPITAL STOCK

General

As of the closing of this offering, our authorized capital stock will consist of 500,000,000 shares of common stock, par value $0.0001 per share, and 5,000,000 shares of preferred stock, par value $0.0001 per share.

The following description of our capital stock and provisions of our certificate of incorporation and bylaws are summaries and are qualified by reference to the certificate of incorporation and bylaws that will be effective upon the closing of this offering. Our certificate of incorporation and bylaws will be approved by our pre-IPO stockholders prior to this offering. Copies of these documents will be filed with the SEC as exhibits to our registration statement, of which this prospectus forms a part. The description of our capital stock reflects changes to our capital structure that will occur prior to the closing of this offering.

Common Stock

As of March 15, 2019, there were 17,000,000 shares of our common stock outstanding and held of record by 51 stockholders.

Voting Rights

Holders of our common stock are entitled to one vote per share of common stock. Holders of shares of common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders. We have not provided for cumulative voting for the election of directors in our certificate of incorporation.

Stockholders Agreement. Under our Stockholders Agreement, Genstar Capital has the right, but not the obligation, to nominate (a) 50% of our directors, as long as Genstar Capital beneficially owns 50% or more of our outstanding common stock, (b) 40% of our directors, as long as Genstar Capital beneficially owns 40% or more, but less than 50% of our outstanding common stock, (c) 30% of our directors, as long as Genstar Capital beneficially owns 30% or more, but less than 40% of our outstanding common stock, (d) 20% of our directors, as long as Genstar Capital beneficially owns 20% or more, but less than 30% of our outstanding common stock, (e) 10% of our directors, as long as Genstar Capital beneficially owns 10% or more, but less than 20% of our outstanding common stock, in each case rounded up to the nearest whole number. See "Certain Relationships and Related Party Transactions—Stockholders Agreement with Genstar Capital."

Economic Rights

Dividends. Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and only then at the times and in the amounts that our board of directors may determine. See "Dividend Policy" for more information. Any dividend or distributions paid or payable to the holders of shares of common stock shall be paid pro rata, on an equal priority, pari passu basis.

Right to Receive Liquidation Distributions. Upon our dissolution, liquidation or winding-up, the assets legally available for distribution to our stockholders shall be distributable ratably among the holders of our common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Other Matters. Holders of common stock have no preemptive, conversion, or subscription rights, and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences, and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock, which we may designate and issue in the future.

Choice of Forum

Our certificate of incorporation will provide that, unless we consent in writing to the selection of an alternative form, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for: (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim of breach of a fiduciary duty by any of our directors, officers, employees or stockholders owed to us or our stockholders; (3) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our bylaws or the Delaware General Corporation Law; or (4) any action asserting a claim governed by the internal affairs doctrine. Our certificate of incorporation also provides that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to this choice of forum provision. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court of law could rule that the choice of forum provision contained in our certificate of incorporation is inapplicable or unenforceable if it is challenged in a proceeding or otherwise. This choice of forum provision has important consequences for our stockholders. See "Risk Factors—Risks Related to This Offering and Ownership of Our Common Stock—Our certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees."

Preferred Stock

Under the terms of our certificate of incorporation that will be effective as of the closing of this offering, our board of directors is authorized to direct us to issue shares of preferred stock in one or more series without stockholder approval. Our board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock.

The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock could adversely affect the voting power of holders of our common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of our outstanding voting stock. Upon the closing of this offering, there will be no shares of preferred stock outstanding, and we have no present plans to issue any shares of preferred stock

Registration Rights

Prior to the consummation of this offering, we intend to enter into the Registration Rights Agreement with Genstar Capital. The Registration Rights Agreement provides Genstar Capital with certain registration rights. See "Certain Relationships and Related Party Transactions—Registration Rights Agreement with Genstar Capital."

Anti-takeover Provisions

Classified Board of Directors; Election and Removal of Directors

Our certificate of incorporation will provide that our board of directors will be divided into three classes, with the classes as nearly equal in number as possible and each class serving three-year staggered terms. As a result, approximately one-third of our board of directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board.

Under the Delaware General Corporation Law, unless otherwise provided in our certificate of incorporation and our bylaws, directors serving on a classified board may be removed only for cause. Our certificate of incorporation provides that directors may be removed with or without cause upon the affirmative vote of a majority in voting power of all outstanding shares of stock entitled to vote thereon, voting together as a single class; provided, however, that from and after the time Genstar Capital and its affiliates cease to beneficially own, in the aggregate, at least a majority of our outstanding common stock, directors may only be removed for cause, and only by the affirmative vote of holders of at least $66^{2}/_{3}\%$ in voting power of all the then-outstanding shares of our stock entitled to vote thereon, voting together as a single class. Subject to the rights of Genstar Capital as set forth in the Stockholders Agreement, any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of our directors then in office.

Stockholder Action; Special Meeting of Stockholders

Subject to the rights of the holders of one or more series of our preferred stock then outstanding, any action required or permitted to be taken by stockholders must be effected at a duly called annual or special meeting of our stockholders; provided, that prior to the time at which Genstar Capital ceases to beneficially own at least a majority of our outstanding common stock, any action required or permitted to be taken at any annual or special meeting of our stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, is signed by or on behalf of the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and are delivered in accordance with applicable Delaware law.

Our certificate of incorporation provides that special meetings of the stockholders may be called only by the chairman of the board of directors, the Chief Executive Officer or by the secretary at the direction of a majority of the directors then in office.

Supermajority approval requirements

The Delaware General Corporation Law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Our bylaws, which will be effective as of the closing of this offering, may be amended or repealed by a majority vote of our board of directors or the affirmative vote of the holders of at least $66^{2}/_{3}\%$ of the votes that all our stockholders would be entitled to cast in an annual election of directors. In addition, the affirmative vote of the holders of at least $66^{2}/_{3}\%$ of the votes which all our stockholders would be entitled to cast in an election of directors is required to amend, repeal, or adopt any provisions inconsistent with, any of the provisions of our certificate of incorporation described in the prior two paragraphs as well as certain other persons.

Authorized But Unissued Shares

The authorized but unissued shares of our common stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of Nasdaq. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

The foregoing provisions of our certificate of incorporation and bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management or delaying or preventing a transaction that might benefit you or other minority stockholders.

In addition, at such time as Genstar Capital cease to beneficially own in the aggregate at least a majority of our voting power of all outstanding shares or stock entitled to vote generally in the election of directors, we will be subject to Section 203 of the Delaware General Corporation Law. Subject to certain exceptions, Section 203 prevents a publicly held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for three years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of our board of directors or unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger or consolidation involving us and the "interested stockholder" and the sale of more than 10% of our assets. In general, an "interested stockholder" is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person, *provided* that Genstar Capital will not be deemed to be an interested stockholder.

Corporate Opportunity

Our certificate of incorporation which will be effective on the closing of this offering provides that, to the fullest extent permitted by law, the doctrine of "corporate opportunity" will not apply against Genstar Capital, any of our non-employee directors who are employees, affiliates or consultants of Genstar Capital or its affiliates (other than us or our subsidiaries) or any of their respective affiliates in a manner that would prohibit them from investing in competing businesses or doing business with our customers.

Transfer Agent and Registrar

Upon completion of this offering, the transfer agent and registrar for our common stock will be Computershare Trust Company, N.A. The address of the transfer agent and registrar is 480 Washington Blvd, Jersey City, NJ 07310.

Limitations of Liability and Indemnification

See the section captioned "Certain Relationships and Related Party Transactions—Indemnification Agreements and Directors' and Officers' Liability Insurance."

Listing

We have applied to list our common on Nasdaq under the symbol "PLMR."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and we cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares of our common stock will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Following the completion of this offering, based on the number of shares of our capital stock outstanding as of , shares of common stock will be outstanding, assuming no exercise of the underwriters' option to purchase additional shares to cover over allotments, if any, and no exercise of outstanding options. Of these outstanding shares, all of the shares of our common stock sold in this offering will be freely tradable, except that any shares purchased in this offering by our affiliates, as that term is defined in Rule 144 under the Securities Act, would only be able to be sold in compliance with the Rule 144 limitations described below.

The remaining outstanding shares of our common stock not sold in this offering will be, and shares subject to stock options will be upon issuance, deemed "restricted securities" as defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below. All of our executive officers, directors and holders of our capital stock and securities exchangeable or exercisable for our capital stock have entered lock-up agreements with the underwriters under which they have agreed, subject to certain customary exceptions, not to sell any of our stock for 180 days following the date of this prospectus. As a result of these agreements and subject to the provisions of Rule 144 or Rule 701, shares of our common stock will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all shares of our common stock sold in this offering will be immediately available for sale in the public market; and
- beginning 180 days after the date of this prospectus, the remaining shares of our common stock will be eligible for sale in the public market from time to time thereafter, subject in some cases to the volume and other restrictions of Rule 144, as described below.

Lock-Up Agreements

We, our officers, directors and all other holders of our capital stock and securities convertible into or exchangeable for our capital stock have agreed that, subject to certain exceptions, for a period of 180 days after the date of this prospectus, we and they will not, without the prior written consent of Barclays Capital Inc. and J.P. Morgan Securities LLC, dispose of or hedge any shares or any securities convertible into or exchangeable for shares of our capital stock. Barclays Capital Inc. and J.P. Morgan Securities LLC may, in their discretion, release any of the securities subject to lock-up agreements at any time. When determining whether or not to release our common stock and other securities from lock-up agreements, Barclays Capital Inc. and J.P. Morgan Securities LLC will consider, among other factors, the holder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time of the request. In the event of such a release or waiver for one of our directors or officers, Barclays Capital Inc. and J.P. Morgan Securities LLC shall provide us with notice of the impending release or waiver at least three business days before the

effective date of such release or waiver and we will announce the impending release or waiver by issuing a press release at least two business days before the effective date of the release or waiver.

Rule 144

In general, under Rule 144 as currently in effect, once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares of our common stock proposed to be sold for at least six months is entitled to sell those shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares of our common stock on behalf of our affiliates are entitled to sell upon expiration of the market standoff agreements and lock-up agreements described above, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our capital stock then outstanding, which will equal shares immediately after this offering; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.
- Sales under Rule 144 by our affiliates or persons selling shares of our common stock on behalf of our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our capital stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after the date of this prospectus before selling those shares pursuant to Rule 701.

Registration Statement

We intend to file a registration statement on Form S-8 under the Securities Act promptly after the completion of this offering to register shares of our common stock subject to options outstanding, as well as reserved for future issuance, under our equity compensation plans. The registration statement on Form S-8 is expected to become effective immediately upon filing, and shares of our common stock covered by the registration statement will then become eligible for sale in the public market, subject to the Rule 144 limitations applicable to affiliates, vesting restrictions and any applicable market standoff agreements and lock-up agreements. See the section captioned "Executive Compensation—Employee Benefit and Equity Incentive Plans" for a description of our equity compensation plans.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the "IRS"), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder of our common stock. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of our common stock. Potential tax reforms in the United States may result in significant changes in the rules governing U. S. federal income taxation. Such changes may affect the U.S. federal tax consequences of the purchase, ownership and disposition of the common stock discussed herein.

This discussion is limited to Non-U.S. Holders that hold our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder's particular circumstances, including the impact of the alternative minimum tax or the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- tax-qualified retirement plans;
- Non-U.S. Holders whose income or gain with respect to our common stock is effectively connected with the conduct of a trade or business in the United States;
- "qualified foreign pension funds" as defined in Section 897(l)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds; and

- persons subject to special tax accounting rules as a result of any item of gross income with respect to the stock being taken into account in an "applicable financial statement" (as defined in the Code).

If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of a Non-U.S. Holder

For purposes of this discussion, a "Non-U.S. Holder" is any beneficial owner of our common stock that is neither a "U.S. person" nor an entity treated as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

Distributions

As described in the section entitled "Dividend Policy," we do not anticipate declaring or paying dividends to holders of our common stock in the foreseeable future. However, if we do make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-U.S. Holder's adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under "—Sale or other taxable disposition."

Dividends paid to a Non-U.S. Holder of our common stock will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate

claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

Sale or Other Taxable Disposition

A Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the Non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or

- our common stock constitutes a U.S. real property interest ("USRPI") by reason of our status as a U.S. real property holding corporation ("USRPHC") for U.S. federal income tax purposes.

Gain described in the first bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the second bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC. Because the determination of whether we are a USRPHC depends, however, on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a Non-U.S. Holder of our common stock will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such Non-U.S. Holder owned, actually and constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period.

Non-U.S. Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Payments of dividends on our common stock will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a United States person and the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our common stock paid to the Non-U.S. Holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such sections commonly referred to as the Foreign Account Tax Compliance Act, or "FATCA") on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA currently applies to payments of dividends on our common stock. On December 13, 2018, the Treasury Department issued proposed regulations that, among other things, eliminate the obligation to withhold gross proceeds from the sale or other disposition of such stock.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

UNDERWRITING

Barclays Capital Inc., J.P. Morgan Securities LLC and Keefe, Bruyette & Woods, Inc. are acting as the representatives of the underwriters and the joint book-running managers of this offering. Under the terms of an underwriting agreement, which will be filed as an exhibit to the registration statement, each of the underwriters named below has severally agreed to purchase from us the respective number of common stock shown opposite its name below:

Underwriters	Number of Shares
Barclays Capital Inc.	
J.P. Morgan Securities LLC	
Keefe, Bruyette & Woods, Inc.	
Evercore Group L.L.C.	
William Blair & Company, L.L.C.	
Sandler O'Neill & Partners, L.P.	
SunTrust Robinson Humphrey, Inc.	
Total	

The underwriting agreement provides that the underwriters' obligation to purchase shares of common stock depends on the satisfaction of the conditions contained in the underwriting agreement including:

- the obligation to purchase all of the shares of common stock offered hereby (other than those shares of common stock covered by their option to purchase additional shares as described below), if any of the shares are purchased;
- the representations and warranties made by us to the underwriters are true;
- there is no material change in our business or the financial markets; and
- we deliver customary closing documents to the underwriters.

Commissions and Expenses

The following table summarizes the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to us for the shares.

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

The representatives have advised us that the underwriters propose to offer the shares of common stock directly to the public at the public offering price on the cover of this prospectus and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of $ per share. If all the shares are not sold at the initial offering price following the initial offering, the representatives may change the offering price and other selling terms.

The expenses of the offering that are payable by us are estimated to be approximately $ (excluding underwriting discounts and commissions). We have agreed to reimburse the underwriters for certain of their expenses in an amount up to $.

Option to Purchase Additional Shares

We have granted the underwriters an option exercisable for 30 days after the date of this prospectus to purchase, from time to time, in whole or in part, up to an aggregate of shares from us to cover over-allotments, if any, at the public offering price less underwriting discounts and commissions. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional shares based on the underwriter's percentage underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting section.

Lock-Up Agreements

We, all of our directors, executive officers, and holders of all of our outstanding stock have agreed that, for a period of 180 days after the date of this prospectus, subject to certain customary exceptions, we and they will not directly or indirectly, without the prior written consent of each of Barclays Capital Inc. and J.P. Morgan Securities LLC (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of common stock (including, without limitation, shares of common stock that may be deemed to be beneficially owned by us or them in accordance with the rules and regulations of the SEC and shares of common stock that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for common stock (other than the stock and shares issued pursuant to employee benefit plans, qualified stock option plans, or other employee compensation plans existing on the date of this prospectus), or sell or grant options, rights or warrants with respect to any shares of common stock or securities convertible into or exchangeable for common stock (other than the grant of options pursuant to option plans existing on the date of this prospectus), (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of shares of common stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or other securities, in cash or otherwise, (3) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any shares of common stock or securities convertible into or exercisable or exchangeable for common stock or any of our other securities, or (4) publicly disclose the intention to do any of the foregoing.

The restrictions above do not apply to (a) transactions relating to shares of our common stock or other securities acquired in the open market after the completion of this offering, (b) bona fide gifts, as long as such donee agrees to be bound by the terms of the lock-up agreement, (c) the exercise of warrants or the exercise of stock options granted pursuant to our stock option or incentive plans or otherwise outstanding at the completion of this offering, so long as the shares of our common stock received upon such exercise or conversion will remain subject to the restrictions set forth in the lock-up agreement, (d) the establishment of any contract, instruction or plan that satisfies all of the requirements of Rule 10b5-1 under the Exchange Act or (e) any demand or request for the registration by us under the Securities Act of shares of our common stock, except that no such shares may be transferred and no registration statement may be filed during the lock-up period.

Barclays Capital Inc. and J.P. Morgan Securities LLC in their sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time. When determining whether or not to release common stock and other securities from lock-up agreements, Barclays Capital Inc. and J.P. Morgan Securities LLC will consider, among other factors, the holder's reasons for requesting the release, the number of shares of common stock and other securities for which the release is being requested and market conditions at the time. At least three business days before the effectiveness of any release or waiver of any of the restrictions described above with respect to an officer or director, Barclays Capital Inc. and J.P. Morgan Securities LLC will

notify us of the impending release or waiver and we have agreed to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver, except where the release or waiver is effected solely to permit a transfer of common stock that is not for consideration and where the transferee has agreed in writing to be bound by the same terms as the lock-up agreements described above to the extent and for the duration that such terms remain in effect at the time of transfer.

Offering Price Determination

Prior to this offering, there has been no public market for our common stock. The initial public offering price was negotiated between the representatives and us. In determining the initial public offering price of our common stock, the representatives considered:

- the history and prospects for the industry in which we compete;
- our financial information;
- the ability of our management and our business potential and earning prospects;
- the prevailing securities markets at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded shares of generally comparable companies.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make for these liabilities.

Stabilization, Short Positions and Penalty Bids

The representatives may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Exchange Act:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- A short position involves a sale by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions.

- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on Nasdaq or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

Listing on The Nasdaq Global Select Market

We have applied to list our common stock on Nasdaq under the symbol "PLMR".

Stamp Taxes

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

Other Relationships

The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for the issuer and its affiliates, for which they received or may in the future receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer or its affiliates. If the underwriters or their affiliates have a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and certain of those underwriters or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, the underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the shares of common stock offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the shares of common stock offered hereby. The underwriters and certain of their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

This prospectus does not constitute an offer to sell to, or a solicitation of an offer to buy from, anyone in any country or jurisdiction (i) in which such an offer or solicitation is not authorized, (ii) in which any person making such offer or solicitation is not qualified to do so or (iii) in which any such offer or solicitation would otherwise be unlawful. No action has been taken that would, or is intended to, permit a public offer of the shares of common stock or possession or distribution of this prospectus or any other offering or publicity material relating to the shares of common stock in any country or jurisdiction (other than the United States) where any such action for that purpose is required. Accordingly, each underwriter has undertaken that it will not, directly or indirectly, offer or sell any shares of common stock or have in its possession, distribute or publish any prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of shares of common stock by it will be made on the same terms.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares of our common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined under the Prospectus Directive;
- by the underwriters to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives of the underwriters for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of our common stock shall result in a requirement for us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, (1) the expression an "offer of common stock to the public" in relation to any common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase or subscribe for the common stock, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, (2) the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in each Relevant Member State and (3) the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

This prospectus has only been communicated or caused to have been communicated and will only be communicated or caused to be communicated as an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act of 2000 (the "FSMA")) as received in connection with the issue or sale of the common stock in circumstances in which Section 21(1) of the FSMA does not apply to us. All applicable provisions of the FSMA will be complied with in respect to anything done in relation to the common stock in, from or otherwise involving the United Kingdom.

Canada

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons, or the Exempt Investors, who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances and, if necessary, seek expert advice on those matters.

Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, Palomar or the shares have been or will be filed with or approved by any Swiss regulatory authority. This document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or DFSA. This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents relating to Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus, you should consult an authorized financial advisor.

Hong Kong

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue,

whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

LEGAL MATTERS

DLA Piper LLP (US), San Diego, California will pass upon the validity of the shares of our common stock being offered by this prospectus. Latham & Watkins, LLP, San Diego, California is acting as counsel to the underwriters.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements at December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018, as set forth in their report. We have included our financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of our common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The SEC maintains a website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available at the website of the SEC referred to above. We also maintain a website at www.PalomarSpecialty.com where, upon completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information on or that can be accessed through our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

Palomar Holdings, Inc. and Subsidiaries

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm F-2

Consolidated Financial Statements

Consolidated Balance Sheets F-3

Consolidated Statements of Income and Comprehensive Income F-4

Consolidated Statements of Shareholder's Equity F-5

Consolidated Statements of Cash Flows F-6

Notes to Consolidated Financial Statements F-7

Schedule II—Condensed Financial Information of Registrant—Parent Company only F-39

Schedule V—Valuation and Qualifying Accounts F-43

Schedules other than those listed are omitted for the reason that they are not required, are not applicable or that equivalent information has been included in the financial statements or notes thereto or elsewhere herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Palomar Holdings, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Palomar Holdings, Inc. and Subsidiaries (the Company), formerly GC Palomar Holdings, as of December 31, 2018 and 2017, the related consolidated statements of income and comprehensive income, shareholder's equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedules listed in the Index to Consolidated Financial Statements on page F-1 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Adoption of ASU No. 2016-01

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for investments in equity securities in 2018 due to the adoption of ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10)*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2016

San Francisco, California
March 15, 2019

Palomar Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except shares and par value data)

	December 31, 2018	December 31, 2017
Assets		
Investments:		
Fixed maturity securities available for sale, at fair value (amortized cost: $122,949 in 2018; $102,301 in 2017)	$ 122,220	$ 101,913
Equity securities, at fair value: (cost: $27,188 in 2018; $19,569 in 2017)	25,171	23,586
Total investments	147,391	125,499
Cash and cash equivalents	9,525	10,780
Restricted cash	399	152
Accrued investment income	734	788
Receivables for securities	—	250
Premium receivable	18,633	15,087
Deferred policy acquisition costs	14,052	15,161
Reinsurance recoverable on unpaid losses and loss adjustment expenses	11,896	13,352
Reinsurance recoverable on paid losses and loss adjustment expenses	2,666	1,280
Prepaid reinsurance premium	18,284	3,175
Prepaid expenses and other assets	5,863	1,260
Property and equipment, net	947	827
Intangible assets	744	744
Total assets	$ 231,134	$ 188,355
Liabilities and shareholder's equity		
Liabilities:		
Accounts payable and other accrued liabilities	$ 9,245	$ 6,497
Reserve for losses and loss adjustment expenses	16,061	17,784
Unearned premiums	79,130	61,976
Ceded premium payable	10,607	5,069
Funds held under reinsurance treaty	720	1,517
Income taxes payable	—	11
Long-term notes payable	19,079	17,087
Total liabilities	134,842	109,941
Shareholder's equity:		
Common stock, $0.0001 par value, 500,000,000 shares authorized, 17,000,000 shares issued and outstanding as of December 31, 2017 and 2018, respectively	2	2
Additional paid-in capital	68,498	68,498
Accumulated other comprehensive (loss) income	(563)	2,993
Retained earnings	28,355	6,921
Total shareholder's equity	96,292	78,414
Total liabilities and shareholder's equity	$ 231,134	$ 188,355

See accompanying notes.

Palomar Holdings, Inc. and Subsidiaries

Consolidated Statements of Income and Comprehensive Income

(in thousands, except shares and per share data)

	Year ended December 31,		
	2018	2017	2016
Revenues:			
Gross written premiums	$ 154,891	$ 120,234	$ 82,287
Ceded written premiums	(82,949)	(46,951)	(29,636)
Net written premiums	71,942	73,283	52,651
Change in unearned premiums	(2,045)	(17,738)	(12,329)
Net earned premiums	69,897	55,545	40,322
Net investment income	3,238	2,125	1,615
Net realized and unrealized (losses) gains on investments	(2,569)	608	499
Commission and other income	2,405	1,188	260
Total revenues	72,971	59,466	42,696
Expenses:			
Losses and loss adjustment expenses	6,274	12,125	7,292
Acquisition expenses	28,224	25,522	17,340
Other underwriting expenses	17,957	15,146	10,153
Interest expense	2,303	1,745	1,634
Total expenses	54,758	54,538	36,419
Income before income taxes	18,213	4,928	6,277
Income tax (benefit) expense	(6)	1,145	(337)
Net income	18,219	3,783	6,614
Other comprehensive income, net:			
Net unrealized (losses) gains on securities available for sale, net of taxes of ($0), $704, and $734 for the years ended December 31, 2018, 2017 and 2016, respectively	(341)	1,522	1,475
Net comprehensive income	$ 17,878	$ 5,305	$ 8,089
Per Share Data:			
Earnings per share, basic and diluted	$ 1.07	$ 0.22	$ 0.39
Weighted-average common shares outstanding:	17,000,000	17,000,000	17,000,000

See accompanying notes.

Palomar Holdings, Inc. and Subsidiaries

Consolidated Statements of Shareholder's Equity

(in thousands, except share data)

	Number of Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Shareholder's Equity
Balance at January 1, 2016	17,000,000	$ 2	$ 68,498	$ (458)	$ (3,022)	$ 65,020
Change in net unrealized gain on investments	—	—	—	1,475	—	1,475
Net income	—	—	—	—	6,614	6,614
Balance at December 31, 2016	17,000,000	2	68,498	1,017	3,592	73,109
Net impact of tax reform on net unrealized gains on investments	—	—	—	454	(454)	—
Change in net unrealized gain on investments	—	—	—	1,522	—	1,522
Net income	—	—	—	—	3,783	3,783
Balance at December 31, 2017	17,000,000	2	68,498	2,993	6,921	78,414
Change in net unrealized loss on investments	—	—	—	(341)	—	(341)
Impact of equity accounting guidance adoption				(3,215)	3,215	—
Net income	—	—	—	—	18,219	18,219
Balance at December 31, 2018	17,000,000	$ 2	$ 68,498	$ (563)	$ 28,355	$ 96,292

See accompanying notes.

Palomar Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Operating activities			
Net income	$ 18,219	$ 3,783	$ 6,614
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	212	160	88
Amortization of debt issuance costs	443	114	89
Loss on asset disposal	—	1	18
Net realized and unrealized losses (gains) on investments	2,569	(608)	(499)
Amortization of premium on fixed maturity securities	481	966	973
Deferred income tax expense (benefit)	—	1,134	(337)
Changes in operating assets and liabilities:			
Accrued investment income	54	(137)	(61)
Premium receivable	(3,546)	(3,845)	(2,757)
Deferred policy acquisition costs	1,109	(4,507)	(3,850)
Reinsurance recoverables	70	(13,089)	(1,304)
Prepaid reinsurance premium	(15,109)	(1,527)	(613)
Prepaid expenses and other assets	(4,603)	(1)	(371)
Accounts payable and other accrued liabilities	2,748	2,238	1,772
Reserve for losses and loss adjustment expenses	(1,723)	13,006	3,010
Unearned premiums	17,154	19,266	12,942
Ceded premiums payable	5,538	3,487	(375)
Funds held under reinsurance treaty	(797)	(204)	486
Income taxes payable	(11)	11	—
Net cash provided by operating activities	22,808	20,248	15,825
Investing activities			
Purchases of property and equipment	(332)	(68)	(898)
Proceeds from sale of property and equipment	—	—	4
Purchases of fixed maturity securities	(102,745)	(43,485)	(27,380)
Purchases of equity securities	(33,712)	(10,723)	(12,718)
Sales and maturities of fixed maturity securities	81,215	28,628	18,984
Sales of equity securities	29,959	6,770	10,477
Receivable for securities	250	(250)	—
Net cash used in investing activities	(25,365)	(19,128)	(11,531)
Financing activities			
Repayment of surplus notes	(17,500)	—	—
Proceeds from issuance of floating rate notes, net of issuance costs	19,049	—	—
Net cash provided by financing activities	1,549	—	—
Net (decrease) increase in cash, cash equivalents, and restricted cash	(1,008)	1,120	4,294
Cash, cash equivalents and restricted cash at beginning of period	10,932	9,812	5,518
Cash, cash equivalents and restricted cash at end of period	9,924	$ 10,932	$ 9,812
Supplementary cash flow information:			
Cash paid for income taxes	$ 11	$ 9	$ 3
Cash paid for interest	$ 1,727	$ 1,632	$ 1,545

See accompanying notes.

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Summary of Operations and Basis of Presentation

Summary of Operations

Palomar Holdings, Inc. (the Company), is an insurance holding company that was incorporated in Delaware in March 2019. Prior to incorporation in Delaware, the Company was known as GC Palomar Holdings (GCPH), which was a Cayman Islands incorporated insurance holding company formed on October 4, 2013 when GC Palomar Investor LP (GCPI) acquired control of GCPH. The Company and its wholly owned subsidiaries include Palomar Insurance Holdings, Inc. (PIH), which wholly owns Palomar Specialty Insurance Company (PSIC), Prospect General Insurance Agency, Inc. (PGIA), and Palomar Specialty Reinsurance Company Bermuda Ltd. (PSRE). On February 12, 2014, GCPH through PIH acquired PSIC from Pacific Indemnity Company in a stock purchase transaction.

PSIC is a property and casualty insurance company domiciled in the state of Oregon. The Company's core focus is on the residential and commercial earthquake markets in earthquake-exposed states such as California, Oregon, Washington, and states with exposure to the New Madrid Seismic Zone. In 2015, PSIC expanded into broader geographic regions and perils, to include Hawaii residential hurricane and Texas specialty homeowners products. In 2016, PSIC began a commercial all risk insurance program which covers commercial property primarily in southeastern wind-exposed states. PSIC underwrites catastrophe insurance on an admitted basis in 24 states in the United States, as of December 31, 2018, mainly through managing general insurance agencies, wholesale brokers, and independent agents.

PGIA is a property and casualty general insurance agency for PSIC and unaffiliated insurance carriers. As a general insurance agency, PGIA assists in developing insurance products, underwriting insurance policies, and receiving and disbursing funds from premium and loss transactions under contracts on behalf of insurance companies. PGIA earns commissions from the product development, marketing, and servicing of the insurance companies' programs. PGIA also earns fee income from policyholder transactions.

PSRE is a Bermuda captive reinsurance company that reinsures earthquake and Hawaii Hurricane premium on a quota share basis exclusively for PSIC.

The Company operates as an insurance holding company system and is subject to the insurance holding company laws of the State of Oregon, the state in which PSIC is domiciled. The Company is also commercially domiciled in California and, as a result, subject to the insurance holding company laws of that state. These statutes require that each insurance company in the system register with the insurance department of its state of domicile and furnish information concerning the operations of companies within the holding company system that may materially affect the operations, management or financial condition of the insurers within the system and domiciled in that state.

The Company's chief operating decision-maker is the Chief Executive Officer. While the chief decision-maker monitors the revenue streams of the various products and services, operations are managed, resources are allocated, and financial performance is evaluated on a Company-wide basis. The Company has a single operating segment, the property and casualty insurance business.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and include the accounts of the Company and its

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

1. Summary of Operations and Basis of Presentation (Continued)

wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Stock Split

On March 15, 2019, the Company effected a 17,000,000 for one forward stock split in conjunction with domestication in the United States. All share and per share information included in the accompanying consolidated financial statements and notes to the consolidated financial statements have been retroactively adjusted to reflect the stock split for the Company's common stock for all periods presented.

Use of Estimates

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. All revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant estimates reflected in the Company's consolidated financial statements include, but are not limited to, reserves for losses and loss adjustment expenses, reinsurance recoverables on unpaid losses, and the fair values of investments.

2. Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include time deposits and marketable securities with original maturities of three months or less at acquisition and are stated at cost, which approximates fair value. The Company maintains cash balances in federally insured financial institutions.

Restricted Cash

Restricted cash includes cash on deposit with reinsurance carriers. Restricted cash also includes cash held in a fiduciary capacity for the benefit of third party insurance carriers.

Deferred Offering Costs

Deferred offering costs, which primarily consist of direct incremental legal and accounting fees relating to the Company's initial public offering (IPO), are capitalized as incurred. The deferred offering costs will be offset against the IPO proceeds upon the consummation of the offering. In the event the offering is terminated, deferred offering costs will be expensed. Deferred offering costs were $1.1 million at December 31, 2018 and are classified as Prepaid expenses and other assets on the Company's consolidated balance sheet. There were no deferred offering costs at December 31, 2017.

Investments

All of the Company's investments in fixed maturity securities are classified as available-for-sale and are carried at fair value. Unrealized gains and losses related to fixed maturity securities are included in accumulated other comprehensive income as a separate component of shareholder's equity. Equity

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Significant Accounting Policies (Continued)

securities are carried at fair value with unrealized gains and losses included as a component of net income on the Company's consolidated statement of income. Prior to 2018, unrealized gains and losses on equity securities were included in accumulated other comprehensive income as a separate component of shareholder's equity.

Premiums and discounts on mortgage-backed securities and asset-backed securities are amortized or accrued using the prospective method which considers anticipated prepayments at the date of purchase. To the extent that the estimated lives of such securities change as a result of changes in estimated prepayment rates, the adjustments are included in net investment income using the prospective method.

Investment income consists primarily of interest and dividends. Interest income is recognized on an accrual basis. Dividend income is recognized on the ex-dividend date. Net investment income represents investment income, net of expenses.

Other-than-temporary declines in fair value of fixed maturity securities are evaluated for amounts considered credit losses by comparing the expected present value of cash flows to be collected to the amortized cost. Once the amount of other-than-temporary impairment (OTTI) related to the credit loss is determined, the unrealized loss is then bifurcated into the credit-related loss and the loss related to all other factors. The credit-related OTTI loss is recognized as a realized loss in the statement of comprehensive income and the cost basis of the security is reduced. The OTTI related to other factors remain in accumulated other comprehensive income. Before 2018, other-than-temporary declines in the fair value of equity securities would have been recorded as realized losses in the consolidated statement of comprehensive income and the cost basis of the security would have been reduced (see Note 3).

The Company uses the specific-identification method to determine the cost of fixed maturity securities sold and the first-in, first-out method for lots of equity securities sold.

Fair Value

Fair value is defined as the price that the Company would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1—Unadjusted quoted prices are available in active markets for identical investments as of the reporting date.

Level 2—Pricing inputs are quoted prices for similar investments in active markets; quoted prices for identical or similar investments in inactive markets; or valuations based on models where the significant inputs are observable or can be corroborated by observable market data.

Level 3—Pricing inputs into models are unobservable for the investment. The unobservable inputs require significant management judgment or estimation.

To measure fair value, the Company obtains quoted market prices for its investment securities from its outside investment managers. If a quoted market price is not available, the Company uses prices of similar securities. The fair values obtained from the outside investment managers are reviewed for reasonableness and any discrepancies are investigated for final valuation.

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Significant Accounting Policies (Continued)

The fair value of the Company's investments in fixed maturity securities is estimated using relevant inputs, including available market information, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. An Option Adjusted Spread model is also used to develop prepayment and interest rate scenarios. Industry standard models are used to analyze and value securities with embedded options or prepayment sensitivities. These fair value measurements are estimated based on observable, objectively verifiable market information rather than market quotes; therefore, these investments are classified and disclosed in Level 2 of the hierarchy.

The fair value of the Company's investments in equity securities is based on quoted prices available in active markets and classified and disclosed in Level 1 of the hierarchy.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, fixed maturity securities and reinsurance recoverables. The Company places its cash and cash equivalents with high credit quality financial institutions and its fixed maturity securities in securities of the U.S. government, U.S. government agencies, and high credit quality issuers of debt securities. The Company evaluates the financial condition of its reinsurers and reinsures its business with highly rated reinsurers and sometimes requires letters of credit or retains funds from reinsurers (see Note 8).

Premiums Receivable

Premiums receivable are carried at face value net of any allowance for doubtful accounts which approximates fair value. If necessary, the Company records an allowance for doubtful accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts is not reasonably assured. No allowance for doubtful accounts was required at December 31, 2018 or 2017.

Deferred Policy Acquisition Costs

The costs of successfully acquiring new business, principally commission expense and premium taxes, are deferred and amortized over the unexpired terms of the policies in force.

Premiums Earned

Gross premiums written are recorded at policy inception and are earned as revenue ratably over the term of the respective policies. Premiums written not yet recognized as revenue are reflected as unearned premiums on the balance sheet, or as advanced premiums if received prior to the policy effective date. Premiums written but not yet received are recognized as premiums receivable. Premiums receivable are presented on the consolidated balance sheets net of estimated uncollectible amounts. Based on management's review no allowance for bad debt was required at December 31, 2018 and 2017.

A premium deficiency is recognized if the sum of expected losses and loss adjustment expenses, unamortized acquisition costs, and policy maintenance costs exceeds the remaining unearned premiums. A premium deficiency would first be recognized by charging any unamortized acquisition costs to expense to the extent required to eliminate the deficiency. If the premium deficiency were greater than

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Significant Accounting Policies (Continued)

unamortized acquisition costs, a liability would be accrued for the excess deficiency. The Company does not consider anticipated investment income when determining if a premium deficiency exists. There was no premium deficiency at December 31, 2018 or 2017.

Commission and Other Income

Commission and other income is comprised of commissions earned on policies where the Company has no exposure to underlying risk and fees earned in conjunction with underwriting policies. Commission and fee income is earned at the time the policy is written.

Property and Equipment

Property and equipment are capitalized and carried at cost less accumulated depreciation. Depreciation for property and equipment is calculated on a straight-line basis using useful lives of 3 to 5 years. Leasehold improvements and other fixed assets are capitalized and depreciated over the useful lives of the properties and equipment. Expenditures for maintenance and repairs are charged to operations as incurred. Upon disposition, the asset cost and related depreciation are removed from the accounts and the resulting gain or loss is included in the Company's results of operations.

Intangible Assets

Upon acquisition, the entire PSIC purchase price was allocated to separately identifiable indefinite lived intangible assets. The Company acquired seven state licenses in the acquisition to which $0.7 million was allocated. Indefinite lived intangible assets are initially recognized and measured at fair value; intangible assets are subsequently evaluated for impairment annually or more frequently if circumstances warrant it. No impairments of intangible assets were recognized for the years ended December 31, 2018 and 2017.

Impairment of Long-Lived Assets

Long-lived assets with finite lives are tested for impairment whenever recognized events or changes in circumstances indicate the carrying value of these assets may not be recoverable. If indicators of impairment are present, the fair value is calculated using estimated future cash flows expected to be generated from the use of those assets. An impairment loss is recognized only if the carrying amount of a long-lived asset or asset group is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset or asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. This assessment is based on the carrying amount of the asset or asset group at the date it is tested for recoverability. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset or asset group exceeds its fair value. No impairments of long-lived assets were recognized for the years ended December 31, 2018, 2017 and 2016.

Reserve for Losses and Loss Adjustment Expenses

The reserve for unpaid losses and loss adjustment expenses includes estimates for unpaid claims and claim adjustment expenses on reported losses and estimates of losses incurred but not reported (IBNR), net of salvage and subrogation recoveries. The liability is based on individual claims, case reserves and other estimates reported by policyholders, as well as management estimates of ultimate

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Significant Accounting Policies (Continued)

losses and loss adjustment expenses. Inherent in the estimates of ultimate losses and loss adjustment expenses are expected trends in claims severity and frequency and other factors that could vary significantly as claims are settled.

The Company's estimates of ultimate losses and loss adjustment expenses are based in part upon the estimation of claims resulting from natural disasters such as hurricanes and earthquakes. Estimation by management of the ultimate losses and loss adjustment expenses resulting from catastrophic events is inherently difficult because of the potential severity of property catastrophe claims. Therefore, the Company uses both proprietary and commercially available models, as well as historic claims experience, for purposes of providing an estimate of ultimate losses and loss adjustment expenses.

For other difficult estimates of ultimate losses and loss adjustment expenses, the Company utilizes historical severity data that may be immature and subject to significant variation, in addition to using loss development methods based on paid and reported losses. For these estimates, industry data may also be utilized.

Ultimate losses and loss adjustment expenses may vary materially from the amounts provided in the consolidated financial statements. Estimates of unpaid losses and loss adjustment expenses are reviewed regularly and, as experience develops and new information becomes known, the liabilities are adjusted as necessary. Such adjustments, if any, are reflected in operations in the period in which they become known and are accounted for as changes in estimates. The Company does not discount its liability for unpaid losses and loss adjustment expenses.

The Company does not write insurance policies covering toxic clean-up, asbestos-related illness or other environmental remediation exposures.

Reinsurance

The Company purchases excess of loss and quota share reinsurance to protect it against the impact of losses. Reinsurance premiums, commissions, ceded unearned premiums are accounted for on bases consistent with the underlying terms of the reinsurance contracts and in proportion to the amount of insurance protection provided. The Company receives ceding commissions in connection with certain ceded reinsurance. The ceding commissions are capitalized and amortized as a reduction of underwriting, acquisition and insurance expenses. Amounts applicable to prepaid reinsurance premiums are reported as assets in the accompanying consolidated balance sheets.

Reinsurance recoverables represent paid losses and loss adjustment expenses and reserves for unpaid losses and loss adjustment expenses ceded to reinsurers that are subject to reimbursement under reinsurance treaties. Premiums earned and losses and loss adjustment expenses incurred are stated in the accompanying consolidated statements of income and comprehensive income net of amounts ceded to reinsurers.

Income Taxes

The Company is taxed as a property/casualty insurer for federal income tax purposes. Deferred income tax assets and liabilities are determined based on the difference between the financial statement and the tax bases of assets and liabilities, using enacted tax rates expected to be in effect during the year in which the basis differences reverse. The effect on deferred taxes of a change in tax rates is

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Significant Accounting Policies (Continued)

recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company recognizes the tax benefit of uncertain tax positions where the position is more likely than not to be sustained assuming examination by taxing authorities. Based on its evaluation for the tax years ended December 31, 2018 and 2017, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Company recognizes interest and penalties related to uncertain tax positions, if any, as a component of income tax expense. The Company has not been assessed interest or penalties by any major tax jurisdictions for the respective tax years ended December 31, 2018, 2017, and 2016.

Earnings Per Share

Earnings per share is calculated by dividing net income by the weighted-average number of common shares outstanding for the period. The Company currently does not have any additional securities which could convert to common stock and be dilutive to its earnings per share.

Recent Accounting Pronouncements

The Company currently qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Accordingly, the Company is provided the option to adopt new or revised accounting guidance either (i) within the same periods as those otherwise applicable to non-emerging growth companies or (ii) within the same time periods as private companies.

The Company has elected to adopt new or revised accounting guidance within the same time period as private companies, unless, as indicated below, management determines it is preferable to take advantage of early adoption provisions offered within the applicable guidance.

Recently adopted accounting pronouncements

In January 2016, the FASB issued "ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*." Among other things, this new guidance requires the Company's equity investments to be measured at fair value with changes in fair value recognized in net income. Under the current guidance, equity investments are measured at fair value with changes in fair value recognized in accumulated other comprehensive income as a component of shareholder's equity. The Company adopted this guidance on January 1, 2018 and began recognizing changes in fair value of equity securities into net income. Upon adoption, the Company made a $3.2 million cumulative-effect adjustment to increase retained earnings and decrease accumulated other comprehensive income. In the future, this guidance will impact the Company's results of operations, as changes in fair value of equity investments will impact net income rather than other comprehensive income. The future impact will vary depending on the volatility of the overall equity market and the amount the Company decides to invest in equity securities.

In August 2016, the FASB issued "ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments"*, in order to reduce diversity in the presentation and classification of certain cash receipts and cash payments on the statement of cash

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Significant Accounting Policies (Continued)

flows. The Company adopted this guidance on January 1, 2018. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

Recently issued accounting pronouncements not yet adopted

In May 2014, the FASB issued new accounting guidance related to revenue recognition, "ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*." The guidance applies to all companies that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards, such as insurance contracts. Under this guidance, a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under the current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. This standard will be effective for annual and interim reporting periods beginning after December 15, 2018 and may be adopted earlier. Currently, provisions of this guidance may apply to the Company's commissions and fee income, however, the Company does not expect adoption to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued new guidance for accounting for leases, "ASU 2016-02, *Leases (Topic 842)*." Under current guidance, leases are only included on the balance sheet if the criteria to classify the agreement as a capital lease are met. This update will require the recognition of a right-of-use asset and a corresponding lease liability, discounted to the present value, for all leases that extend beyond 12 months.

This guidance was subsequently amended multiple times and offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This new guidance requires a modified retrospective adoption, applying the new standard to all leases existing at the date of initial application, with early adoption permitted. An entity may choose to use the standard's effective date, rather than the beginning of the earliest comparative period presented, as the date of initial application. An entity would record the effects of initially applying the new guidance as a cumulative-effect adjustment to retained earnings. Consequently, an entity's reporting for the comparative periods presented in the year of adoption would continue to be in accordance with the current guidance, including the current disclosure requirements.

To facilitate transition, the new guidance includes a package of practical expedients that entities may elect to apply on adoption. The package of practical expedients relates to the identification and classification of leases that commenced before the effective date and initial direct costs for leases that commenced before the effective date. The new guidance also includes a practical expedient permitting the use of hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset.

This update is effective for annual reporting periods beginning after December 15, 2019, and interim reporting periods within fiscal years beginning after December 31, 2020 with early adoption

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Significant Accounting Policies (Continued)

permitted. The Company is currently evaluating the impact that this new guidance will have on its consolidated financial statements.

In June 2016, the FASB issued "ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*." Current guidance delays the recognition of credit losses until it is probable a loss has been incurred. This updated guidance will require financial assets measured at amortized cost to be presented at the net amount expected to be collected by means of an allowance for credit losses that runs through net income. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses, with the amount of the allowance limited to the amount by which fair value is below amortized cost. This update will be effective for annual reporting periods beginning after December 15, 2020 and interim reporting periods within fiscal years beginning after December 15, 2021. Early adoption is permitted, but not before annual reporting periods beginning on or after December 15, 2018. The Company is currently evaluating the impact that this updated guidance will have on its consolidated financial statements.

In August 2018, the FASB issued "ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. Among other things, this new guidance eliminates the need to disclose transfers between Level 1 and Level 2 of the fair value hierarchy, changes the policy for timing of transfers and the valuation processes for Level 3 fair value measurements and includes requirements to disclose quantitative information about Level 3 measurements. This new guidance will be effective for annual and interim reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact that this new guidance will have on its consolidated financial statements.

In August 2018, the FASB issued "ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract."* ASU 2018-15 requires a customer in a cloud computing arrangement (i.e. hosting arrangement) that is a service contract to follow the internal-use software guidance to determine which implementation costs to capitalize as assets or expense as incurred. Relevant implementation costs in the development stage are capitalized, while costs incurred during the preliminary project and post-implementation stages are expensed as the activities are performed. Capitalized costs are expensed over the term of the hosting arrangement. This ASU is effective for annual and interim reporting periods beginning after December 15, 2020. Early adoption is permitted. This update can either be applied retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company retrospectively adopted this guidance for the year ended December 31, 2018. As this guidance is in line with current accounting for fees paid in a cloud computing arrangement that is a service contract, the adoption of this update had no impact on the Company's consolidated financial statements.

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

3. Investments

The Company's available-for-sale investments are summarized as follows:

December 31, 2018	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Fixed maturities:				
U.S. Governments	$ 15,299	$ 96	$ (126)	$ 15,269
States, territories, and possessions	1,227	—	(6)	1,221
Political subdivisions	825	—	(10)	815
Special revenue excluding mortgage/asset-backed securities	12,429	115	(91)	12,453
Industrial and miscellaneous	65,885	192	(951)	65,126
Mortgage/asset-backed securities	27,284	133	(81)	27,336
Total available-for-sale investments	$ 122,949	$ 536	$ (1,265)	$ 122,220

December 31, 2017	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Fixed maturities:				
U.S. Governments	$ 13,393	$ —	$ (108)	$ 13,285
States, territories, and possessions	3,188	10	(1)	3,197
Political subdivisions	4,118	—	(51)	4,067
Special revenue excluding mortgage/asset-backed securities	24,039	42	(167)	23,914
Industrial and miscellaneous	44,582	150	(201)	44,531
Mortgage/asset-backed securities	12,981	2	(64)	12,919
Total fixed maturities	102,301	204	(592)	101,913
Equity securities	19,569	4,126	(109)	23,586
Total available-for-sale investments	$ 121,870	$ 4,330	$ (701)	$ 125,499

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

3. Investments (Continued)

Security holdings in an unrealized loss position

As of December 31, 2018, the Company held 173 fixed maturity securities in an unrealized loss position with a total estimated fair value of $73.8 million and total gross unrealized losses of $1.3 million. None of the fixed maturity securities with unrealized losses has ever missed, or been delinquent on, a scheduled principal or interest payment. As of December 31, 2017, the Company held 125 fixed maturity securities in an unrealized loss position with a total estimated fair value of $80.2 million and total gross unrealized losses of $0.6 million. None of the fixed maturity securities with unrealized losses has ever missed, or been delinquent on, a scheduled principal or interest payment. As of December 31, 2017, the Company held 16 equity securities in an unrealized loss position with a total estimated fair value of $2.8 million and total gross unrealized losses of $0.1 million.

The aggregate fair value and gross unrealized losses of the Company's investments aggregated by investment category and the length of time these individual securities have been in a continuous unrealized loss position as of December 31, 2018 and 2017, are as follows:

	Less Than 12 Months		More Than 12 Months		Total	
At December 31, 2018	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
Fixed maturity securities:						
U.S. Governments	$ 1,970	$ (25)	$ 6,197	$ (101)	$ 8,167	$ (126)
States, territories, and possessions	719	(5)	501	(1)	1,220	(6)
Political subdivisions	264	(1)	550	(9)	814	(10)
Special revenue excluding mortgage/asset-backed securities	1,706	(14)	5,916	(77)	7,622	(91)
Industrial and miscellaneous	30,544	(556)	14,913	(395)	45,457	(951)
Mortgage/asset-backed securities	6,653	(39)	3,830	(42)	10,483	(81)
	$ 41,856	$ (640)	$ 31,907	$ (625)	$ 73,763	$ (1,265)

	Less Than 12 Months		More Than 12 Months		Total	
At December 31, 2017	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
Fixed maturity securities:						
U.S. Governments	$ 11,426	$ (89)	$ 1,858	$ (19)	$ 13,284	$ (108)
States, territories, and possessions	1,568	(1)	—	—	1,568	(1)
Political subdivisions	2,996	(24)	1,071	(27)	4,067	(51)
Special revenue excluding mortgage/asset-backed securities	17,109	(129)	2,140	(38)	19,249	(167)
Industrial and miscellaneous	23,914	(137)	4,463	(64)	28,377	(201)
Mortgage/asset-backed securities	7,588	(31)	3,298	(33)	10,886	(64)
Total fixed maturity	64,601	(411)	12,830	(181)	77,431	(592)
Equity securities	1,995	(57)	807	(52)	2,802	(109)
	$ 66,596	$ (468)	$ 13,637	$ (233)	$ 80,233	$ (701)

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

3. Investments (Continued)

The Company considers the following factors in determining whether declines in the fair value of investments are other-than-temporary:

- The significance of the decline in fair value compared to the cost basis,
- The time period during which there has been a significant decline in fair value,
- Whether the unrealized loss is credit-driven or a result of changes in market interest rates,
- A fundamental analysis of the business prospects and financial condition of the issuer,
- For fixed maturity securities, the Company's intent to sell the securities as of each reporting date,
- If the Company does not expect to recover the entire amortized cost basis or cost of the investment,
- For equity securities, the general macro-economic outlook for the underlying economy represented, and
- For equity securities, the Company's ability and intent to hold the investments for a period of time sufficient to allow for any anticipated recovery in fair value.

Based on the Company's reviews as of December 31, 2018 and 2017, the Company determined that the fixed maturity securities' unrealized losses were primarily the result of the interest rate environment and not the credit quality of the issuers. None of the fixed maturity securities were determined to be other-than-temporarily impaired. The company does not intend to sell the investments and it is not more likely than not that that the Company will be required to sell the investments before the recovery of their amortized cost basis. Therefore, none of the fixed maturity securities were written down during the respective years.

Based on the Company's reviews as of December 31, 2017, the Company determined that the unrealized losses of the equity securities lots were temporary due to the severity of the declines. The Company had the ability and intent to hold these investments until a recovery of fair value. Therefore, none of the equity securities were written down at December 31, 2017 and the remaining unrealized losses of equity securities at that time were recognized to retained earnings upon adoption of ASU 2016-01 on January 1, 2018. See "Recent Accounting Pronouncements."

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

3. Investments (Continued)

Contractual maturities of available-for-sale fixed maturity securities

The amortized cost and fair value of fixed maturity securities at December 31, 2018, by contractual maturity, are shown below.

	2018	
	Amortized Cost	Fair Value
	(in thousands)	
Due within one year	$ 2,621	$ 2,614
Due after one year through five years	50,677	49,802
Due after five years through ten years	32,471	32,518
Due after ten years	9,896	9,950
Mortgage and asset-backed securities	27,284	27,336
	$ 122,949	$ 122,220

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations.

Change in unrealized gains (losses) of investments

The following table presents the change in available-for-sale gross unrealized gains or losses by investment type:

	Years Ended December 31,		
	2018	2017	2016
	(in thousands)		
Change in net unrealized gains (losses)			
Fixed maturities	$ (341)	$ (6)	$ (60)
Equity securities	—	2,232	2,269
Net (decrease) increase	$ (341)	$ 2,226	$ 2,209

Net investment income summary

Net investment income is summarized as follows:

	Years Ended December 31,		
	2018	2017	2016
	(in thousands)		
Interest income	$ 3,036	$ 1,916	$ 1,425
Dividend income	514	514	472
Less: investment expense	(312)	(305)	(282)
Net investment income	$ 3,238	$ 2,125	$ 1,615

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

3. Investments (Continued)

Net realized and unrealized investment gains and losses

The following table presents net realized and unrealized investment gains and losses:

	Years Ended December 31,		
	2018	2017	2016
	(in thousands)		
Realized gains:			
Gains on sales of fixed maturity securities	$ 19	$ 3	$ 56
Gains on sales of equity securities	4,287	802	592
Total realized gains	4,306	805	648
Realized losses:			
Losses on sales of fixed maturity securities	(418)	(48)	—
Losses on sales of equity securities	(421)	(149)	(149)
Total realized losses	(839)	(197)	(149)
Net realized investment gains	3,467	608	499
Net unrealized losses on equity securities	(6,036)	—	—
Net realized and unrealized (losses) gains on investments	$ (2,569)	$ 608	$ 499

The Company places securities on statutory deposit with certain state agencies to retain the right to do business in those states. These securities are included in available-for-sale investments on the balance sheet. At December 31, 2018 and 2017, the carrying value of securities on deposit with state regulatory authorities was $5.0 million and $5.0 million, respectively.

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

4. Fair value measurements

The following tables present the Company's fair value hierarchy for financial assets and liabilities measured as of December 31, 2018 and 2017:

December 31, 2018	Level 1	Level 2	Level 3	Total
		(in thousands)		
Assets:				
Fixed maturity securities				
U.S. Governments	$ —	$ 15,269	$ —	$ 15,269
States, territories, and possessions	—	1,221	—	1,221
Political subdivisions	—	815	—	815
Special revenue excluding mortgage/asset-backed securities	—	12,453	—	12,453
Industrial and miscellaneous	—	65,126	—	65,126
Mortgage/asset-backed securities	—	27,336	—	27,336
Equity securities	25,171	—	—	25,171
Cash, cash equivalents, and restricted cash	9,924	—	—	9,924
Total assets	$ 35,095	$ 122,220	$ —	$ 157,315
Liabilities:				
Long-term notes payable	$ —	$ —	$ 20,000	$ 20,000
Total liabilities	$ —	$ —	$ 20,000	$ 20,000

December 31, 2017	Level 1	Level 2	Level 3	Total
		(in thousands)		
Assets:				
Fixed maturity securities				
U.S. Governments	$ —	$ 13,285	$ —	$ 13,285
States, territories, and possessions	—	3,197	—	3,197
Political subdivisions	—	4,067	—	4,067
Special revenue excluding mortgage/asset-backed securities	—	23,914	—	23,914
Industrial and miscellaneous	—	44,531	—	44,531
Mortgage/asset-backed securities	—	12,919	—	12,919
Equity securities	23,586	—	—	23,586
Cash, cash equivalents, and restricted cash	10,932	—	—	10,932
Total assets	$ 34,518	$ 101,913	$ —	$ 136,431
Liabilities:				
Long-term notes payable	$ —	$ —	$ 18,095	$ 18,095
Total liabilities	$ —	$ —	$ 18,095	$ 18,095

The carrying amounts of financial assets and liabilities reported in the accompanying consolidated balance sheet including cash and cash equivalents, restricted cash, receivables, reinsurance recoverable, and accounts payable and other accrued liabilities approximate fair value due to their short term-maturity.

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

4. Fair value measurements (Continued)

The fair value of the Company's long-term debt was determined by calculating the present value of expected future cash flows under the terms of the note agreements discounted at an estimated market rate of interest at December 31, 2018 and 2017, respectively. This is a level 3 measurement.

Transfers between levels result from changes in the availability of market observable inputs and are recorded at the beginning of the reporting period. There were no transfers between Level 1, Level 2 or Level 3 during 2018 or 2017.

5. Policy Acquisition Costs

The following tables present the policy acquisition costs deferred and amortized:

	December 31,		
	2018	2017	2016
		(in thousands)	
Deferred Policy Acquisition Costs:			
Balance, beginning of year	$ 15,161	$ 10,654	$ 6,804
Additions to deferred balance:			
Direct commissions	36,934	27,976	21,453
Ceding commissions	(15,218)	(3,224)	(3,648)
Premium taxes	3,362	2,625	1,807
Total net additions	25,078	27,377	19,612
Amortization of net policy acquisition costs	(26,187)	(22,870)	(15,762)
Balance, end of year	$ 14,052	$ 15,161	$ 10,654
Acquisition expenses:			
Amortization of net policy acquisition costs	$ 26,187	$ 22,870	$ 15,762
Period costs	2,037	2,652	1,578
Total Acquisition expenses	$ 28,224	$ 25,522	$ 17,340

6. Property and Equipment

Property and Equipment, net consist of the following:

December 31, 2018	Cost	Accumulated Depreciation	Net Book Value
		(in thousands)	
Leasehold improvements	$ 879	$ (225)	$ 654
Computer hardware	108	(51)	57
Office equipment and furniture	454	(218)	236
Total	$ 1,441	$ (494)	$ 947

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

6. Property and Equipment (Continued)

December 31, 2017	Cost	Accumulated Depreciation	Net Book Value
		(in thousands)	
Leasehold improvements	$ 652	$ (115)	$ 537
Computer hardware	83	(35)	48
Office equipment and furniture	374	(132)	242
Total	$ 1,109	$ (282)	$ 827

Depreciation expense for the years ended December 31, 2018, 2017, and 2016 was $0.2 million, $0.2 million, and $0.1 million respectively.

7. Reserve for Losses and Loss Adjustment Expenses

Loss and loss adjustment expenses reserves represent management's best estimate of the ultimate cost of all reported and unreported losses incurred through December 31, 2018 and 2017. The Company does not discount loss and loss adjustment expense reserves. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes the reserves for losses and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Any adjustments to estimates are recorded in the current period.

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

7. Reserve for Losses and Loss Adjustment Expenses (Continued)

The following table provides a reconciliation of the beginning and ending reserve balances for losses and LAE on a net of reinsurance basis to the gross amounts reported in the accompanying balance sheet:

	December 31,		
	2018	2017	2016
	(in thousands)		
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at beginning of period	$ 4,432	$ 3,336	$ 1,562
Add: Incurred losses and loss adjustment expenses, net of reinsurance, related to:			
Current year	8,165	12,257	7,472
Prior year	(1,891)	(132)	(180)
Total incurred	6,274	12,125	7,292
Deduct: Loss and loss adjustment expense payments, net of reinsurance, related to:			
Current year	4,409	8,986	4,824
Prior year	2,132	2,043	694
Total payments	6,541	11,029	5,518
Reserve for losses and loss adjustment expense net of reinsurance recoverables at end of period	4,165	4,432	3,336
Add: Reinsurance recoverables on unpaid losses and loss adjustment expenses at end of period	11,896	13,352	1,442
Reserve for losses and loss adjustment expenses gross of reinsurance recoverables on unpaid losses and loss adjustment expenses at end of period	$ 16,061	$ 17,784	$ 4,778

Considerable variability is inherent in the estimate of the reserve for losses and LAE. Although management believes the liability recorded for losses and LAE is adequate, the variability inherent in this estimate could result in changes to the ultimate liability, which may be material to shareholder's equity. The foregoing reconciliation shows loss and loss adjustment expense reserve redundancies of $1.9 million, $0.1 million, and $0.2 million developed in 2018, 2017 and 2016, respectively. This favorable reserve development was primarily in the Texas homeowners segment for all accident years presented. Expectations of ultimate losses from these periods have decreased due to lower than originally anticipated frequency and severity of claims.

The Company compiles and aggregates its claims data by grouping the claims according to the year in which the claim occurred (Accident Year) when analyzing claim payment and emergence patterns and trends over time. For the purpose of defining claims frequency, the number of reported claims is by loss occurrence and includes claims that do not result in a liability or payment associated with them.

The Company analyzed the usefulness of disaggregation of its results and determined the characteristics associated with the policies and the related unpaid loss reserves, incurred losses, and payment patterns are similar in nature. The Company separates its special property and other claim

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

7. Reserve for Losses and Loss Adjustment Expenses (Continued)

experience from its homeowner claim experience when analyzing losses and allocated loss adjustment expenses incurred and paid development and claim count triangles, as there are distinct differences in the development and claim count emergence patterns as well as methods of IBNR projection. The Special Property classification includes fire, allied lines, inland marine, and earthquake claims.

As such, the following tables show the Company's historical homeowner and special property incurred and cumulative paid losses and LAE development, net of reinsurance, as well as IBNR loss reserves and the number of reported claims on an aggregate basis as of December 31, 2018 for each of the previous two accident years.

The information provided herein about incurred and paid accident year claims development for the years ended December 31, 2017 and prior is presented as unaudited supplementary information.

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance Homeowners' Insurance (in thousands)

	Years Ended December 31,				As of December 31, 2018	
Accident Year	2015(1)	2016(1)	2017(1)	2018	Incurred but Not Reported Liabilities	Cumulative Number of Claims
2015	$ 2,048	$ 1,785	$ 1,658	$ 1,636	$ 3	379
2016		6,069	5,878	5,721	4	1,080
2017			9,534	7,418	83	2,944
2018				2,193	249	668
Total				$ 16,968	$ 339	5,071

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance Homeowners' Insurance (in thousands)

	Years Ended December 31,			
Accident Year	2015(1)	2016(1)	2017(1)	2018
2015	$ 860	$ 1,379	$ 1,523	$ 1,615
2016		4,120	5,356	5,585
2017			7,135	7,375
2018				1,550
Total				$ 16,125
Reserve for losses and loss adjustment expense, net of reinsurance				$ 843

(1) Data presented for these calendar years is required supplementary information, which is unaudited.

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

7. Reserve for Losses and Loss Adjustment Expenses (Continued)

**Average Annual Percentage Payout of Incurred Claims by Age,
Net of Reinsurance Homeowners' Insurance (unaudited)**

	Year 1	Year 2	Year 3	Year 4
Payout percentage	72.85%	18.86%	6.41%	5.61%

**Incurred Losses and Allocated Loss Adjustment Expenses,
Net of Reinsurance Special Property Insurance (in thousands)**

	Years Ended December 31,				As of December 31, 2018	
Accident Year	2015(1)	2016(1)	2017(1)	2018	Incurred but Not Reported Liabilities	Cumulative Number of Claims
2015	$ 630	$ 719	$ 671	$ 671	$ 3	8
2016		1,381	1,249	1,251	2	50
2017			3,071	3,475	120	255
2018				5,970	158	336
Total				$ 11,367	$ 283	649

**Cumulative Paid Losses and Allocated Loss Adjustment Expenses,
Net of Reinsurance Special Property Insurance (in thousands)**

	Years Ended December 31,			
Accident Year	2015(1)	2016(1)	2017(1)	2018
2015	$ 265	$ 438	$ 586	$ 626
2016		703	1,064	1,216
2017			1,967	3,344
2018				2,859
Total				8,045
Reserve for losses and loss adjustment expense, net of reinsurance				3,322

(1) Data presented for these calendar years is required supplementary information, which is unaudited.

**Average Annual Percentage Payout of Incurred Claims by Age,
Net of Reinsurance Special Property Insurance (unaudited)**

	Year 1	Year 2	Year 3	Year 4
Payout percentage	50.05%	31.42%	17.10%	5.96%

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

7. Reserve for Losses and Loss Adjustment Expenses (Continued)

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the consolidated balance sheet is as follows:

	2018 (in thousands)
Net outstanding liabilities:	
Homeowners' insurance	$ 843
Special property	3,322
Reserve for losses and loss adjustment expense, net of reinsurance	4,165
Reinsurance recoverable on unpaid claims:	
Homeowners' insurance	$ 5,650
Special property	6,246
Total reinsurance recoverable on unpaid claims	11,896
Total reserve for losses and loss adjustment expenses	$ 16,061

8. Reinsurance

The Company utilizes reinsurance in order to limit its exposure to losses and enable it to underwrite policies with sufficient limits to meet policyholder needs. The Company utilizes both excess of loss (XOL) and quota share reinsurance.

In an XOL treaty, the Company retains losses for any occurrence up to a specified amount (its "retention") and reinsurers assume any losses above that amount. Prior to March 1, 2015, the Company had a retention of $15 million on non-earthquake events. This was reduced to $5 million on March 1, 2015 and remained in place through December 31, 2018. The Company's retention for earthquake events was $15 million from its inception through December 31, 2017 and was reduced to $5 million on January 1, 2018 and remained in place through December 31, 2018.

The Company maintained XOL coverage up to $825 million and $750 million for earthquake events as of December 31, 2018 and 2017, respectively, and $625 million and $550 million for non-earthquake events as of December 31, 2018 and 2017, respectively. As of December 31, 2018, for non-earthquake events the Company retains 54.55% of losses between $230 million and $351 million and 30% of losses between $351 million and $501 million.

In a quota share agreement, the Company transfers, or cedes, part or all of its exposure to a reinsurer who receives a portion of the associated premium in exchange. The reinsurer also must share an agreed upon portion of losses and agreed upon portion of the associated commission expense. The Company has quota share reinsurance agreements on several of its lines, the largest being its Texas Homeowners line, a component of its specialty homeowners product. In June 2018, the Company began ceding substantially all exposure relating to Texas Homeowners. Ceded written premium related to the Texas Homeowners line was $24.9 million, $2.4 million and $2.3 million for the years ended December 31, 2018, 2017 and 2016, respectively. No other quota share program accounted for more than 10% of total ceded written premium for those years.

As part of its reinsurance program, in June 2017, the Company obtained catastrophe protection through a reinsurance agreement with Torrey Pines Re Ltd. ("TPRe"). In connection with the reinsurance agreement, TPRe issued notes to unrelated investors in an amount equal to the full

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

8. Reinsurance (Continued)

$166 million of coverage provided under the reinsurance agreement covering a three year period. At the time of the agreement, the Company performed an evaluation of TPRe to determine if it meets the definition of a variable interest entity ("VIE"). The Company concluded that TPRe is a VIE but it does not have a variable interest in the entity, as the variability in results is expected to be absorbed entirely by the investors in TPRe. Accordingly, TPRe is not consolidated in the Company's financial statements. The premium ceded to TPRe for the year ended December 31, 2018 was approximately $7.5 million.

The effect of reinsurance on premiums written and earned and on losses and LAE incurred for the years ended December 31, 2018, 2017 and 2016, is as follows:

	2018		2017		2016	
	Written	Earned	Written	Earned	Written	Earned
	(in thousands)					
Premiums Written and Earned:						
Direct	$ 144,821	$ 129,071	$ 112,974	$ 94,799	$ 79,492	$ 66,765
Assumed	10,070	8,688	7,260	6,162	2,795	2,551
Ceded	(82,949)	(67,862)	(46,951)	(45,416)	(29,636)	(28,994)
Net	$ 71,942	$ 69,897	$ 73,283	$ 55,545	$ 52,651	$ 40,322

	2018		
	Losses	LAE	Total
		(in thousands)	
Losses and LAE Incurred:			
Direct	$ 12,153	$ 2,113	$ 14,266
Assumed	46	6	52
Ceded	(6,580)	(1,464)	(8,044)
Net	$ 5,619	$ 655	$ 6,274

	2017		
	Losses	LAE	Total
		(in thousands)	
Losses and LAE Incurred:			
Direct	$ 24,266	$ 6,608	$ 30,874
Assumed	2	—	2
Ceded	(14,651)	(4,100)	(18,751)
Net	$ 9,617	$ 2,508	$ 12,125

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

8. Reinsurance (Continued)

	2016		
	Losses	LAE	Total
		(in thousands)	
Losses and LAE Incurred:			
Direct	$ 6,914	$ 2,300	$ 9,214
Assumed	—	3	3
Ceded	(1,388)	(537)	(1,925)
Net	$ 5,526	$ 1,766	$ 7,292

The ceding of insurance does not legally discharge the Company from its primary liability for the full amount of the policy coverage, and therefore the Company will be required to pay the loss and bear collection risk if the reinsurer fails to meet its obligations under the reinsurance agreement. To minimize exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk.

To reduce credit exposure to reinsurance recoverable balances, the Company obtains letters of credit from certain reinsurers that are not authorized as reinsurers under U.S. state insurance regulations. In addition, under the terms of its reinsurance contracts, the Company may retain funds due from reinsurers as security for those recoverable balances. As of December 31, 2018 and 2017, the Company had retained $0.7 million and $1.5 million in funds from reinsurers. The Company is able to use the funds in the ordinary course of its business. The funds are held in cash and cash equivalents and investments with an offsetting liability on the accompanying consolidated balance sheet.

For the year ended December 31, 2018, reinsurance premiums ceded to the Company's three largest reinsurers totaled $7.5 million, $7.2 million, and $5.2 million, representing 24.0% of the total balance. For the year ended December 31, 2017, reinsurance premiums ceded to the Company's three largest reinsurers totaled $4.0 million, $3.4 million, and $2.4 million, representing 20.8% of the total balance. For the year ended December 31, 2016, reinsurance premiums ceded to the Company's three largest reinsurers totaled $2.3 million, $1.8 million, and $1.7 million, representing 19.5% of the total balance.

At December 31, 2018 reinsurance recoverables on paid and unpaid losses by the Company's three largest reinsurers were $1.8 million, $0.8 million, and $0.8 million representing 23.0% of the total balance. At December 31, 2017 reinsurance recoverable on unpaid losses by the Company's three largest reinsurers were $1.9 million, $1.1 million, and $0.8 million representing 26.7% of the total balance. All of the Company's reinsurers post collateral or have an A.M. best rating of A– (excellent) or better.

9. Long-term debt

Prior to September 2018, the Company had $17.5 million in outstanding surplus notes which had been issued by PSIC on February 3, 2015 for a term of seven years. The surplus notes bore interest at the rate of LIBOR plus 8.00% and had restrictions as to payments of interest and principal and any such payment required the prior approval of the Oregon Insurance Commissioners before such payment could be made. Such payments could only be made from surplus.

In September 2018, the Company completed a private placement financing of $20.0 million floating rate senior secured notes (the "Floating Rate Notes"). As part of the financing agreement, the

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

9. Long-term debt (Continued)

Company immediately used surplus funds to pay down the existing $17.5 million in surplus notes. As part of this pre-payment, the Company incurred a penalty of $0.1 million which, along with unamortized debt issuance costs of $0.4 million, was charged to income in 2018.

The Floating Rate Notes mature on September 6, 2028 and bear interest at the three-month treasury rate plus 6.50% per annum. This rate resets quarterly and interest is payable quarterly in arrears on March 20, June 20, September 20 and December 20 of each year, commencing on December 20, 2018.

Prior to September 6, 2019, Palomar Insurance Holdings, Inc. may redeem the Floating Rate Notes at its option, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the Floating Rate Notes redeemed, plus a "make-whole" premium and accrued and unpaid interest and additional interest, if any. After September 6, 2019, Palomar Insurance Holdings, Inc. may redeem the Floating Rate Notes at its option, in whole or in part, at certain redemption prices. If a change of control occurs, Palomar Insurance Holdings, Inc. must offer to purchase the Floating Rate Notes at 100% of their principal amount, plus accrued and unpaid interest.

The Floating Rate Notes are fully and unconditionally guaranteed on a senior secured basis by a pledge of the capital stock owned by Palomar Holdings, Inc. of its equity interests in Palomar Insurance Holdings, Inc. Such security interest consists of a first-priority lien with respect to the collateral.

The Floating Rate Notes contain certain customary affirmative and negative covenants and events of default. The negative covenants limit Palomar Insurance Holdings, Inc.'s ability to, among other things, incur additional indebtedness, create liens on certain assets, pay dividends or prepay junior debt or make other restricted payments, make certain loans, acquisitions or investments, engage in transactions with affiliates, conduct asset sales, restrict dividends from subsidiaries or restrict liens, or merge, consolidate, sell or otherwise dispose of all or substantially all of Palomar Insurance Holdings, Inc.'s assets. The Company was in compliance with all debt covenants as of December 31, 2018.

Approved interest incurred and paid through September 6, 2018 relating to the Surplus notes totaled $5.7 million of which $1.2 million, $1.6 million and $1.5 million was incurred and paid in each of 2018, 2017 and 2016, respectively. The Company had no unpaid and unapproved interest as of September 6, 2018, December 31, 2017 and 2016.

The Company incurred $0.6 million in interest expense relating to the Floating Rate Notes for the year ended December 31, 2018 and paid $0.5 million in interest. The Company had $0.1 million of interest accrued at December 31, 2018

10. Income Taxes

As of December 31, 2018 and 2017, the Company was a Cayman Islands incorporated holding company with U.K. tax residency. The Company's Bermuda based subsidiary, PSRE, is not required to pay any taxes on its income or capital gains but is subject to a 1% U.S. federal excise tax on reinsurance premiums assumed.

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

10. Income Taxes (Continued)

The Company's U.S. domiciled affiliates (PIH, PSIC and PGIA) file a consolidated federal income tax return and combined or separate state returns as required by state law. The insurance company pays premium taxes on gross premiums written in lieu of some states' income or franchise taxes.

The components of the Company's federal income tax expense (benefit) are as follows:

	Years Ended December 31,		
	2018	2017	2016
	(in thousands)		
Current	$ (6)	$ 11	$ —
Deferred	—	1,134	(337)
Income tax expense (benefit)	$ (6)	$ 1,145	$ (337)

As of December 31, 2018 and 2017, significant components of the Company's deferred tax assets and liabilities were as follows:

	December 31,	
	2018	2017
	(in thousands)	
Deferred tax assets:		
Losses and LAE reserve discount	$ 22	$ 22
Net operating losses	702	1,476
Investment amortization	119	119
Unearned premiums	1,914	2,469
Capitalized organizational costs	304	334
Unrealized losses on investments	505	—
Other	306	457
Total deferred tax assets	$ 3,872	$ 4,877
Deferred tax liabilities:		
Deferred acquisition costs	$ (2,127)	$ (3,184)
Unrealized gains on investments	—	(734)
Other	(68)	(12)
Total deferred tax liabilities	(2,195)	(3,930)
Net deferred tax asset before valuation allowance	1,677	947
Valuation allowance	(1,677)	(947)
Total net deferred tax assets	$ —	$ —

Management assessed available positive and negative evidence to estimate whether sufficient future taxable income would be generated to permit use of the existing deferred tax assets. The Company recorded a valuation allowance in 2017 due to a 3-year cumulative loss and a large catastrophe event during 2017. The Company increased the valuation allowance by $0.7 million in 2018. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are increased or if objective negative evidence in the form of cumulative losses is no longer present.

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

10. Income Taxes (Continued)

The following is a reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the tax years ended December 31, 2018 and 2017:

	Years Ended December 31,					
	2018		2017		2016	
	($ in thousands)					
Expense computed at federal tax rate	$ 3,825	21.00%	$ 1,675	34.00%	$ 2,135	34.00%
Non-U.S. group member income	(4,409)	(24.21)%	(1,632)	(33.12)%	(2,093)	(33.34)%
Dividend received deduction and tax-exempt interest	(144)	(0.79)%	(467)	(9.47)%	(415)	(6.61)%
Impact of tax reform	—	—	580	11.76%	—	—
Valuation allowance	678	3.72%	947	19.23%	—	—
Other	44	0.24%	42	0.83%	36	0.58%
Income tax expense (benefit)	$ (6)	(0.03)%	$ 1,145	23.23%	$ (337)	(5.37)%

The Company has a federal net operating loss carryforward of $3.3 million at December 31, 2018. Unless utilized, net operating loss carryforwards will begin to expire in 2034.

On December 22, 2017, the President of the United States signed into law the Tax Act. The legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates from 35% to 21%, effective January 1, 2018. U.S. GAAP requires companies to recognize the effect of tax law changes in the period of enactment. We evaluated all available information and made reasonable estimates of the impact of tax reform to substantially all components of our net deferred tax assets as of December 31, 2017. We finalized our accounting for the Tax Act during 2018 with no significant impact to earnings or deferred taxes.

As of December 31, 2018 and 2017, the Company had no uncertain tax positions that required either recognition or disclosure in the consolidated financial statements. This is not expected to change significantly during the next twelve months. The Company classifies interest and penalties, if any, related to the liability for unrecognized tax benefits as a component of the provision for income taxes. The Company's income tax returns for 2014 through 2018 remain subject to examination by the tax authorities.

11. Capital Stock

The Company has 500,000,000 common shares authorized and 17,000,000 common shares issued and outstanding with a par value of $0.0001. Additional paid in capital is $68.5 million. The Company currently does not have any additional securities outstanding which could convert to common stock.

12. Statutory financial information

U.S.

U.S. state insurance laws and regulations prescribe accounting practices for determining statutory net income and capital and surplus for insurance companies. In addition, state regulators may permit statutory accounting practices that differ from prescribed practices. Statutory accounting practices (SAP) prescribed or permitted by regulatory authorities for the Company's insurance subsidiaries differ from U.S. GAAP. The principal differences between SAP and GAAP as they relate to the financial

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

12. Statutory financial information (Continued)

statements of the Company's insurance subsidiaries are (a) policy acquisition costs are expensed as incurred under SAP, whereas they are deferred and amortized under GAAP, (b) certain assets are not admitted for purposes of determining surplus under SAP, (c) investments in fixed income securities are carried at fair value under GAAP whereas such securities are carried at amortized cost under SAP, and (d) the criteria for recognizing net DTAs and the methodologies used to determine such amounts are different under SAP and GAAP.

Risk-Based Capital (RBC) requirements promulgated by the NAIC require property/casualty insurers to maintain minimum capitalization levels determined based on formulas incorporating various business risks of the insurance subsidiaries. PSIC's statutory net income and statutory capital surplus as of December 31, 2018 and 2017 and for the years then ended are summarized as follows:

	December 31,		
	2018	2017	2016
	(in thousands)		
Statutory net income (loss)	$ 9,609	$ (4,128)	$ (2,324)
Statutory capital and surplus	63,731	61,338	67,894

As of December 31, 2018, the company's capital and surplus exceeds its authorized control level. The authorized control level as determined by the RBC calculation was $19.7 million and $22.3 million at December 31, 2018 and 2017, respectively.

Bermuda

Under the Bermuda Insurance Act, 1978 and related regulations, PSRE is required to maintain certain solvency and liquidity levels. The minimum statutory solvency margin required at December 31, 2018 and 2017 was approximately $6.9 million and $1.2 million, respectively. Actual statutory capital and surplus at December 31, 2018 and 2017 was $19.6 million and $16.4 million, respectively. PSRE had statutory net income of $17.3 million and $4.8 million for 2018 and 2017, respectively.

PSRE had shareholder's equity of $23.5 million and $16.4 million on a GAAP basis at December 31, 2018 and 2017, respectively. The principal difference between statutory capital and surplus and shareholders' equity presented in accordance with GAAP are prepaid expenses, which are non-admitted assets for Bermuda statutory purposes.

PSRE maintains a Class 3A license and thus must maintain a minimum liquidity ratio in which the value of its relevant assets is not less than 75.0% of the amount of its relevant liabilities for general business. Relevant assets include cash and cash equivalents, fixed maturity securities, accrued interest income, premiums receivable, losses recoverable from reinsurers, and funds withheld. The relevant liabilities include total general business insurance reserves and total other liabilities, less sundry liabilities. As of December 31, 2018 and 2017, the Company met the minimum liquidity ratio requirement.

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

13. Dividend Restrictions

U.S.

PSIC must receive the approval of the Oregon and California insurance commissioners prior to paying certain dividends. The maximum dividend or distribution amount that may be declared and paid by PSIC to shareholders without prior approval is subject to restrictions relating to policyholder surplus and net income. A dividend or distribution that requires approval is any dividend or distribution, together with all other dividends or distributions paid in the preceding 12 months that exceeds the greater of (i) 10% of the combined statutory capital and surplus of the insurer as of the 31st day of December of the preceding year or (ii) statutory net income (excluding realized investment gains or losses) for the 12-month period ending the 31st day of December preceding year. In addition, the Company may only declare a dividend from earned surplus, which does not include surplus arising from unrealized capital gains or revaluation of assets. The Company may declare a dividend from other than earned surplus with prior approval from the Commissioner.

The maximum dividend or distribution which may be made in 2019 without the prior approval of the Oregon and California Insurance Commissioners is $5.0 million, which represents PSIC's cumulative earned surplus at December 31, 2018. Any dividend or distribution in excess of $5.0 million made by the Company in 2019 will require the prior approval of the Oregon and California Insurance Commissioners.

Bermuda

Bermuda regulations limit the amount of dividends and return of capital paid by a regulated entity. A Class 3A insurer is prohibited from declaring or paying a dividend if it is in breach of its minimum solvency margin, its enhanced capital requirement, or its minimum liquidity ratio, or if the declaration or payment of such dividend would cause such a breach. Pursuant to Bermuda regulations, the maximum amount of dividends and return of capital available to be paid by a reinsurer is determined pursuant to a formula. Under this formula, the maximum amount of dividends and return of capital available to the Company from PSRE during 2019 is calculated to be approximately $2.9 million. However, this dividend amount is subject to annual enhanced solvency requirement calculations.

14. Commitments and Contingencies

Litigation

The Company is subject to legal proceedings arising from the normal conduct of its business. In the opinion of management, any ultimate liability that may arise from these proceedings will not have a material effect on the Company's financial position.

Operating Leases

The Company leases office space and office equipment under operating leases expiring at various dates through July 2024. The following is a schedule by year of the future minimum rental payments

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

14. Commitments and Contingencies (Continued)

required under operating leases that have initial or remaining non-cancelable lease terms exceeding one year as of December 31, 2018:

	Total (in thousands)
Years ending December 31:	
2019	$ 720
2020	741
2021	763
2022	786
2023	805
Thereafter	466
Total	$ 4,281

Total rent expense for the years ended December 31, 2018, 2017 and 2016, was $0.6 million, $0.8 million, and $0.5 million, respectively.

Letters of Credit

As of December 31, 2018, the Company has four irrevocable standby letters of credit for the benefit of ceding insurance companies to secure the unearned premium assumed by PSIC. The bank letters of credit amount to $1.3 million, $0.4 million, $0.5 million and $0.4 million, all of which expire December 31, 2018 and all but the $0.5 million letter of credit auto renew for one year. As of December 31, 2017, the Company has two irrevocable standby letters of credit for the benefit of ceding insurance companies to secure the unearned premium assumed by PSIC. The bank letters of credit amount to $1.1 million and $0.3 million, both of which expire December 31, 2018 with no renewal terms. The collateral increases were a result of additional unearned premium assumed from the ceding insurance companies.

The letters of credit were collateralized by $3.0 million and $1.7 million of U.S. Treasury bonds at December 31, 2018 and 2017, respectively. These securities are included in available-for-sale investments on the consolidated balance sheets.

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

15. Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income (AOCI) are as follows:

	December 31,		
	2018	2017	2016
	(in thousands)		
Balance as of January 1	$ 2,993	$ 1,017	$ (459)
Effect of equity accounting guidance adoption	(3,215)	—	—
Beginning Balance	(222)	1,017	(459)
Other comprehensive (loss) income before reclassification	(740)	2,834	2,708
Federal income (taxes) benefit	76	(772)	(899)
Other comprehensive (loss) income before reclassification, net of tax	(664)	2,062	1,809
Amounts reclassified from AOCI	399	(608)	(499)
Federal income (taxes) benefit	(76)	68	166
Amounts reclassified from AOCI, net of tax	323	(540)	(333)
Other comprehensive (loss) income	(341)	1,522	1,476
Effect of new tax rates from Tax Reform	—	454	—
Balance as of December 31	$ (563)	$ 2,993	$ 1,017

16. Retirement and Post-Employment Retirement Plans

For employees meeting certain eligibility requirements, the Company provides a defined contribution retirement plan under IRC Section 401(k). Under a safe-harbor plan, the Company contributes 3% of each participant's gross wages regardless of the employee's contribution. For the years ended December 31, 2018, 2017, and 2016 the Company's contributions to the plan were $0.2 million, $0.2 million, and $0.1 million, respectively.

17. Management Incentive Plan

The Company's former parent, GC Palomar Investor LP, adopted a 2014 Management Incentive Plan (in the form of profits interests) on February 12, 2014 under which certain officers and employees of PSIC and its affiliates are entitled to Class P Units in GC Palomar Investor LP. Class P unit holders are expected to realize value only upon the occurrence of liquidity events meeting requisite financial thresholds after the Class A unit holders have recovered their investment. The Class P unit holders have no voting rights. The Company did not record stock based compensation expense related to this plan for the years ended December 31, 2018, 2017 or 2016 because no liquidity events were probable of occurring. Class P units outstanding at December 31, 2018 and 2017 were 12,552,825 units and 12,432,825 units, respectively.

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

18. Net Income Per Share

The following table sets forth the computation of net income per share of common stock:

	Years Ended December 31,		
	2018	2017	2016
	(in thousands, except shares and per share data)		
Net Income	$ 18,219	$ 3,783	$ 6,614
Weighted average shares used in computing net income per share	17,000,000	17,000,000	17,000,000
Net Income per share, basic and diluted	$ 1.07	$ 0.22	$ 0.39

19. Underwriting Information

The Company has a single reportable segment and offers primarily earthquake, wind, and flood insurance products. Gross written premiums (GWP) by product are presented below:

	Years ended December 31,					
	2018		2017		2016	
	($ in thousands)					
	Amount	% of GWP	Amount	% of GWP	Amount	% of GWP
Product						
Residential Earthquake	$ 81,679	52.7%	$ 57,328	47.7%	$ 32,662	39.7%
Specialty Homeowners	27,680	17.9%	26,516	22.0%	24,389	29.6%
Commercial Earthquake	20,946	13.5%	23,079	19.2%	20,580	25.0%
Commercial All Risk	14,338	9.3%	7,321	6.1%	1,784	2.2%
Hawaii Hurricane	8,128	5.2%	5,323	4.4%	2,872	3.5%
Flood	2,120	1.4%	667	0.6%	—	—
Total Gross Written Premium	$ 154,891	100%	$ 120,234	100%	$ 82,287	100%

Gross Written premiums by state are as follows:

	Years ended December 31,					
	2018		2017		2016	
	($ in thousands)					
	Amount	% of GWP	Amount	% of GWP	Amount	% GWP
State						
California	$ 82,119	53.0%	$ 64,231	53.4%	$ 44,999	54.7%
Texas	32,568	21.0%	29,273	24.4%	25,286	30.7%
Hawaii	8,128	5.2%	5,323	4.4%	2,872	3.5%
Illinois	4,403	2.8%	4,854	4.0%	332	0.4%
Oregon	5,286	3.4%	4,250	3.6%	3,278	4.0%
Washington	5,658	3.7%	2,803	2.3%	1,513	1.8%
South Carolina	3,208	2.1%	1,706	1.4%	674	0.8%
Oklahoma	1,261	0.8%	1,302	1.1%	1,030	1.3%
All Other States	12,260	8.0%	6,492	5.4%	2,303	2.8%
	$ 154,891	100%	$ 120,234	100%	$ 82,287	100%

Palomar Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

19. Underwriting Information (Continued)

The Company distributes a significant portion of its Residential Earthquake, Commercial Earthquake, Specialty Homeowners and Hawaii Hurricane products through longstanding relationships with two program administrators. Each of the four products managed by the program administrators operates as a separate program that is governed by an independent, separately negotiated agreement with unique terms and conditions, including geographic scope, key men provisions, economics and exclusivity. These programs also feature separate managerial oversight and leadership, policy administration systems and retail agents originating policies. In total, these four programs accounted for $104.9 million or 67.7% of the Company's gross written premiums for the year ended December 31, 2018, $85.8 million or 71.3% of the Company's gross written premiums for the year ended December 31, 2017, and $62.9 million or 76.5% of the Company's gross written premiums for the year ended December 31, 2016.

20. Subsequent Events

Domestication and forward stock split

In March 2019, the Company (i) implemented a domestication pursuant to Section 388 of the Delaware General Corporation Law and Section 206 of the Companies Law (2018 Revision), as amended, of the Cayman Islands pursuant to which it became a Delaware corporation and no longer subject to the laws of the Cayman Islands, (ii) effected a 17,000,000 for one forward stock split and (iii) caused its then-sole shareholder, GC Palomar Investor LP, to distribute all of the post-split shares of its common stock to its various partners and other interest holders, including to Genstar Capital and its affiliates.

In March 2019, the Company made a one-time cash distribution totaling approximately $5.1 million to certain stockholders in order to allow such stockholders to satisfy tax obligations incurred as a result of the domestication transactions.

Modification of Management Incentive Plan

On March 15, 2019, the Company modified its 2014 Management Incentive Plan by eliminating the requirement of a liquidity event to occur for the holders of its Class P units to realize value. All Class P units were converted into common shares which were distributed as part of the domestication transactions. This modification resulted in a stock compensation charge and corresponding increase to additional paid-in capital of $23.0 million for the quarter ending March 31, 2019.

Schedule II

Palomar Holdings, Inc. and Subsidiaries
Balance Sheets (Parent Company)
(In Thousands, except shares and par value data)

	December 31,	
	2018	2017
Assets		
Fixed maturity securities available for sale, at fair value (amortized cost: $11,668 in 2018)	$ 11,581	$ —
Equity Securities, at fair value: (cost: $1,656 in 2018)	1,658	—
Total investments	13,239	—
Cash and cash equivalents	540	—
Accrued investment income	67	—
Investment in subsidiaries	82,446	78,414
Total assets	$ 96,292	$ 78,414
Shareholder's equity		
Common stock, $0.0001 par value, 500,000,000 shares authorized, 17,000,000 shares issued and outstanding at December 31, 2018 and 2017, respectively	$ 2	$ —
Additional paid-in capital	68,498	68,500
Accumulated other comprehensive (loss) income	(563)	2,993
Retained earnings	28,355	6,921
Total shareholder's equity	$ 96,292	$ 78,414

See accompanying notes.

Schedule II

Palomar Holdings, Inc. and Subsidiaries
Statements of Income (Parent Company)
(In Thousands)

	Year ended December 31,		
	2018	2017	2016
Net investment income	$ 61	—	—
Net realized and unrealized losses on investments	(2)	—	—
Income before equity in net income of subsidiaries	59	—	—
Equity in net income of subsidiaries	18,160	3,783	6,614
Net income	$ 18,219	3,783	6,614
Other comprehensive income:			
Net unrealized losses on securities available for sale	(87)	—	—
Equity in other comprehensive income of subsidiaries, net of taxes	(254)	1,522	1,475
Total comprehensive income	$ 17,878	$ 5,305	$ 8,089

See accompanying notes.

Schedule II

Palomar Holdings, Inc. and Subsidiaries
Statements of Cash Flows (Parent Company)
(In Thousands)

	Year Ended December 31,		
	2018	2017	2016
Operating activities			
Net income	$ 18,219	$ 3,783	$ 6,614
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(18,160)	(3,783)	(6,614)
Net realized and unrealized losses on investments	2	—	—
Other	546	—	—
Changes in operating assets and liabilities:			
Accrued investment income	(67)	—	—
Net cash provided by operating activities	540	—	—
Investing activities			
Net cash (used in) provided by investing activities	—	—	—
Financing activities			
Net cash (used in) provided by financing activities	—	—	—
Net increase in cash, cash equivalents, and restricted cash	540	—	—
Cash, cash equivalents and restricted cash at beginning of period	—	—	—
Cash, cash equivalents and restricted cash at end of period	$ 540	$ —	$ —
Supplementary cash flow information:			

See accompanying notes.

Schedule II

1. Accounting Policies

Organization

Palomar Holdings, Inc. (the Company), is an insurance holding company that was incorporated in Delaware in March 2019. Prior to incorporation in Delaware, the Company was known as GC Palomar Holdings (GCPH), which was a Cayman Islands incorporated insurance holding company formed on October 4, 2013 when GC Palomar Investor LP (GCPI) acquired control of GCPH.

Basis of Presentation

The accompanying condensed financial statements have been prepared using the equity method. Under the equity method, the investment in consolidated subsidiaries is stated at cost plus equity in undistributed earnings of consolidated subsidiaries since the date of acquisition. These condensed financial statements should be read in conjunction with the Company's consolidated financial statements.

Estimates and Assumptions

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Those estimates are inherently subject to change, and actual results may ultimately differ from those estimates.

Schedule V

Palomar Holdings, Inc. and Subsidiaries
Valuation and Qualifying Accounts

(in thousands)	Balance at Beginning of Period	Additions: Amounts Charged to Expense	Deductions: Amounts Written Off	Balance at End of Period
Year Ended December 31, 2018				
Valuation Allowance for deferred tax assets	$ 947	$ 730	$ —	$ 1,677
Year Ended December 31, 2017				
Valuation Allowance for deferred tax assets	$ —	$ 947	$ —	$ 947

Shares

Joint Book-Running Managers

Barclays	**J.P. Morgan**	**Keefe, Bruyette & Woods**
		A Stifel Company

Evercore ISI	**William Blair**	**Sandler O'Neill + Partners, L.P.**	**SunTrust Robinson Humphrey**

Through and including , 2019 (the 25th day after the date of this prospectus), all dealers effecting transactions in our common stock, whether or not participating in our initial public offering, may be required to deliver a prospectus. This delivery requirement is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth all expenses to be paid by us, other than underwriting discounts and commissions, upon completion of this offering. All amounts shown are estimates except for the SEC registration fee and the FINRA filing fee.

SEC registration fee	$ *
FINRA filing fee	*
Exchange listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous expenses	*
Total	$ *

* To be provided by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law authorizes the board of directors of a corporation to grant, and authorizes a court to award, indemnity to officers, directors and other corporate agents.

We expect to adopt a certificate of incorporation, which will become effective immediately prior to the completion of this offering, and which will contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, we expect to adopt bylaws, which will become effective immediately prior to the completion of this offering, and which will provide that we will indemnify, to the fullest extent permitted by law, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the corporation or, while a director or officer of the

corporation, is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred. Our bylaws will also provide that we must pay the expenses (including attorneys' fees) incurred by a director or officer in defending any proceeding in advance of its final disposition, subject to limited exceptions.

Further, we have entered into or will enter into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors and executive officers prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in any such action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

The limitation of liability and indemnification provisions that are expected to be included in our certificate of incorporation, bylaws and in indemnification agreements that we have entered into or will enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a shareholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees or other agents or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Some of our non-employee directors may, through their relationships with their employers, be insured or indemnified against liabilities incurred in their capacity as members of our board of directors.

The underwriting agreement to be filed as Exhibit 1.1 to this registration statement will provide for indemnification by the underwriters of us and our officers and directors for liabilities arising under the Securities Act or otherwise.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

We have not sold any securities since January 1, 2016, which were not registered under the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibits.

Exhibit Number	Exhibit Description
1.1*	Form of Underwriting Agreement.
3.1	Certificate of Incorporation.
3.2	Certificate of Amendment to Certificate of Incorporation.
3.3	Bylaws.
4.1*	Form of Common Stock Certificate.
4.2	Indenture, dated as of September 6, 2018, by and among Palomar Insurance Holdings, Inc., Palomar Holdings, Inc. (f/k/a GC Palomar Holdings), The Bank of New York Mellon, The Bank of New York Mellon, London Branch and The Bank of New York Mellon SA/NV, Luxembourg Branch.
4.3	Form of Floating Rate Senior Secured Note due 2028.
4.4	Form of Stockholders Agreement
4.5	Form of Registration Rights Agreement
5.1*	Opinion of DLA Piper LLP (US).
10.1+	2019 Equity Incentive Plan.
10.2+	2019 Employee Stock Purchase Plan.
10.3+	Employment Agreement, dated April 10, 2014, by and between the Registrant and Mac Armstrong as amended by that certain First Amendment to Employment Agreement, dated March 5, 2018, by and between the Registrant and Mac Armstrong.
10.4+	Employment Agreement, dated April 15, 2014, by and between the Registrant and Heath Fisher as amended by that certain First Amendment to Employment Agreement, dated March 1, 2018, by and between the Registrant and Heath Fisher.
10.5+	Employment Agreement, dated April 10, 2014, by and between the Registrant and Jon Christianson as amended by that certain First Amendment to Employment Agreement, dated March 5, 2018, by and between the Registrant and Jon Christianson.
10.6+	Form of Indemnification Agreement
10.7†	Program Administrator Agreement, dated as of February 19, 2014 (as amended by that certain First Amendment to Program Administrator Agreement, dated as of July 14, 2014, that certain Second Amendment to Program Administrator Agreement, dated as of March 21, 2016, that certain Third Amendment to Program Administrator Agreement, dated as of May 29, 2018 and that certain Second Amendment to Schedule H of the Program Administrator Agreement, dated as of August 29, 2018), by and between Palomar Specialty Insurance Company and Arrowhead General Insurance Agency, Inc.
21.1	List of Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
23.2*	Consent of DLA Piper LLP (US) (included in Exhibit 5.1).

Exhibit Number	Exhibit Description
24.1	Power of Attorney (included on signature page hereto).

* To be filed by amendment.

+ Management contract or compensatory plan or arrangement.

† Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 406 under the Securities Act of 1933.

(b) *Financial Statement Schedules*. All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act, may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in La Jolla, California, on the 15th day of March, 2019.

Palomar Holdings, Inc.

By: /s/ MAC ARMSTRONG

Mac Armstrong
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Mac Armstrong and Christopher Uchida, jointly and severally, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Registration Statement on Form S-1 of Palomar Holdings, Inc. and any or all amendments (including post-effective amendments) thereto and any new registration statement with respect to the offering contemplated thereby filed pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ MAC ARMSTRONG Mac Armstrong	Chief Executive Officer and Director (Principal Executive Officer)	March 15, 2019
/s/ CHRISTOPHER UCHIDA Christopher Uchida	Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer)	March 15, 2019
/s/ JAMES RYAN CLARK James Ryan Clark	Chairman of the Board	March 15, 2019
/s/ ROBERT E. DOWDELL Robert E. Dowdell	Director	March 15, 2019

Table of Contents

Signature	Title	Date
/s/ GEORGE L. ESTES III George L. Estes III	Director	March 15, 2019
/s/ GEOFFREY I. MILLER Geoffrey I. Miller	Director	March 15, 2019
/s/ RICHARD H. TAKETA Richard H. Taketa	Director	March 15, 2019

Exhibit 3.1

CERTIFICATE OF INCORPORATION OF
PALOMAR HOLDINGS, INC.,
a Delaware Corporation

1. GC Palomar Holdings was previously formed as a corporation organized under the Companies Law (2012 Revision) of the Cayman Islands.

2. The domestication (the "Domestication") of GC Palomar Holdings to Palomar Holdings, Inc. (the "Corporation") pursuant to Section 388 of the General Corporation Law of the State of Delaware, as the same now exists or may hereafter be amended and/or supplemented from time to time (the "DGCL") and this Certificate of Incorporation (as the same may be further amended and/or restated, this "Certificate of Incorporation") were duly adopted by all necessary action of the board of directors of the Corporation (the "Board of Directors") and the stockholders of the Corporation, pursuant to and in accordance with Section 388(h) of the DGCL.

Upon the filing of this Certificate of Incorporation and a certificate of domestication with respect to the Domestication with the office of the Secretary of State of the State of Delaware in accordance with Section 388(g) of the DGCL, the Domestication of GC Palomar Holdings to the Corporation shall be effective and this Certificate of Incorporation of the Corporation shall read as follows:

ARTICLE I.

The name of the corporation is Palomar Holdings, Inc.

ARTICLE II.

The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

ARTICLE III.

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

ARTICLE IV.

The total number of shares of all classes of stock which the Corporation shall have authority to issue is 505,000,000 shares, consisting of (a) 500,000,000 shares of common stock, par value $0.0001 per share (the "Common Stock"), and (b) 5,000,000 shares of preferred stock, par value $0.0001 per share (the "Preferred Stock").

The designations, preferences, privileges, rights and voting powers and any limitations, restrictions or qualifications thereof, of the shares of each class are as follows:

(a) The holders of outstanding shares of Common Stock shall have the right to vote on all questions to the exclusion of all other stockholders, each holder of record of Common Stock being entitled to one vote for each share of Common Stock standing in the name of the stockholder on the books of the Corporation, except as may be provided in this Certificate of Incorporation, in a Preferred Stock Designation (as hereinafter defined), or as required by law.

(b) The Preferred Stock may be issued from time to time in one or more series. The Board of Directors (or any committee to which it may duly delegate the authority granted in this Section (b) of Article IV) is hereby empowered to authorize the issuance from time to time of shares of Preferred Stock in one or more series, for such consideration and for such corporate purposes as the Board of Directors may from time to time determine, and by filing a certificate pursuant to applicable law of the State of Delaware (hereinafter referred to as a "Preferred Stock Designation") as it presently exists or may hereafter be amended to establish from time to time for each such

series the number of shares to be included in each such series and to fix the designations, powers, rights and preferences of the shares of each such series, and the qualifications, limitations and restrictions thereof to the fullest extent now or hereafter permitted by this Certificate of Incorporation and the laws of the State of Delaware, including, without limitation, voting rights (if any), dividend rights, dissolution rights, conversion rights, exchange rights and redemption rights thereof, as shall be stated and expressed in a resolution or resolutions adopted by the Board of Directors (or such committee thereof) providing for the issuance of such series of Preferred Stock. Each series of Preferred Stock shall be distinctly designated. The authority of the Board of Directors with respect to each series of Preferred Stock shall include, but not be limited to, determination of the following:

(i) The designation of the series, which may be by distinguishing number, letter or title.

(ii) The number of shares of the series, which number the Board of Directors may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding).

(iii) The amounts payable on, and the preferences, if any, of shares of the series in respect of dividends, and whether such dividends, if any, shall be cumulative or noncumulative.

(iv) Dates at which dividends, if any, shall be payable.

(v) The redemption rights and price or prices, if any, for shares of the series.

(vi) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series.

(vii) The amounts payable on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

(viii) Whether the shares of the series shall be convertible into or exchangeable for shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made.

(ix) Restrictions on the issuance of shares of the same series or of any other class or series.

(x) The voting rights, if any, of the holders of shares of the series.

ARTICLE V.

The term of existence of the Corporation is to be perpetual.

ARTICLE VI.

(a) Except as otherwise provided by applicable law or this Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

(b) Except as otherwise provided for or fixed pursuant to this Article VI or Article VII hereof (relating to the rights of any series of Preferred Stock to elect additional directors), and subject to the terms of the Stockholders Agreement, dated on or about the date of the effectiveness of the filing of this Certificate of Incorporation, by and among the Corporation and certain affiliates of Genstar (as defined in Article VII hereof) and the other parties thereto (as the same may be amended, supplemented, restated or otherwise modified from time to time, the "Stockholders Agreement"), the total number of directors shall be as determined from time to time exclusively by

the Board; provided, that in no event shall the total number of directors be more than nine (9). Election of directors need not be by written ballot unless the Bylaws (as defined below) shall so require.

ARTICLE VII.

(a) Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the Board of Directors of the Corporation shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. To the extent practicable, the Board of Directors shall assign an equal number of directors to Class I, Class II and Class III. At the first annual meeting of stockholders after the filing of this Certificate of Incorporation, the terms of the Class I directors shall expire and Class I directors shall be elected for a full term of office to expire at the third succeeding annual meeting of stockholders after their election. At the second annual meeting of stockholders, the terms of the Class II directors shall expire and Class II directors shall be elected for a full term of office to expire at the third succeeding annual meeting of stockholders after their election. At the third annual meeting of stockholders, the terms of the Class III directors shall expire and Class III directors shall be elected for a full term of office to expire at the third succeeding annual meeting of stockholders after their election. At each succeeding annual meeting of stockholders, directors elected to succeed the directors of the class whose terms expire at such meeting shall be elected for a full term of office to expire at the third succeeding annual meeting of stockholders after their election. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(b) Notwithstanding anything to the contrary set forth in this Certificate of Incorporation, the Bylaws or applicable law, but in addition to any requirements set forth in this Certificate of Incorporation, the Bylaws and applicable law, if Genstar Capital Partners V AIV, L.P., Genstar Capital Partners VI AIV, L.P. and any of their respective Affiliates (as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (collectively, "Genstar") owns, beneficially or of record, any shares of stock of the Corporation and there is at least one member of the Board who is a Genstar Designee (as defined in the Stockholders Agreement), a quorum for the transaction of business at any meeting of the Board shall include at least one Genstar Designee unless each Genstar Designee provides notice in writing or by electronic transmission to the remaining members of the Board waiving his or her right to be included in the quorum at such meeting. Notwithstanding anything to the contrary set forth herein, but in addition to any other vote required by this Certificate of Incorporation, the Bylaws or applicable law, at any time that Genstar owns, beneficially or of record, any shares of stock of the Corporation, the Corporation shall not (directly or indirectly, by merger, consolidation or otherwise) amend, alter or repeal this subsection (b) of this Article VII, or adopt any provision inconsistent herewith, without the prior written consent of Genstar.

(c) Except as otherwise provided by this Certificate of Incorporation, and subject to the terms of the Stockholders Agreement, any vacancy resulting from the death, resignation, removal or disqualification of a director or other cause, or any newly created directorship in the Board, shall be filled only by a majority of the directors then in office, although less than a quorum, or by the sole remaining director, and shall not be filled by the stockholders of the Corporation. Except as otherwise provided by this Certificate of Incorporation, a director elected to fill a vacancy or newly created directorship shall hold office until the annual meeting of stockholders for the election of directors of the class to which he or she has been appointed and until his or her successor has been duly elected and qualified, subject, however, to such director's earlier death, resignation, retirement, removal or disqualification.

(d) Except as otherwise provided by law, the Stockholders Agreement or this Certificate of Incorporation, directors may be removed with or without cause by the affirmative vote of the holders of a majority in voting power of the outstanding shares of the stock of the Corporation entitled to vote in an election of such directors; provided, however, that, from and after the Trigger Event (as defined below) any such director or all such directors may be removed only for cause and only by the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of stock of the Corporation entitled to vote thereon, voting together as a single class.

ARTICLE VIII.

Subject to the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, any action required or permitted to be taken by the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of record of all of the issued and outstanding capital stock of the Corporation authorized by law or by this Certificate of Incorporation to vote on such action, and such writing or writings are filed with the permanent records of the Corporation.

ARTICLE IX.

Subject to the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, special meetings of stockholders for the transaction of such business as may properly come before the meeting may only be called by order of the Chairman of the Board of Directors, the Board of Directors (pursuant to a resolution adopted by a majority of the total number of directors that the Corporation would have if there were no vacancies) or the Chief Executive Officer of the Corporation, and shall be held at such date and time, within or without the State of Delaware, as may be specified by such order. If such order fails to fix such place, the meeting shall be held at the principal executive offices of the Corporation.

ARTICLE X.

In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors of the Corporation is expressly authorized to make, alter and repeal the bylaws of the Corporation (as the same may be amended and/or restated from time to time, the "Bylaws"), subject to the power of the stockholders of the Corporation to alter or repeal the Bylaws under applicable law as it presently exists or may hereafter be amended. Stockholders of the Corporation are authorized to make, alter and repeal the Bylaws of the Corporation only pursuant to Article X of the Bylaws of the Corporation.

ARTICLE XI.

A director of the Corporation shall not be personally liable either to the Corporation or to any of its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended. Any amendment or modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

ARTICLE XII.

Subject to the rights of the holders of one or more series of Preferred Stock then outstanding to act by written consent as provided in any Preferred Stock Designation, any action required or permitted to be taken by stockholders must be effected at a duly called annual or special meeting of stockholders; provided, that prior to the time that Genstar ceases to beneficially own more than 50% of the outstanding shares of Common Stock (the "Trigger Event"), any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, is signed by or on behalf of the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation in accordance with the DGCL.

ARTICLE XIII.

(a) Right to Indemnification. The Corporation shall indemnify, to the fullest extent permitted by the DGCL, as it presently exists or may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), any natural person (i) who is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, trustee, employee or agent of

another corporation, limited liability company, partnership, joint venture, employee benefit plan, trust, nonprofit entity or other enterprise at any time during which the Bylaws are in effect (a "Covered Person"), whether or not such Covered Person continues to serve in such capacity at the time any indemnification is sought or at the time of any proceeding (as defined below) relating thereto exists or is brought, and (ii) who is or was a party to, is threatened to be made a party to, or is otherwise involved in (including as a witness) any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative in nature (a "proceeding") based on such Covered Person's action(s) in his or her official capacity as a director, officer, trustee, employee or agent of the Corporation, against all liability and loss suffered (including, without limitation, any judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement consented to in writing by the Corporation) and expenses (including attorneys' fees), actually and reasonably incurred by such Covered Person in connection with such proceeding. Such indemnification shall continue to a Covered Person who has ceased to be a director, officer, trustee, employee or agent of the Corporation and shall inure to the benefit of his or her heirs, executors and administrators. Except as set for in subsection (b) below, the Corporation shall be required to indemnify a Covered Person in connection with a proceeding (or part thereof) initiated by such Covered Person only if the proceeding (or part thereof) was authorized by the Board of Directors.

(b) Right of Claimant to Bring Suit. In accordance with the Bylaws of the Corporation, if a claim for indemnification under Section (a) of this Article XIII is not paid in full within ninety (90) days after a written claim has been received by the Corporation, the claimant claim may at any time thereafter file suit to recover the unpaid amount of such claim and shall be entitled to be paid the expense of prosecuting such claim to the extent successful.

(c) Non Exclusivity of Rights. In accordance with the Bylaws of the Corporation, the right to indemnification (i) shall not be exclusive of any other rights which such Covered Person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, the Bylaws, agreement, vote of stockholders or disinterested directors or otherwise and (ii) cannot be terminated by the Corporation, the Board of Directors or the stockholders of the Corporation with respect to a Covered Person's service occurring prior to the date of such termination.

(d) Indemnification Agreements. The Corporation shall have the discretionary power to enter into indemnification agreements with any Covered Person or agent of the Corporation that confer broader or other rights, including without limitation advancement of expenses, to the extent allowed by Delaware law.

ARTICLE XIV.

The Corporation may purchase and maintain insurance, at its expense, on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was a director, officer, employee or agent of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability, expense or loss asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability, expense or loss under the provisions of the Bylaws of the Corporation or the DGCL. To the extent that the Corporation maintains any policy or policies providing such insurance, each such person shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such person.

ARTICLE XV.

(a) Recognition of Corporate Opportunities. In recognition and anticipation that (i) certain directors, officers, principals, partners, members, managers, employees, agents and/or other representatives of Genstar and its Affiliates may serve as directors, officers or agents of the Corporation and its Affiliates, and (ii) Genstar and its Affiliates may now engage and may continue to engage in the same or similar activities or related lines of business as those in which the Corporation and Affiliates, directly or indirectly, may engage and/or other business activities that overlap with or compete with those in which the Corporation and its Affiliates, directly or indirectly, may engage, the provisions of this Article XV are set forth to regulate and define the conduct of certain affairs of the Corporation and its Affiliates with respect to certain classes or categories of business opportunities as they may involve Genstar and its Affiliates and any person or entity who, while a stockholder, director, officer or agent of the

Corporation or any of its Affiliates, is a director, officer, principal, partner, member, manager, employee, agent and/or other representative of Genstar and its Affiliates (each, an "Identified Person"), on the one hand, and the powers, rights, duties and liabilities of the Corporation and its Affiliates and its and their respective stockholders, directors, officers, and agents in connection therewith, on the other. To the fullest extent permitted by law (including, without limitation, the DGCL), and notwithstanding any other duty (contractual, fiduciary or otherwise, whether at law or in equity), each Identified Person (i) shall have the right to, and shall have no duty (contractual, fiduciary or otherwise, whether at law or in equity) not to, directly or indirectly engage in and possess interests in other business ventures of every type and description, including those engaged in the same or similar business activities or lines of business as the Corporation or any of its Affiliates or deemed to be competing with the Corporation or any of its Affiliates, on its own account, or in partnership with, or as a direct or indirect equity holder, controlling person, stockholder, director, officer, employee, agent, Affiliate (including any portfolio company), member, financing source, investor, director or indirect manager, general or limited partner or assignee of any other person or entity with no obligation to offer to the Corporation or its subsidiaries or other Affiliates the right to participate therein and (ii) shall have the right to invest in, or provide services to, any person that is engaged in the same or similar business activities as the Corporation or its Affiliates or directly or indirectly competes with the Corporation or any of its Affiliates.

(b) Definitions. Solely for purposes of this Article XV, (i) "Affiliate" shall mean (a) with respect to Genstar, any person or entity that, directly or indirectly, is controlled by Genstar, controls Genstar, or is under common control with Genstar, but excluding (x) the Corporation, and (y) any entity that is controlled by the Corporation (including its direct and indirect subsidiaries), and (b) in respect of the Corporation, any person or entity that, directly or indirectly, is controlled by the Corporation; (ii) "Genstar" shall mean Genstar Capital

ARTICLE XVI.

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or stockholder of the Corporation, (c) any action asserting a claim arising pursuant to any provision of the DGCL or of this Certificate of Incorporation or the Bylaws, or (d) any action asserting a claim against the Corporation or any director or officer of the Corporation governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and, to the fullest extent permitted by law, to have consented to the provisions of this Article XVI.

ARTICLE XVII.

Section 203 of the DGCL. The Corporation hereby expressly elects not to be governed by Section 203 of the DGCL until such time as Genstar beneficially owns, in the aggregate, less than a majority of the total voting power of all the then outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, whereupon the Corporation shall immediately and automatically, without further action on the part of the Corporation or any holder of stock of the Corporation, become governed by Section 203 of the DGCL, except that Genstar will not be deemed to be an interested stockholder under Section 203 of the DGCL regardless of the percentage of ownership of the total voting power of all the then outstanding shares of stock of the Corporation entitled to vote generally in the election of directors beneficially owned by them.

ARTICLE XVIII.

(a) The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by this Certificate of Incorporation and the DGCL, and all rights, preferences and privileges herein conferred upon stockholders by and pursuant to this Certificate of Incorporation in its current form or as hereafter amended are granted subject to the right reserved in this Article XVIII. Notwithstanding the foregoing, from and after the occurrence of the Trigger Event, notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to greater or additional vote or consent required hereunder (including any vote of the holders of any particular class or classes or series of stock required by law or by this

Certificate of Incorporation), the affirmative vote of the holders of at least 66 2/3% of the voting power of the outstanding shares of stock entitled to vote thereon, voting together as a single class, shall be required to alter, amend or repeal VI, VII, VIII, IX, X, XI, XII, XIII, XIV, XV, XVI, XVII and this Article XVIII.

(b) From and after the occurrence of the Trigger Event, notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any additional or greater vote or consent required hereunder (including any vote of the holders of any particular class or classes or series of stock required by law or by this Certificate of Incorporation), the affirmative vote of the holders of at least 66 2/3% of the voting power of the outstanding shares of stock entitled to vote thereon, voting together as a single class, shall be required in order for the stockholders of the Corporation to alter, amend or repeal, in whole or in part, any provision of the Bylaws or to adopt any provision inconsistent therewith.

The foregoing Certificate of Incorporation has been duly adopted by this Corporation’s Board of Directors and stockholders in accordance with the applicable provisions of Sections 228 of the DGCL.

The name and address of the Incorporator is D. McDonald Armstrong, 7979 Ivanhoe Ave., #500, La Jolla, California 92037.

IN WITNESS WHEREOF, Palomar Holdings, Inc. has caused this Certificate of Incorporation to be signed by its Incorporator this 14th day of March, 2019.

By: /s/ D. McDonald Armstrong
Name: D. McDonald Armstrong
Title: Incorporator

Exhibit 3.2

CERTIFICATE OF AMENDMENT
OF
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
PALOMAR HOLDINGS, INC.

Palomar Holdings, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "***Corporation***"), does hereby certify:

1. Article IV of the Corporation's Certificate of Incorporation (the "***Certificate of Incorporation***") is hereby amended and restated in its entirety to read as follows:

"ARTICLE IV.

The total number of shares of all classes of stock which the Corporation shall have authority to issue is 505,000,000 shares, consisting of (a) 500,000,000 shares of common stock, par value $0.0001 per share (the "Common Stock"), and (b) 5,000,000 shares of preferred stock, par value $0.0001 per share (the "Preferred Stock").

Effective immediately upon the filing of this Certificate of Amendment of Certificate of Incorporation with the Secretary of State of the State of Delaware, each one (1) issued and outstanding share of Common Stock on such date shall be converted into and become seventeen million (17,000,000) shares of Common Stock (the "**Stock Split**"). All share amounts, amounts per share and per share numbers set forth in the Certificate of Incorporation shall be appropriately adjusted to reflect the Stock Split.

The designations, preferences, privileges, rights and voting powers and any limitations, restrictions or qualifications thereof, of the shares of each class are as follows:

(a) The holders of outstanding shares of Common Stock shall have the right to vote on all questions to the exclusion of all other stockholders, each holder of record of Common Stock being entitled to one vote for each share of Common Stock standing in the name of the stockholder on the books of the Corporation, except as may be provided in this Certificate of Incorporation, in a Preferred Stock Designation (as hereinafter defined), or as required by law.

(b) The Preferred Stock may be issued from time to time in one or more series. The Board of Directors (or any committee to which it may duly delegate the authority granted in this Section (b) of Article IV) is hereby empowered to authorize the issuance from time to time of shares of Preferred Stock in one or more series, for such consideration and for such corporate purposes as the Board of Directors may from time to time determine, and by filing a certificate pursuant to applicable law of the State of Delaware (hereinafter referred to as a "Preferred Stock Designation") as it presently exists or may hereafter be amended to establish from time to time for each such series the number of shares to be included in each such series and to fix the designations, powers, rights and preferences of the shares of each such series, and the qualifications, limitations and restrictions thereof to the fullest extent now or hereafter permitted by this Certificate of Incorporation and the laws of the State of Delaware, including, without

limitation, voting rights (if any), dividend rights, dissolution rights, conversion rights, exchange rights and redemption rights thereof, as shall be stated and expressed in a resolution or resolutions adopted by the Board of Directors (or such committee thereof) providing for the issuance of such series of Preferred Stock. Each series of Preferred Stock shall be distinctly designated. The authority of the Board of Directors with respect to each series of Preferred Stock shall include, but not be limited to, determination of the following:

(i) The designation of the series, which may be by distinguishing number, letter or title.

(ii) The number of shares of the series, which number the Board of Directors may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding).

(iii) The amounts payable on, and the preferences, if any, of shares of the series in respect of dividends, and whether such dividends, if any, shall be cumulative or noncumulative.

(iv) Dates at which dividends, if any, shall be payable.

(v) The redemption rights and price or prices, if any, for shares of the series.

(vi) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series.

(vii) The amounts payable on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

(viii) Whether the shares of the series shall be convertible into or exchangeable for shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made.

(ix) Restrictions on the issuance of shares of the same series or of any other class or series.

(x) The voting rights, if any, of the holders of shares of the series."

2. The foregoing amendment of the Certificate of Incorporation has been duly adopted by the Corporation's Board of Directors and stockholders in accordance with the provisions of Sections 242 and 228 of the General Corporation Law of the State of Delaware.

3. This amendment to the Certificate of Incorporation shall be effective on and as of the date of filing of this Certificate of Amendment with the Secretary of State of the State of Delaware.

[*THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK*]

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed and attested by its Chief Executive Officer this day of March, 2019.

PALOMAR HOLDINGS, INC.

By: _____
D. McDonald Armstrong, Chief Executive Officer

[*Signature Page to Certificate of Amendment of Certificate of Incorporation (Stock Split)*]

Exhibit 3.3

BYLAWS OF
PALOMAR HOLDINGS, INC.
(a Delaware Corporation)

ARTICLE I

STOCKHOLDERS

SECTION 1. **Annual Meetings**. The annual meeting of stockholders of Palomar Holdings, Inc. (the "Corporation") for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held each fiscal year at such date and time, within or without the State of Delaware, as the Board of Directors shall determine.

SECTION 2. **Notice of Meetings**. Written notice of all meetings of the stockholders, stating the place, date and time of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the place at which the list of stockholders may be examined, and the purpose or purposes for which the meeting is to be held, shall be mailed or otherwise delivered (including pursuant to electronic transmission in the manner provided in Section 232 of the General Corporation Law of the State of Delaware (the "DGCL"), except to the extent prohibited by Section 232(e) of the DGCL) to each stockholder of record entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days prior to the date of the meeting and shall otherwise comply with applicable law. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation. Such further notice shall be given as may be required by law. If notice is given by electronic transmission, such notice shall be deemed to be given at the times provided in the DGCL. Such further notice shall be given as may be required by law. Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present in accordance with these Bylaws. Any previously scheduled meeting of the stockholders may be postponed, and (unless the Corporation's Certificate of Incorporation otherwise provides) any special meeting of the stockholders may be cancelled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of stockholders.

SECTION 3. **Quorum and Adjournment**. Except as otherwise provided by law or the Corporation's Certificate of Incorporation, a quorum for the transaction of business at any meeting of stockholders shall consist of the holders of record of a majority of the issued and outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, present in person or by proxy, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum of such class or series for the transaction of such business. The Chairman of the meeting or a majority of the shares so represented may adjourn the meeting from time to time, whether or not there is such a quorum. No notice of the time and place of adjourned meetings need be given except as required by law. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

SECTION 4. **Organization**.

(a) Meetings of stockholders shall be presided over by the Chairman, or if none or in the Chairman's absence the Presiding Director, or if none or in the Presiding Director's absence, the Chief Executive Officer, or in the Chief Executive Officer's absence a Vice-President, or, if none of the foregoing is present, by a chairman to be chosen by the stockholders entitled to vote who are present in person or by proxy at the meeting. The Secretary of the Corporation, or in the Secretary's absence an Assistant Secretary, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present, the presiding officer of the meeting shall appoint any person present to act as secretary of the meeting.

(b) The Chairman shall call the meeting to order, establish the agenda, and conduct the business of the meeting in accordance therewith or, at the Chairman's discretion, the business of the meeting may be conducted otherwise in accordance with the wishes of the stockholders in attendance. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

(c) The Chairman shall also conduct the meeting in an orderly manner, rule on the precedence of, and procedure on, motions and other procedural matters, and exercise discretion with respect to such procedural matters with fairness and good faith toward all those entitled to take part. Without limiting the foregoing, the Chairman may (a) restrict attendance at any time to bona fide stockholders of record and their proxies and other persons in attendance at the invitation of the presiding

officer or Board of Directors, (b) restrict use of audio or video recording devices at the meeting, and (c) impose reasonable limits on the amount of time taken up at the meeting on discussion in general or on remarks by any one stockholder. Should any person in attendance become unruly or obstruct the meeting proceedings, the Chairman shall have the power to have such person removed from the meeting. Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at a meeting except in accordance with the procedures set forth in this Section 4 and Section 7 of this Article I. The Chairman, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the provisions of this Section 4 and Section 7 of this Article I and if he should so determine that any proposed nomination or business is not in compliance with such sections, he shall so declare to the meeting that such defective nomination or proposal shall be disregarded.

SECTION 5. **Voting; Proxies; Required Vote**.

(a) At each meeting of stockholders, every stockholder shall be entitled to vote in person or by proxy appointed by instrument in writing, subscribed by such stockholder or by such stockholder's duly authorized attorney in fact (but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period), and, unless the Certificate of Incorporation provides otherwise, shall have one vote for each share of stock entitled to vote registered in the name of such stockholder on the books of the Corporation on the applicable record date fixed pursuant to these Bylaws. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, which shall be governed by Section 8 of this Article I, the affirmative vote of a majority of votes cast affirmatively or negatively on the matter shall be the act of the stockholders.

(b) When specified business is to be voted on by a class or series of stock voting as a class, the affirmative vote of the majority of votes cast affirmatively or negatively of such class or classes at the meeting shall be the act of such class, unless otherwise provided in the Corporation's Certificate of Incorporation.

SECTION 6. **Inspectors**. The Board of Directors, in advance of any meeting, may, but need not, appoint one or more inspectors of election to act at the meeting or any adjournment thereof. If an inspector or inspectors are not so appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, if any, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors, if any, shall determine the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum, and the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting, the inspector or inspectors, if any, shall make a report in writing of any challenge, question or matter determined by such inspector or inspectors and execute a certificate of any fact found by such inspector or inspectors.

SECTION 7. **Notice of Stockholder Nominations and Other Business**.

(a) Annual Meetings of Stockholders.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders only (A) pursuant to the Corporation's notice of meeting (or any supplement thereto), (B) by or at the direction of the Board of Directors, (C) by any stockholder of the Corporation who (i) was a stockholder of record of the Corporation at the time the notice provided for in this Section 7 is delivered to the Secretary of the Corporation and at the time of the annual meeting, (ii) is entitled to vote at the meeting, and (iii) complies with the notice procedures set forth in this Section 7 as to such business or nomination or (D) as provided in the Stockholders Agreement (as defined in the Certificate of Incorporation). Clause (C) of the preceding sentence shall be the exclusive means for a stockholder to make nominations or submit other business (other than matters properly brought under Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and included in the Corporation's notice of meeting) before an annual meeting of stockholders.

(2) Without qualification or limitation, for any nominations or any other business to be properly brought before an annual meeting by a stockholder pursuant to clause (C) of paragraph (a)(1) of this Section 7, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such proposed business, other than the

nominations of persons for election to the Board of Directors, must constitute a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day nor later than the close of business on the ninetieth (90th) day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(3) To be in proper form, a stockholder's notice delivered pursuant to this Section 7 must set forth: (A) as to each person, if any, whom the stockholder proposes to nominate for election or reelection as a director (i) all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in contested election, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Exchange Act, (ii) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected and (iii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant; (B) if the notice relates to any business other than a nomination of a director or directors that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made, and a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such stockholder; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, if any, (ii) (a) the class or series and number of shares of capital stock of the Corporation which are, directly or indirectly, owned beneficially and of record by such stockholder and such beneficial owner, (b) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by such stockholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation, (c) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder has a right to vote any shares of any security of the Corporation, (d) any short interest in any security of the Corporation (for purposes of this Bylaw a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (e) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder that are separated or separable from the underlying shares of the Corporation, (f) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (g) any performance-related fees (other than an asset-based fee) that such stockholder is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such stockholder's immediate family sharing the same household, (iii) a description of any agreement, arrangement or understanding with respect to the nomination or proposal between or among such stockholder and such beneficial owner, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing, (iv) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, (v) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to

holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee or (b) otherwise to solicit proxies from stockholders in support of such proposal or nomination, and (vi) any other information relating to such stockholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. In addition, the stockholder's notice with respect to the election of directors must include, with respect to each nominee for election or reelection to the Board of Directors, the completed and signed questionnaire, representation and agreement required by Section 9 of this Article I. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee. Notwithstanding the foregoing, the information required by clauses (a)(3)(C)(ii) and (a)(3)(C)(iii) of this Section 7 shall be updated by such stockholder and beneficial owner, if any, not later than 10 days after the record date for the meeting to disclose such information as of the record date.

(4) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 7 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation at an annual meeting is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 7 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors, or (2) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who (i) is a stockholder of record of the Corporation at the time the notice provided for in this Section 7 is delivered to the Secretary of the Corporation and at the time of the special meeting, (ii) is entitled to vote at the meeting and upon such election, and (iii) complies with the notice procedures set forth in this Section 7 as to such nomination. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (a)(3) hereof with respect to any nomination (including the completed and signed questionnaire, representation and agreement required by this Bylaw) shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or, if the first public announcement of the date of such special meeting is less than 100 days prior to the date of such special meeting, the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(c) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 7 or the Certificate of Incorporation shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as directors and only such other business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 7. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the person presiding at the meeting of stockholders shall have the power and duty (A) to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 7 (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by clause (a)(3)(C)(v) of this Section 7) and (B) if any proposed nomination or other business was not made or proposed in compliance with this Section 7, to declare that such nomination shall be disregarded or that such proposed other business shall not be transacted. Notwithstanding the foregoing provisions of this Section 7, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual

or special meeting of stockholders of the Corporation to present a nomination or other business, such nomination shall be disregarded and such proposed other business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 7, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(2) For purposes of this Section 7, "public announcement" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(3) Notwithstanding the foregoing provisions of this Section 7, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 7; provided however, that any references in these Bylaws to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to this Section 7 (including clause (a)(1)(C) and paragraph (b) hereof), and compliance with clause (a)(1)(C) and paragraph (b) of this Section 7 shall be the exclusive means for a stockholder to make nominations or submit other business, as applicable (other than matters brought properly under and in compliance with Rule 14a-8 of the Exchange Act, as may be amended from time to time). Nothing in this Section 7 shall be deemed to affect any rights (A) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 of the Exchange Act or (B) of the holders of any class or series of stock having a preference over the common stock of the Corporation as to dividends or upon liquidation ("Preferred Stock") to elect directors pursuant to any applicable provisions of the Certificate of Incorporation.

SECTION 8. **Required Vote for Directors**. At any meeting of stockholders for the election of one or more directors at which a quorum is present, the election shall be determined by a plurality of the votes cast by the stockholders entitled to vote at the election.

SECTION 9. **Submission of Questionnaire, Representation and Agreement**. To be eligible to be a nominee for election or reelection as a director of the Corporation, a person must deliver (in accordance with the time periods prescribed for delivery of notice under Article I, Section 7 of these Bylaws) to the Secretary at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (a) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law as it presently exists or may hereafter be amended, (b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, and (c) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation.

SECTION 10. **Removal of Director**. Except as otherwise provided by law or the Certificate of Incorporation, and subject to the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, the stockholders holding a majority of the shares then entitled to vote at an election of directors, acting at a duly called annual meeting or a duly called special meeting of the stockholders, at which there is a proper quorum and where notice has been provided in accordance with Section 7 of this Article I, may remove a director or directors of the Corporation only with cause. Vacancies in the Board of Directors resulting from such removal shall be filled in accordance with Section 12 of Article II.

ARTICLE II

BOARD OF DIRECTORS

SECTION 1. **General Powers**. The business, property and affairs of the Corporation shall be managed by, or under the direction of, the Board of Directors. In addition to the powers and authorities by these Bylaws expressly conferred upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws required to be exercised or done by the stockholders.

SECTION 2. **Qualification; Number; Term; Remuneration**.

(a) Each director shall be at least 18 years of age. A director need not be a stockholder, a citizen of the United States, or a resident of the State of Delaware. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the Certificate of Incorporation and the Stockholders Agreement, the total number of directors that the Corporation would have if there were no vacancies (the "Whole Board") shall initially be six (6) and, thereafter shall be fixed from time to time exclusively by action of the Board of Directors, one of whom may be selected by the Board of Directors to be its Chairman.

(b) Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the Certificate of Incorporation and the Stockholders Agreement, the Board of Directors of the Corporation shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. To the extent practicable, the Board of Directors shall assign an equal number of directors to Class I, Class II and Class III. At the first annual meeting of stockholders after the filing of the Certificate of Incorporation, the terms of the Class I directors shall expire and Class I directors shall be elected for a full term of office to expire at the third succeeding annual meeting of stockholders after their election. At the second annual meeting of stockholders, the terms of the Class II directors shall expire and Class II directors shall be elected for a full term of office to expire at the third succeeding annual meeting of stockholders after their election. At the third annual meeting of stockholders, the terms of the Class III directors shall expire and Class III directors shall be elected for a full term of office to expire at the third succeeding annual meeting of stockholders after their election. At each succeeding annual meeting of stockholders, directors elected to succeed the directors of the class whose terms expire at such meeting shall be elected for a full term of office to expire at the third succeeding annual meeting of stockholders after their election. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class. Notwithstanding the foregoing provisions of this clause (b), each director shall serve until such director's successor is duly elected and qualified or until such director's death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(c) Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and Directors who are not employees of the Corporation may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for committee service.

SECTION 3. **Quorum and Manner of Voting**. Except as otherwise provided by law or in these Bylaws, a majority of the Whole Board shall constitute a quorum. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting from time to time to another time and place without notice. The vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. The directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

SECTION 4. **Places of Meetings**. Meetings of the Board of Directors may be held at any place within or without the State of Delaware, as may from time to time be fixed by resolution of the Board of Directors, or as may be specified in the notice of meeting.

SECTION 5. **Regular Meetings**. Regular meetings of the Board of Directors shall be held at such times and places as the Board of Directors shall from time to time by resolution determine. Notice need not be given of regular meetings of the Board of Directors held at times and places fixed by resolution of the Board of Directors.

SECTION 6. **Special Meetings**. Special meetings of the Board of Directors shall be held whenever called by the

Chairman of the Board, Presiding Director, Chief Executive Officer or by a majority of the directors then in office.

SECTION 7. **Notice of Meetings**. A notice of the place, date and time and the purpose or purposes of each special meeting of the Board of Directors shall be given to each director by mail, personal delivery, electronic transmission or telephone at least two (2) days before the day of the meeting. Notice shall be deemed to be given at the time of mailing, but the said two (2) days' notice need not be given to any director who consents in writing, whether before or after the meeting, or who attends the meeting without protesting prior thereto or at its commencement, the lack of notice to him.

SECTION 8. **Chairman of the Board**. Except as otherwise provided by law, the Certificate of Incorporation, or in Section 9 of this Article II, the Chairman of the Board of Directors, if there be one, shall preside at all meetings of the Board of Directors and shall have such other powers and duties as may from time to time be assigned by the Board of Directors.

SECTION 9. **Presiding Director**. If at any time the Chairman of the Board shall be an executive officer or former executive officer of the Corporation or for any reason shall not be an independent director, a Presiding Director shall be selected by the independent directors from among the directors who are not executive officers or former executive officers of the Corporation and are otherwise independent. If the Chairman of the Board of Directors is not present, the Presiding Director shall chair meetings of the Board of Directors. The Presiding Director shall chair any meeting of the independent Directors and shall also perform such other duties as may be assigned to the Presiding Director by these Bylaws or the Board of Directors.

SECTION 10. **Organization**. At all meetings of the Board of Directors, the Chairman, or if none or in the Chairman's absence or inability to act the Presiding Director, or if none or in the Presiding Director's absence or inability to act, the Chief Executive Officer, or in the Chief Executive Officer's absence or inability to act any Vice-President who is a member of the Board of Directors, or if none, or in such Vice-President's absence or inability to act a chairman chosen by the directors, shall preside. The Secretary of the Corporation shall act as secretary at all meetings of the Board of Directors when present, and, in the Secretary's absence, the presiding officer may appoint any person to act as secretary.

SECTION 11. **Resignation**. Any director may resign at any time upon written notice to the Corporation and such resignation shall take effect upon receipt thereof by the Chief Executive Officer or Secretary, unless otherwise specified in the resignation.

SECTION 12. **Vacancies**. Subject to applicable law and the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, and unless the Board of Directors otherwise determines, newly created directorships resulting from any increase in the authorized number of directors will be filled by a majority of the Board of Directors then in office, provided that a majority of the Whole Board of Directors, or a quorum, is present and any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause will be filled generally by the majority vote of the remaining directors in office, even if less than a quorum is present.

SECTION 13. **Conference Telephone Meetings**. Members of the Board of Directors, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

SECTION 14. **Action by Written Consent**. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all the directors consent thereto in writing (which may be provided by electronic transmission), and such writing or writings are filed with the minutes of proceedings of the Board of Directors.

ARTICLE III

COMMITTEES

SECTION 1. **Appointment**. From time to time the Board of Directors by a resolution adopted by a majority of the Whole Board may appoint any committee or committees for any purpose or purposes, to the extent lawful, which shall have powers as shall be determined and specified by the Board of Directors in the resolution of appointment. The Board shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. Nothing herein shall be deemed to prevent the Board from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board.

SECTION 2. **Procedures, Quorum and Manner of Acting**. Each committee shall fix its own rules of procedure, and shall meet where and as provided by such rules or by resolution of the Board of Directors. Except as otherwise provided by law, the presence of a majority of the then appointed members of a committee shall constitute a quorum for the transaction of business by that committee, and in every case where a quorum is present the affirmative vote of a majority of the members of the committee present shall be the act of the committee. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Each committee shall keep minutes of its proceedings, and actions taken by a committee shall be reported to the Board of Directors.

SECTION 3. **Action by Written Consent**. Any action required or permitted to be taken at any meeting of any committee of the Board of Directors may be taken without a meeting if all the members of the committee consent thereto in writing (which may be provided by electronic transmission), and such writing or writings are filed with the minutes of proceedings of the committee.

SECTION 4. **Term; Termination**. In the event any person shall cease to be a director of the Corporation, such person shall simultaneously therewith cease to be a member of any committee appointed by the Board of Directors.

ARTICLE IV

OFFICERS

SECTION 1. **Election and Qualifications**. The Board of Directors shall elect the officers of the Corporation, which shall include a Chief Executive Officer, a President, a Chief Financial Officer (or other senior officer performing and a Secretary, and may include, by election or appointment, one or more Vice-Presidents (any one or more of whom may be given an additional designation of rank or function), a Treasurer and such other officers as the Board may from time to time deem proper. Each officer shall have such powers and duties as may be prescribed by these Bylaws and as may be assigned by the Board of Directors or the Chief Executive Officer. Any two or more offices may be held by the same person.

SECTION 2. **Term of Office and Remuneration**. The term of office of all officers shall be one year and until their respective successors have been elected and qualified, but any officer may be removed from office, either with or without cause, at any time by the Board of Directors. Any vacancy in any office arising from any cause may be filled for the unexpired portion of the term by the Board of Directors. The remuneration of all officers of the Corporation may be fixed by the Board of Directors or in such manner as the Board of Directors shall provide.

SECTION 3. **Resignation; Removal**. Any officer may resign at any time upon written notice to the Corporation and such resignation shall take effect upon receipt thereof by the Chief Executive Officer or Secretary, unless otherwise specified in the resignation. Any officer shall be subject to removal, with or without cause, at any time by vote of a majority of the Whole Board.

SECTION 4. **Chief Executive Officer**. The Chief Executive Officer shall have such duties as customarily pertain to that office. The Chief Executive Officer shall have general management and supervision of the property, business and affairs of the Corporation and over its other officers; may appoint and remove assistant officers and other agents and employees, other than officers referred to in Section 1 of this Article IV; and may execute and deliver in the name of the Corporation powers of attorney, contracts, bonds and other obligations and instruments.

SECTION 5. **President**. Subject to the direction of the Board of Directors and such supervisory powers as may be given by these Bylaws or the Board of Directors to the Chairman of the Board or the Chief Executive Officer, if such titles be held by other officers, the President shall have general supervision, direction and control of the business and supervision of other officers of the Corporation. Unless otherwise designated by the Board of Directors, the President shall be the Chief Executive Officer of the Corporation. The President shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws. The President shall have power to sign stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation, other than the Chairman of the Board and the Chief Executive Officer.

SECTION 6. **Vice-President**. A Vice-President may execute and deliver in the name of the Corporation contracts and other obligations and instruments pertaining to the regular course of the duties of said office, and shall have such other authority as from time to time may be assigned by the Board of Directors or the Chief Executive Officer.

SECTION 7. **Treasurer**. The Treasurer shall in general have all duties incident to the position of Treasurer and such other duties as may be assigned by the Board of Directors or the Chief Executive Officer.

SECTION 8. **Chief Financial Officer**. The Chief Financial Officer shall perform such duties and shall have such powers as may from time to time be assigned to the Chief Financial Officer by the Board of Directors, the Chief Executive Officer or the President. Unless otherwise designated by the Board of Directors, the Chief Financial Officer shall be the Treasurer of the Corporation.

SECTION 9. **Secretary**. The Secretary shall in general have all the duties incident to the office of Secretary and such other duties as may be assigned by the Board of Directors or the Chief Executive Officer.

SECTION 10. **Assistant Officers**. Any assistant officer shall have such powers and duties of the officer such assistant officer assists as such officer or the Board of Directors shall from time to time prescribe.

ARTICLE V

BOOKS AND RECORDS

SECTION 1. **Location**. The books and records of the Corporation may be kept at such place or places within or outside the State of Delaware as the Board of Directors or the respective officers in charge thereof may from time to time determine. The record books containing the names and addresses of all stockholders, the number and class of shares of stock held by each and the dates when they respectively became the owners of record thereof shall be kept by the Secretary and by such officer or agent as shall be designated by the Board of Directors.

SECTION 2. **Addresses of Stockholders**. Notices of meetings and all other corporate notices may be delivered (a) personally or mailed to each stockholder at the stockholder's address as it appears on the records of the Corporation, or (b) any other method permitted by applicable law and rules and regulations of the Securities and Exchange Commission as they presently exist or may hereafter be amended.

SECTION 3. **Fixing Date for Determination of Stockholders of Record**.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in this State, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by this chapter, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the

Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

ARTICLE VI

STOCK

SECTION 1. **Stock; Signatures**. Shares of the Corporation's stock may be evidenced by certificates for shares of stock or may be issued in uncertificated form in accordance with applicable law as it presently exists or may hereafter be amended. The Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution or the issuance of shares in uncertificated form shall not affect shares already represented by a certificate until such certificate is surrendered to the Corporation. Every holder of shares of stock in the Corporation that is represented by certificates shall be entitled to have a certificate certifying the number of shares owned by him in the Corporation and registered in certificated form. Stock certificates shall be signed by or in the name of the Corporation by the Chairman or Vice Chairman of the Board of Directors, or the Chief Executive Officer or Vice-President, and by the Treasurer, or the Secretary or an Assistant Secretary of the Corporation, representing the number of shares registered in certificate form. Any and all signatures on any such certificate may be facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue. The name of the holder of record of the shares represented by certificated or uncertificated shares, with the number of such shares and the date of issue, shall be entered on the books of the Corporation.

SECTION 2. **Transfers of Stock**. Transfers of shares of stock of the Corporation shall be made on the books of the Corporation after receipt of a request with proper evidence of succession, assignation, or authority to transfer by the record holder of such stock, or by an attorney lawfully constituted in writing, and in the case of stock represented by a certificate, upon surrender of the certificate. Subject to the foregoing, the Board of Directors may make such rules and regulations as it shall deem necessary or appropriate concerning the issue, transfer and registration of shares of stock of the Corporation, and to appoint and remove transfer agents and registrars of transfers.

SECTION 3. **Fractional Shares**. The Corporation may, but shall not be required to, issue certificates for fractions of a share where necessary to effect authorized transactions, or the Corporation may pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or it may issue scrip in registered or bearer form over the manual or facsimile signature of an officer of the Corporation or of its agent, exchangeable as therein provided for full shares, but such scrip shall not entitle the holder to any rights of a stockholder except as therein provided.

SECTION 4. **Lost, Stolen or Destroyed Certificates**. The Corporation may issue a new certificate of stock or uncertificated shares in place of any certificate, theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Board of Directors may require the owner of any lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate or uncertificated shares.

ARTICLE VII

DIVIDENDS

Subject always to the provisions of law and the Certificate of Incorporation, the Board of Directors shall have full power to determine whether any, and, if any, what part of any, funds legally available for the payment of dividends shall be declared as dividends and paid to stockholders; the division of the whole or any part of such funds of the Corporation shall rest wholly

within the lawful discretion of the Board of Directors, and it shall not be required at any time, against such discretion, to divide or pay any part of such funds among or to the stockholders as dividends or otherwise; and before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, thinks proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Board of Directors shall think conducive to the interest of the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE VIII

RATIFICATION

Any transaction, questioned in any law suit on the ground of lack of authority, defective or irregular execution, adverse interest of director, officer or stockholder, non-disclosure, miscomputation, or the application of improper principles or practices of accounting, may be ratified before or after judgment, by the Board of Directors or by the stockholders, and if so ratified shall have the same force and effect as if the questioned transaction had been originally duly authorized. Such ratification shall be binding upon the Corporation and its stockholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

ARTICLE IX

CORPORATE SEAL

The corporate seal shall have inscribed thereon the name of the Corporation and the year of its incorporation, and shall be in such form and contain such other words and/or figures as the Board of Directors shall determine. The corporate seal may be used by printing, engraving, lithographing, stamping or otherwise making, placing or affixing, or causing to be printed, engraved, lithographed, stamped or otherwise made, placed or affixed, upon any paper or document, by any process whatsoever, an impression, facsimile or other reproduction of said corporate seal.

ARTICLE X

FISCAL YEAR

The fiscal year of the Corporation shall be fixed, and shall be subject to change, by the Board of Directors.

ARTICLE XI

WAIVER OF NOTICE

Whenever notice is required to be given by these Bylaws or by the Certificate of Incorporation or by law, the person or persons entitled to said notice may consent in writing, whether before or after the time stated therein, to waive such notice requirement. Notice shall also be deemed waived by any person who attends a meeting without protesting prior thereto or at its commencement, the lack of notice to him.

ARTICLE XII

BANK ACCOUNTS, DRAFTS, CONTRACTS, ETC.

SECTION 1. **Bank Accounts and Drafts**. In addition to such bank accounts as may be authorized by the Board of Directors, the primary financial officer or any person designated by said primary financial officer, whether or not an employee of the Corporation, may authorize such bank accounts to be opened or maintained in the name and on behalf of the Corporation as he may deem necessary or appropriate, payments from such bank accounts to be made upon and according to the check of the Corporation in accordance with the written instructions of said primary financial officer, or other person so designated by the Treasurer.

SECTION 2. **Contracts**. The Board of Directors may authorize any person or persons, in the name and on behalf of the Corporation, to enter into or execute and deliver any and all deeds, bonds, mortgages, contracts and other obligations or instruments, and such authority may be general or confined to specific instances.

SECTION 3. **Proxies; Powers of Attorney; Other Instruments**. The Chairman, the Chief Executive Officer or any other person designated by either of them shall have the power and authority to execute and deliver proxies, powers of attorney and other instruments on behalf of the Corporation in connection with the rights and powers incident to the ownership of stock by the Corporation. The Chairman, the Chief Executive Officer or any other person authorized by proxy or power of attorney executed and delivered by either of them on behalf of the Corporation may attend and vote at any meeting of stockholders of any company in which the Corporation may hold stock, and may exercise on behalf of the Corporation any and all of the rights and powers incident to the ownership of such stock at any such meeting, or otherwise as specified in the proxy or power of attorney so authorizing any such person. The Board of Directors, from time to time, may confer like powers upon any other person.

SECTION 4. **Financial Reports**. The Board of Directors may appoint the primary financial officer or other fiscal officer or any other officer to cause to be prepared and furnished to stockholders entitled thereto any special financial notice and/or financial statement, as the case may be, which may be required by any provision of law.

ARTICLE XIII

INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 1. The Corporation shall indemnify, to the fullest extent permitted by the DGCL, as it presently exists or may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), any natural person (i) who is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, trustee, employee or agent of another corporation, limited liability company, partnership, joint venture, employee benefit plan, trust, nonprofit entity or other enterprise at any time during which these Bylaws are in effect (a "Covered Person"), whether or not such Covered Person continues to serve in such capacity at the time any indemnification is sought or at the time of any proceeding (as defined below) relating thereto exists or is brought, and (ii) who is or was a party to, is threatened to be made a party to, or is otherwise involved in (including as a witness) any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative in nature (a "proceeding") based on such Covered Person's action(s) in his or her official capacity as a director, officer, trustee, employee or agent of the Corporation, against all liability and loss suffered (including, without limitation, any judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement consented to in writing by the Corporation) and expenses (including attorneys' fees), actually and reasonably incurred by such Covered Person in connection with such proceeding. Such indemnification shall continue to a Covered Person who has ceased to be a director, officer, trustee, employee or agent of the Corporation and shall inure to the benefit of his or her heirs, executors and administrators. Except as provided in Section 3 of this Article XIII, the Corporation shall be required to indemnify a Covered Person in connection with a proceeding (or part thereof) initiated by such Covered Person only if the proceeding (or part thereof) was authorized by the Board of Directors.

SECTION 2. To obtain indemnification under Section 1 of this Article XIII, a claimant shall submit to the Corporation a written request, including any such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this Section 2 of Article XIII, a determination, if required by the DGCL, with respect to the claimant's entitlement to indemnification shall be made as follows: (1) by the Board of Directors, by a majority vote of a quorum consisting of Disinterested Directors (as defined below), (2) by a committee of the Board of Directors consisting of Disinterested Directors, by a majority vote of such Disinterested Directors, (3) (i) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or (ii) if a quorum of the Board of Directors consisting of Disinterested Directors is obtainable and such quorum of Disinterested Directors directs, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the claimant, or (4) by the stockholders of the Corporation. In the event the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel shall be selected by the Board of Directors. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within ninety (90) days after such determination.

SECTION 3. If a claim for indemnification under Section 1 of this Article XIII is not paid in full within ninety (90) days

after a written claim pursuant to Section 2 of this Article XIII has been received by the Corporation, the claimant may at any time thereafter file suit to recover the unpaid amount of such claim and, to the extent successful, shall be entitled to be paid the reasonable costs, fees, and expenses of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed. Neither the failure of the Corporation (including its Board of Directors, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board of Directors, Independent Counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

SECTION 4. The right to indemnification conferred on any Covered Person by this Article XIII (a) shall not be exclusive of any other rights which such Covered Person may have or acquire under any statute, provision of these Bylaws, agreement, vote of stockholders or Disinterested Directors or otherwise and (b) cannot be terminated by the Corporation, the Board of Directors or the stockholders of the Corporation with respect to a Covered Person's service occurring prior to the date of such termination. Notwithstanding the foregoing, the Corporation's obligation to indemnify or advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust, enterprise or nonprofit entity shall be excess and secondary to any obligations of such other entity, and shall in all cases be reduced by any amount such person has collected as indemnification from such other corporation, limited liability company, partnership, joint venture, trust, nonprofit entity, or other enterprise; and, in the event the Corporation has fully paid such expenses, the Covered Person shall return to the Corporation any amounts subsequently received from such other source of indemnification.

SECTION 5. Any repeal or modification of the provisions of this Article XIII that in any way diminishes any right of an indemnitee or his or her successors to indemnification or advancement (or related rights) shall be prospective only and shall not in any way diminish, limit, restrict, adversely affect or eliminate any such right with respect to any actual or alleged acts or omissions occurring prior to such repeal or modification.

SECTION 6. The Corporation, in its sole discretion, may advance any costs, fees, or expenses (including attorneys' fees) incurred by a Covered Person defending or participating in any proceeding prior to the final disposition of such proceeding; provided, however, the payment of such costs, fees, or expenses incurred by a Covered Person shall be made only upon receipt of an undertaking by or on behalf of the Covered Person to repay all amounts advanced if it shall ultimately be determined by final judicial decision from which there is no further right of appeal that the Covered Person is not entitled to be indemnified by the Corporation for such expenses under this Article XIII or otherwise.

SECTION 7. If any provision or provisions of this Article XIII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Article XIII (including, without limitation, each portion of any paragraph of this Article XIII containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Article XIII (including, without limitation, each such portion of any paragraph of this Article XIII containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

SECTION 8. This Article XIII shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and advance expenses to persons other than Covered Persons when and as authorized by the Board of Directors. In addition, the Corporation may enter into agreements with any person or entity for the purpose of providing for indemnification or advancement, in any manner or extent consistent with Delaware law.

SECTION 9. For purposes of this Article XIII:

(1) "Disinterested Director" means a director of the Corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(2) "Independent Counsel" means a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporation law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Corporation or the claimant in an action to

determine the claimant's rights under this Article XIII.

SECTION 10. Any notice, request or other communication required or permitted to be given to the Corporation under this Article XIII shall be in writing and either delivered in person or sent by telecopy, telex, telegram, overnight mail or courier service, or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Corporation and shall be effective only upon receipt by the Secretary.

ARTICLE XIV

FORUM FOR CERTAIN ACTIONS

Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation arising pursuant to any provision of the DGCL or the Certificate of Incorporation or Bylaws, or (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine shall be a state or federal court located within the state of Delaware, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XIV.

ARTICLE XV

AMENDMENTS

The Board of Directors shall have power to adopt, amend or repeal these Bylaws, subject to the Stockholders Agreement (as long as such agreement is in effect). The stockholders of the Corporation shall have the power to adopt, amend or repeal these Bylaws at a duly called meeting of the stockholders; provided that notice of the proposed adoption, amendment or repeal was given in the notice of the meeting; provided, further, that, notwithstanding any other provisions of these Bylaws or any provision of law which might otherwise permit a lesser vote or no vote, Sections 7, 8 and 10 of Article I, Sections 2 and 12 of Article II, Article XIII, Article XIV and this Article XV of these Bylaws may not be amended or repealed by the stockholders of the Corporation without the affirmative vote of the holders of no less than 66-2/3% of the issued and outstanding shares of the capital stock of the Corporation entitled to vote at the meeting, present in person or by proxy.

ARTICLE XVI

OFFICES

SECTION 1. **Registered Office**. The registered office of the Corporation shall be the office of the Corporation's registered agent in the State of Delaware or such other office of the Corporation in the State of Delaware as established from time to time by the Board of Directors.

SECITON 2. **Other Offices**. The Corporation may have other offices, either within or without the State of Delaware, at such place or places as the Board of Directors may from time to time select or the business of the Corporation may require.

ARTICLE XVII

NOTICES

If mailed, notice to stockholders shall be deemed given when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided in Section 232 of the DGCL.

A written waiver of any notice, signed by a stockholder or director, or waiver by electronic transmission by such person, whether given before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice

required to be given to such person. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the sole purpose of objecting to the timeliness of notice.

Exhibit 4.2

PALOMAR INSURANCE HOLDINGS, INC.,

as Issuer

and

GC PALOMAR HOLDINGS,

as Guarantor

FLOATING RATE SENIOR SECURED NOTES DUE 2028

INDENTURE

DATED AS OF SEPTEMBER 6, 2018

THE BANK OF NEW YORK MELLON,

as Trustee and as Collateral Agent

and

THE BANK OF NEW YORK MELLON, LONDON BRANCH,

as Paying Agent

and

THE BANK OF NEW YORK MELLON SA/NV, LUXEMBOURG BRANCH,

as Registrar

TABLE OF CONTENTS

		Page
ARTICLE I.	Definitions and Incorporation by Reference	1
Section 1.1	Definitions	1
Section 1.2	Other Definitions	24
Section 1.3	Rules of Construction	25
ARTICLE II.	The Notes	26
Section 2.1	Form and Dating	26
Section 2.2	Form of Execution and Authentication	28
Section 2.3	Registrar and Paying Agent	29
Section 2.4	Payments to the Trustee; Paying Agent to Hold Money	30
Section 2.5	Lists of Holders of the Notes	32
Section 2.6	Transfer and Exchange	32
Section 2.7	Replacement Notes	42
Section 2.8	Outstanding Notes	43
Section 2.9	Treasury Notes	43
Section 2.10	Temporary Notes	43
Section 2.11	Cancellation	43
Section 2.12	Payment of Interest and Defaulted Interests	44
Section 2.13	ISIN Numbers	45
Section 2.14	Paying Agent Provisions	45
Section 2.15	Agents' Interest	45
Section 2.16	Calcuation Agent	46
ARTICLE III.	Covenants	49
Section 3.1	Payment of the Notes	49
Section 3.2	Reports	51
Section 3.3	Limitation on Indebtedness	52
Section 3.4	Limitation on Restricted Payments	54
Section 3.5	Limitation on Liens	55
Section 3.6	Limitation on Sales of Subsidiary Stock	55
Section 3.7	Limitation on Affiliate Transaction	55
Section 3.8	Maintenance of Reinsurance Coverage	57
Section 3.9	Investment Policy	57
Section 3.10	Maintenance of Ratios	58
Section 3.11	Maintenance of Insurance Subsidiaries	58
Section 3.12	[Reserved]	58
Section 3.13	[Reserved]	58
Section 3.14	Corporate Existence	58
Section 3.15	Books and Records; Inspection Rights; Discussions	58
Section 3.16	Compliance Certificate	59

Section 3.17	Payment for Consents	59
Section 3.18	Amendments and Modifications to Material Contracts	59
Section 3.19	Asset Sale	60
Section 3.20	Business Changes	62
ARTICLE IV.	Successor Company	63
Section 4.1	When Company May Merge or Otherwise Dispose of Assets	63
ARTICLE V.	Redemption	65
Section 5.1	Change of Control Redemption	65
Section 5.2	Optional Redemption	67
Section 5.3	Election to Redeem; Notice to Trustee of Optional Redemptions	67
Section 5.4	Selection by Registrar of Notes to Be Redeemed	68
Section 5.5	Notice of Redemption	68
Section 5.6	Deposit of Redemption Price	69
Section 5.7	Notes Payable on Early Redemption Date	69
Section 5.8	Notes Redeemed in Part	70
ARTICLE VI.	Defaults and Remedies	70
Section 6.1	Events of Default	70
Section 6.2	Acceleration	73
Section 6.3	Other Remedies	73
Section 6.4	Waiver of Past Defaults	74
Section 6.5	Control by Majority	74
Section 6.6	Limitation on Suits	74
Section 6.7	Rights of Holders to Receive Payment	74
Section 6.8	Collection Suit by Trustee	75
Section 6.9	Trustee May File Proofs of Claim	75
Section 6.10	Compliance with Insurance Laws	75
Section 6.11	Priorities	76
Section 6.12	Undertaking for Costs	76
ARTICLE VII.	Trustee	76
Section 7.1	Duties of Trustee	76
Section 7.2	Rights of Trustee	78
Section 7.3	Individual Rights of Trustee	79
Section 7.4	Disclaimer	80
Section 7.5	Notice of Defaults	80
Section 7.6	Compensation and Indemnity	80
Section 7.7	Replacement of Trustee	81
Section 7.8	Successor Trustee by Merger	82
Section 7.9	Agents	82

ARTICLE VIII.	Discharge of Indenture; Defeasance	83
Section 8.1	Discharge of Liability on Notes; Defeasance	83
Section 8.2	Conditions to Defeasance	84
Section 8.3	Application of Trust Money	85
Section 8.4	Repayment to Company	85
Section 8.5	Indemnity for U.S. Government Obligations	85
Section 8.6	Reinstatement	85
ARTICLE IX.	Amendments	86
Section 9.1	Without Consent of Holders	86
Section 9.2	With Consent of Holders	87
Section 9.3	Effect of Consents and Waivers	88
Section 9.4	Notation on or Exchange of Notes	88
Section 9.5	Trustee to Sign Amendments	88
ARTICLE X.	Security Documents	89
Section 10.1	Collateral and Security Documents	89
Section 10.2	Release of Collateral	90
Section 10.3	Permitted Releases Not To Impair Lien	91
Section 10.4	Suits To Protect the Collateral	91
Section 10.5	Authorization of Receipt of Funds by the Trustee Under the Security Documents	91
Section 10.6	Purchaser Protected	91
Section 10.7	Powers Exercisable by Receiver or Trustee	92
Section 10.8	Release Upon Termination of the Company’s Obligations	92
Section 10.9	Collateral Agent	92
ARTICLE XI.	Miscellaneous	95
Section 11.1	Notices	95
Section 11.2	Certificate and Opinion as to Conditions Precedent	97
Section 11.3	Statements Required in Certificate or Opinion	97
Section 11.4	When Notes Disregarded	98
Section 11.5	Rules by Trustee, Paying Agent and Registrar	98
Section 11.6	Days Other than Business Days	98
Section 11.7	Governing Law	98
Section 11.8	Waiver of Jury Trial	99
Section 11.9	No Recourse Against Others	99
Section 11.10	Successors	99
Section 11.11	Multiple Originals	99
Section 11.12	Table of Contents; Headings	99
Section 11.13	Force Majeure	99
Section 11.14	Tax Matters	99
Section 11.15	Recognition of Bail-In Powers	100

EXHIBITS AND SCHEDULES

Exhibit A	Form of Note
Exhibit B	Form of Certificate of Transfer
Exhibit C	Form of Certificate of Exchange
Exhibit D	Request for Information Form
Schedule 3.4	Restricted Payments
Schedule 3.7	Affiliate Transactions
Schedule 3.8	2018 Catastrophe Reinsurance Program
Schedule 3.18	Fundamental Changes

INDENTURE, dated as of September 6, 2018 (this "Indenture"), among Palomar Insurance Holdings, Inc., a Delaware corporation, as issuer (the "Company"), GC Palomar Holdings, a company organized under the laws of the Cayman Islands, as guarantor (the "Guarantor"), The Bank of New York Mellon, a New York banking corporation, as trustee (together with its successors and assigns, in such capacity, the "Trustee") and as collateral agent, The Bank of New York Mellon, London Branch, as paying agent (together with its successors and assigns, in such capacity, the "Paying Agent"), and The Bank of New York Mellon SA/NV, Luxembourg Branch, as registrar (together with its successors and assigns, in such capacity, the "Registrar").

Recitals of the Company

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders:

ARTICLE I.
Definitions and Incorporation by Reference

Section 1.1 Definitions.

"Acquired Indebtedness" means, with respect to any Person, Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person is merged or consolidated with the Company or a Subsidiary or becomes a Subsidiary or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Subsidiary or such acquisition, and Indebtedness secured by a Lien encumbering any asset acquired by such specified Person. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person is merged or consolidated with the Company or a Subsidiary or becomes a Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" means any Registrar, Calculation Agent, Collateral Agent or Paying Agent.

"Annual Statement" means the annual statutory financial statement of any Insurance Subsidiary required to be filed with the insurance commissioner (or similar authority) of its jurisdiction of domicile, which statement shall be in the form required by such Insurance Subsidiary's jurisdiction of domicile or, if no specific form is so required, in the form of financial statements permitted by such insurance commissioner (or such similar authority) to be used for filing annual statutory financial statements and shall contain the type of information

permitted or required by such insurance commissioner (or such similar authority) to be disclosed therein, together with all exhibits or schedules filed therewith.

"Applicable Procedures" means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary that apply to such transfer or exchange or for other procedural matters.

"Asset Sale" means any sale, lease, transfer, issuance or other disposition (whether in a single transaction or a series of related transactions) of property or other assets of the Company or any of its Subsidiaries outside the ordinary course of business consistent with past practice, including shares of Capital Stock of a Subsidiary (each referred to for the purposes of this definition as a "disposition"), by the Company or any of its Subsidiaries, including any disposition by means of a merger, consolidation, reinsurance arrangement or similar transaction, other than:

(1) a disposition of (i) Cash Equivalents or marketable securities, (ii) obsolete, damaged or worn out property or equipment in the ordinary course of business, (iii) Inventory (as defined in the Uniform Commercial Code) or goods (or other assets) held for sale in the ordinary course of business or (iv) equipment or other assets as part of a trade-in for replacement equipment;

(2) the disposition of all or substantially all of the assets of the Company in a manner permitted pursuant to Article IV or any disposition that constitutes a Change of Control;

(3) any (i) Restricted Payment that is permitted to be made, and is made, pursuant this Indenture and (ii) the disposition of any Permitted Investment or Permitted Portfolio Investment that is permitted to be made by this Indenture;

(4) any issuance or sale of Capital Stock of the Company;

(5) any disposition of property or assets, or the issuance of securities, or reinsurance, by the Company or to a Subsidiary of the Company (or to an entity that contemporaneously therewith becomes a Subsidiary of the Company);

(6) to the extent allowable under Section 1031 of the Code, any exchange of like property for use in a Related Business;

(7) the lease, assignment or sublease of any real or personal property in the ordinary course of business;

(8) unwinding of Hedging Obligations;

(9) any disposition of Capital Stock of a Subsidiary or property or other assets in a single transaction or series of transactions with an aggregate Fair Market Value of less than $2,500,000;

(10) any license, collaboration agreement, strategic alliance or similar arrangement in the ordinary course of business providing for the licensing of intellectual property or the development or commercialization of intellectual property;

(11) any surrender or waiver of contract rights or the settlement of, release of, recovery on or surrender of contract, tort or other claims of any kind;

(12) any financing transaction with respect to property built or acquired by the Company or any of its Subsidiaries after the Issue Date, including any asset securitization, permitted by this Indenture;

(13) dispositions consisting of Permitted Liens;

(14) foreclosure on assets or transfers by reason of eminent domain;

(15) the receipt by the Company or any Subsidiary of any cash insurance proceeds or condemnation award payable by reason of loss, theft, physical destruction or damage, taking or similar event with respect to any of their respective property or assets;

(16) disposition of Investments by any Insurance Subsidiary and dispositions by the Company of Permitted Portfolio Investments, in each case, in the ordinary course of business consistent in all material respects with past practice and the Company's or such Insurance Subsidiary's Investment Policy, as applicable, and any disposition required by applicable law or for the payment of amounts due under contracts of insurance or reinsurance;

(17) any disposition by an Insurance Subsidiary pursuant to Reinsurance Agreements (a) so long as such disposition is entered into in the ordinary course of business for purposes of managing or assuming insurance risk consistent with industry practice and not in connection with the sale of all or a portion of a block of insurance business or the renewal rights thereof, or (b) pursuant to a "fronting" reinsurance arrangement under which newly issued policies are reinsured on an 80% to 100% quota share basis to a third-party reinsurer;

(18) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements; and

(19) the sale, discount or other disposition of inventory, accounts receivable or notes receivable in the ordinary course of business or the conversion of accounts receivable to notes receivable.

"Attributable Indebtedness" in respect of a Sale/Leaseback Transaction means, as at the time of determination, (1) if such Sale/Leaseback Transaction does not constitute a Capitalized Lease Obligation, the present value (discounted at the interest rate implicit in the transaction) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended), determined in accordance with GAAP or (2) if such Sale/Leaseback Transaction constitutes a Capitalized Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capitalized Lease Obligations."

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (2) the sum of all such payments.

"Bail-in Legislation" means in relation to a Member State of the European Economic Area which has implemented, or which at any time implements, the BRRD, the relevant implementing law, regulation, rule or requirement as described in the EU Bail-in Legislation Schedule from time to time.

"Bail-in Powers" means any write-down and conversion powers as defined in relation to the relevant Bail-in Legislation.

"Banking Day" means any day on which commercial banks are open for general business in New York, New York.

"Board of Directors" means:

(1) with respect to a corporation, the Board of Directors of the corporation or any committee thereof duly authorized to act on behalf of the Board of Directors with respect to the relevant matter;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership; and

(3) with respect to any other Person, the board or committee of such Person serving a similar function.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of a company to have been duly adopted by the Board of Directors of such company and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"BRRD" means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

"Business Day" means each day that is not a Saturday, Sunday or other day on which commercial banking institutions in New York, New York or London, England are authorized or required by law to close.

"Calculation Agent" means The Bank of New York Mellon, as Trustee.

"Capital Stock" of any Person means (1) with respect to any Person that is a corporation, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Common Stock or Preferred Stock, and (2) with respect to any Person that is not a corporation,

any and all partnership, limited liability company, membership or other equity interests of such Person, but in each case excluding any debt securities convertible into any of the foregoing.

"Capitalized Lease Obligation" means an obligation that is required to be classified and accounted for as a capitalized lease and recorded as a liability on a balance sheet (excluding the footnotes thereto) for financial reporting purposes in accordance with GAAP (without giving effect to any subsequent changes in GAAP arising out of a change described in the Proposed Accounting Standards Update to Leases (Topic 840) dated August 17, 2010, or a substantially similar pronouncement, in each case, if such change would require treating any lease (or similar arrangement conveying the right to use) as a capital lease where such lease (or similar arrangement) would not have been required to be so treated under GAAP as in effect on the date hereof), and the amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with GAAP, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"Cash Equivalents" means:

(1) U.S. dollars;

(2) securities issued or directly and fully guaranteed or insured by the United States Government or issued by any agency or instrumentality of the United States (*provided* that the full faith and credit of the United States is pledged in support thereof), having maturities of not more than one year from the date of acquisition;

(3) marketable general obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition and, at the time of acquisition, having a credit rating of "A" or better from S&P or "A2" or better from Moody's;

(4) certificates of deposit, demand deposits, time deposits, Eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any commercial bank (x) the long-term debt of which is rated at the time of acquisition thereof at least "A" or the equivalent thereof by S&P, or "A" or the equivalent thereof by Moody's or (y) the short-term commercial paper of such commercial bank or its parent company is rated at the time of acquisition thereof at least "A-1" or the equivalent thereof by S&P or "P-1" or the equivalent thereof by Moody's, and having combined capital and surplus in excess of $500 million;

(5) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2), (3) and (4) above, entered into with any bank meeting the qualifications specified in clause (4) above;

(6) commercial paper rated at the time of acquisition thereof at least "A-1" or the equivalent thereof by S&P or "P-1" or the equivalent thereof by Moody's, or carrying an equivalent rating by another nationally recognized statistical rating organization, if both of the

two nationally recognized statistical rating organizations named above cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof;

(7) instruments equivalent to those referred to in clauses (1) through (6) above denominated in Euros or any foreign currency comparable in credit quality and tenor to those referred to in such clauses and customarily used by corporations for cash management purposes in any jurisdiction outside the United States to the extent reasonably required in connection with any business conducted by any Subsidiary organized in such jurisdiction;

(8) interests in any investment company or money market fund that invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above;

(9) money market funds that (i) comply with the criteria set forth in Rule 2A-7 of the Investment Company Act of 1940, as amended, (ii) are rated at the time of acquisition thereof "AAA" or the equivalent by S&P or "Aaa" or the equivalent thereof by Moody's and (iii) have portfolio assets of at least $5.0 billion; and

(10) securities with maturities of one year or less from the date of acquisition backed by standby letters of credit issued by any commercial bank satisfying the requirements of clause (4) of this definition.

"Change of Control" means the occurrence of any of the following: (a) except for any transaction described on, and permitted by, Schedule 1.1, any "person" or "group" (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act), including any group acting for the purpose of acquiring, holding or disposing of securities, other than, and not including, the Permitted Holders, in a single transaction or in a series of related transactions, by way of merger, consolidation, other business combination, purchase of securities or otherwise, becomes the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly through one or more intermediaries, of more than 50% of the voting power of the outstanding Voting Stock of the Company or the Guarantor; (b) the sale, assignment, conveyance, transfer, lease or other disposition (other than by way of merger or consolidation) of all or substantially all of the properties and assets of the Company and its Subsidiaries, taken as a whole, in one or more related transactions, to any Person other than a Subsidiary of the Company; (c) except for any transaction described on, and permitted by, Schedule 1.1, the sale, assignment, conveyance, transfer, lease or other disposition (other than by way of merger or consolidation) of all or substantially all of the properties and assets of the Guarantor and its Subsidiaries, taken as a whole, in one or more related transactions, to any Person other than a Subsidiary of the Guarantor; (d) the adoption, by shareholders of the Company or the Guarantor, as the case may be, of a voluntary plan relating to the liquidation or dissolution of the Company or the Guarantor; or (e) except for any transaction described on, and permitted by, Schedule 1.1, the Company ceases to be a Subsidiary of the Guarantor.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral Agent" means The Bank of New York Mellon in its capacity as "collateral agent" under this Indenture and under the Security Documents and any successor thereto in such capacity.

"Commodity Agreement" means any commodity futures contract, commodity option, commodity swap agreement, commodity collar agreement, commodity cap agreement or other similar agreement or arrangement entered into by the Company or any Subsidiary.

"Common Depositary" means, with respect to Notes, the common depositary appointed by the Depositaries from time to time; The Bank of New York Mellon, London Branch, shall be the initial common depositary hereunder.

"Common Stock" means with respect to any Person, any and all shares, interest or other participations in, and other equivalents (however designated and whether voting or nonvoting) of such Person's common stock whether or not outstanding on the Issue Date, and includes, without limitation, all series and classes of such common stock.

"Corporate Trust Office" shall be at the address of the Trustee specified in Section 11.1 or such other address as to which the Trustee may give notice to the Company or Holders pursuant to the procedures set forth in Section 11.1.

"Currency Agreement" means, in respect of a Person, any foreign exchange contract, currency swap agreement, futures contract, option contract or other similar agreement as to which such Person is a party or a beneficiary.

"Debt Facility" or "Debt Facilities" means, with respect to the Company, one or more financing arrangements providing for revolving credit loans, term loans, letters of credit or other long-term indebtedness or issuances of debt securities evidenced by notes, debentures, bonds or similar instruments, in each case, as amended, restated, supplemented, modified, renewed, refunded, replaced or refinanced (including by means of sales of debt securities) in whole or in part from time to time (and whether or not with the original trustee, administrative agent, holders and lenders or another trustee, administrative agent or agents), including, without limitation, any agreement extending the maturity thereof or increasing the amount of available borrowings thereunder pursuant to incremental facilities or adding Subsidiaries of the Company as additional guarantors thereunder, and whether or not increasing the amount of Indebtedness that may be issued thereunder.

"Debt to Total Capitalization Ratio" means, as of any date, the ratio of (a) the principal amount of, and accrued but unpaid interest on, all Indebtedness of the Guarantor and its Subsidiaries outstanding on such date, other than Indebtedness owing from the Guarantor to any wholly owned Subsidiary thereof, from any Subsidiary of the Guarantor to the Guarantor or from one wholly owned Subsidiary of the Guarantor to another wholly owned Subsidiary of the Guarantor to (b) Total Capitalization of the Guarantor on such date.

"Default" means any event or condition that is, or after notice or passage of time or both would be, an Event of Default.

"Definitive Note" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.6, substantially in the form of Exhibit A hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

"Department" means, with respect to any Insurance Subsidiary, the Governmental Authority of such Insurance Subsidiary's state of domicile with which such Insurance Subsidiary is required to file its Annual Statement.

"Depositary" means each of Euroclear and Clearstream, and their respective successors and assigns, or such other depository institution hereinafter appointed by the Company.

"Depositary Business Day" means any day on which both Depositaries are open for the acceptance and execution of settlement instructions that is also a Business Day.

"Designated Non-cash Consideration" means the Fair Market Value of non-cash consideration received by the Company or a Subsidiary of the Company in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officers' Certificate, setting forth the basis of such valuation, executed by the principal financial officer of the Company, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of or collection on such Designated Non-cash Consideration.

"Disqualified Stock" means, with respect to any Person, any Capital Stock of such Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event: (1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise; (2) is convertible into or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Subsidiary (it being understood that upon such conversion or exchange it shall be an Incurrence of such Indebtedness or Disqualified Stock)); or (3) is redeemable at the option of the holder of the Capital Stock in whole or in part, in each case on or prior to the date 91 days after the earlier of the Stated Maturity of the Notes or the date the Notes are no longer outstanding*; provided*, *however*, that only the portion of Capital Stock that so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock*; provided*, *further*, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a Change of Control (defined in a substantially identical manner to the corresponding definition in this Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) provide that the Company may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Company with Section 5.1 and such repurchase or redemption complies with Section 3.4.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Excluded Taxes" means any of the following taxes imposed on or with respect to a Holder, or required to be withheld and deducted from a payment to or in respect of the Holder or the Paying Agent, in respect of amounts payable to the Holders, (1) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in

each case, (i) imposed as a result of a Holder or the Paying Agent, as applicable, being organized under the laws of, or having its principal office or, in the case of a Holder, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Taxes imposed as a result of a present or former connection between a Holder or the Paying Agent, as applicable, and the jurisdiction imposing such Tax (other than connections arising from a Holder or the Paying Agent, as applicable, having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced by any Indenture, or sold or assigned an interest in any Note), (2) in the case of a Holder, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Holder with respect to an applicable interest in the Notes pursuant to a law in effect on the date on which (i) such Holder acquires such interest in the Notes or (ii) such Holder changes its lending office, except in each case to the extent that, pursuant to Section 3.1, amounts with respect to such Taxes were payable either to such Holder's assignor immediately before such Holder became a party hereto or to such Holder immediately before it changed its lending office, (3) Taxes attributable to (i) the Paying Agent's failure to comply with its payment obligations under Section 2.3 or (ii) such Holder's failure to timely provide a properly completed IRS Form W-8 or W-9, as applicable, or any other relevant form necessary to demonstrate such Holder's entitlement to an exemption from or reduction of withholding Tax with respect to payments made to the Paying Agent and (4) any U.S. federal withholding Taxes imposed under FATCA.

"Fair Market Value" means, with respect to any property, the price that would reasonably be expected to be paid in an arm's-length free market transaction, for cash, between a willing seller and a willing buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value shall be determined, except as otherwise provided, by (x) if such decision involves a determination of Fair Market Value equal or less than $500,000, in Good Faith by the Company, and (y) if such decision involves the determination of Fair Market Value in excess of $500,000, in good faith by the Board of Directors of the Company.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Indenture (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

"GAAP" means generally accepted accounting principles in the United States as in effect from time to time, including those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession*; provided* that, except as otherwise provided in this Indenture, all calculations made for purposes of determining compliance with the terms of this Indenture shall use GAAP as in effect on the Issue Date. All ratios and computations based on GAAP contained in this Indenture shall be computed in conformity with GAAP, except that in the event the Company is acquired in a transaction that is accounted for using purchase accounting, the effects of the application of

purchase accounting shall be disregarded in the calculation of such ratios and other computations contained in this Indenture.

"Global Note Legend" means the legend set forth in Section 2.1(c), which is required to be placed on all Global Notes issued under this Indenture.

"Global Notes" means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes, substantially in the form of Exhibit A issued in accordance with Sections 2.1 or 2.6.

"Good Faith by the Company" means the decision in good faith by a responsible financial or accounting officer of the Company.

"Governmental Authority" means any nation, sovereign or government, any state or other political subdivision thereof, any agency, authority or instrumentality thereof and any entity or authority exercising executive, legislative, taxing, judicial, regulatory or administrative functions of or pertaining to government, including any central bank, stock exchange, regulatory body (including any board of insurance, insurance department or insurance commission), arbitrator, public sector entity, supra-national entity and any self-regulatory organization (including the National Association of Insurance Commissioners).

"Guarantee" means any obligation, contingent or otherwise, of any Person, directly or indirectly, guaranteeing any Indebtedness or other financial obligations of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other financial obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part)*; provided*, *however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantor" has the meaning assigned to such term in the preamble to this Indenture.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"Holder" means a Person in whose name a Note is registered on the Registrar's books.

"Incur" means to issue, create, assume, Guarantee, incur or otherwise become liable for*; provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or

otherwise) will be deemed to be Incurred by such Person at the time it becomes a Subsidiary; and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing. Any Indebtedness issued at a discount (including Indebtedness on which interest is payable through the issuance of additional Indebtedness) shall be deemed incurred at the time of original issuance of the Indebtedness at the initial accreted amount thereof.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money;

(2) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) the principal component of all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including reimbursement obligations with respect thereto, except to the extent such reimbursement obligation relates to a Trade Payable or similar obligation to a trade creditor in each case incurred in the ordinary course of business) other than obligations with respect to letters of credit, bankers' acceptances or similar instruments securing obligations (other than obligations described in clauses (1) and (2) above and clause (5) below) entered into in the ordinary course of business of such Person to the extent such letters of credit, bankers' acceptances or similar instruments are not drawn upon or, to the extent drawn upon, such drawing is reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit, bankers' acceptance or similar instrument;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except Trade Payables), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto, except (i) any such balance that constitutes a Trade Payable, accrued liability or similar obligation to a trade creditor, in each case accrued in the ordinary course of business, and (ii) any earn-out obligation until the amount of such obligation becomes a liability on the balance sheet of such Person in accordance with GAAP;

(5) Capitalized Lease Obligations and all Attributable Indebtedness of such Person (whether or not such items would appear on the balance sheet of the guarantor or obligor)

(6) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of the type described in (1) to (6) above of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person*; provided*, *however*, that the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such indebtedness of such other Persons; and

(8) the principal component of Indebtedness of the type described in (1) to (7) above of other Persons to the extent Guaranteed by such Person (whether or not such items would appear on the balance sheet of the guarantor or obligor).

In no event shall the term "Indebtedness" include (i) any indebtedness under any overdraft or cash management facilities so long as any such indebtedness is repaid in full no later than five Business Days following the date on which it was incurred or in the case of such indebtedness in respect of credit or purchase cards, within 60 days of its incurrence, (ii) obligations in respect of performance, appeal or other surety bonds or completion guarantees incurred in the ordinary course of business, (iii) except as provided in clause (5) above, any obligations in respect of a lease properly classified as an operating lease in accordance with GAAP, (iv) any liability for federal, state, local or other taxes not yet delinquent or being contested in good faith and for which adequate reserves have been established to the extent required by GAAP, (v) any Obligations to any residual market fund, guaranty fund assessment, fair plan, risk pool, insurer of last resort, state residual market mechanism or similar government-mandated program or association applicable to the Company or any of its Subsidiaries, including without limitation Obligations to the Florida State Board of Administration in connection with the Florida Hurricane Catastrophe Fund or with respect to the Texas Windstorm Insurance Association, the Mississippi Windstorm Underwriting Association, the California Earthquake Authority, or any similar entity, organization or association, (vi) any customer deposits or advance payments received in the ordinary course of business and (vii) indebtedness owed by the Company to any Subsidiary or by any Subsidiary to the Company or any other Subsidiary.

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date*; provided* that (x) contingent obligations arising in the ordinary course of business and not with respect to borrowed money of such Person or other Persons and (y) the obligations of any Person under Reinsurance Agreements shall not be deemed to constitute Indebtedness. Notwithstanding the foregoing, money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of interest on such Indebtedness shall not be deemed to be "Indebtedness," *provided* that such money is held to secure the payment of such interest.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Company under this Indenture or the Notes and (b) to the extent not otherwise described in (a), Other Taxes.

"Indirect Participant" means a Person who holds a beneficial interest in a Global Note through a Participant.

"Initial Principal Amount" means $20,000,000.

"Insurance Subsidiary" means any Subsidiary of the Company or the Guarantor, as the case may be, that is required to be licensed as an insurer or reinsurer.

"Interest Accrual Period" means, for each Interest Payment Date, the period beginning from and including the immediately preceding Interest Payment Date (or the Issue Date, in the case of the first Interest Payment Date) to, but excluding, such Interest Payment Date.

"Interest Payment Date" means each March 20, June 20, September 20 and December 20 of each year, commencing on December 20, 2018, or if any such day is not a Depositary Business Day, the next succeeding day that is a Depositary Business Day.

"Interest Rate" means, for each Interest Accrual Period, a *per annum* rate equal to the Treasury Rate determined by the Calculation Agent for such Interest Accrual Period, *plus* 650 basis points (6.50%).

"Interest Rate Agreement" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"Investment" in any Person means any direct or indirect advance, loan (other than advances or extensions of credit in the ordinary course of business that are in conformity with GAAP recorded as accounts receivable on the balance sheet of the Company or its Subsidiaries) or other extensions of credit (including by way of Guarantee or similar arrangement, but excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP*; provided* that none of the following (each a "Permitted Investment") will be deemed to be an Investment:

(1) Hedging Obligations entered into in the ordinary course of business and in compliance with this Indenture;

(2) endorsements of negotiable instruments and documents in the ordinary course of business;

(3) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists of Capital Stock of the Company;

(4) a deposit of funds in connection with an acquisition*; provided* that either such acquisition is consummated by or through a Subsidiary or such deposit is returned to the Person who made it;

(5) an account receivable arising, or prepaid expenses or deposits made, in the ordinary course of business; and

(6) licensing or transfer of know-how or intellectual property or the providing of services in the ordinary course of business.

"Investment Policy" means the investment policy guidelines of the Company or any Subsidiary as in effect from time and which has been approved by the Company's or such Subsidiary's Board of Directors and, if required by applicable law, submitted to the applicable Department.

"Issue Date" means September 6, 2018.

"Material Subsidiary" means each Subsidiary of the Company which at such time is a "significant subsidiary" within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"Maturity Date" means September 6, 2028 (or if such day is not a Business Day, the immediately succeeding Depositary Business Day).

"Moody's" means Moody's Investors Service, Inc. and any successor thereto.

"Net Available Cash" from an Asset Sale means the aggregate cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities or other assets or property received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption, by the acquiring Person, of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Sale or received in any other noncash form) therefrom, in each case net of:

(1) all legal, accounting, brokerage and investment banking fees and expenses, title and recording tax expenses, commissions and other fees, expenses and direct costs (including, without limitation, employee severance and relocation costs and expenses) Incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under GAAP (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Sale;

(2) all payments made on any Indebtedness that is secured by any assets or property subject to such Asset Sale, in accordance with the terms of any Lien upon such assets or property, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law, be repaid out of the proceeds from such Asset Sale;

(3) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the assets or property disposed of in such Asset Sale and retained by the Company or any Subsidiary after such Asset Sale;

(4) until received by the selling person, any portion of the purchase price from an Asset Sale placed in escrow or withheld by the purchaser, whether as a reserve for adjustment

of the purchase price, for satisfaction of indemnities in respect of such Asset Sale or otherwise in connection with such Asset Sale; and

(5) without duplication, any reserves that the Board of Directors of the Company or Subsidiary entering into such Asset Sale, as the case may be, determines in good faith should be made in respect of the sale price of such asset or assets for post-closing adjustments.

"Non-U.S. Person" means a Person who is not a U.S. Person.

"Notes" means the $20,000,000 in initial aggregate principal amount of Senior Secured Notes due 2028 of the Company issued under this Indenture on the Issue Date.

"Notes Collateral" means all assets and properties subject, or purported to be subject from time to time, to a Lien under any Security Document to secure the Obligations under this Indenture and the Notes.

"Obligations" means any principal, interest (including any interest accruing subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foregoing law), penalties, fees, indemnifications, reimbursements (including, without limitation, reimbursement obligations with respect to letters of credit and bankers' acceptances), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

"Officer" means the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Executive Vice President, Senior Vice President or Vice President, the Treasurer or the Secretary of the Company or, in the event that a Person is a partnership or a limited liability company that has no such officers, a person duly authorized under applicable law, including any TPP (where applicable), by the general partner, managers, members or a similar body to act on behalf of such Person.

"Officers' Certificate" means a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company.

"Original Holders" means the initial purchasers of the Notes under the Purchase Agreement, any Affiliate thereof or any investment fund that is administered or managed by (x) such initial purchaser or Affiliate or (y) an entity or an Affiliate of an entity that manages or administers such initial purchaser.

"Outstanding Principal Amount" means, when used with respect to any date, an amount equal to (a) the Initial Principal Amount, minus (b) the aggregate amount of principal

payments (whether a prepayment or redemption of Notes pursuant to this Indenture) made to Holders with respect to Notes on or prior to such date.

"Pari Passu Indebtedness" means Indebtedness that ranks equally in right of payment to the Notes.

"Participant" means, with respect to the Depositary, a Person who has an account with the Depositary.

"Paying Agent" has the meaning assigned to such term in the preamble to this Indenture or successor pursuant to Section 7.9.

"Permitted Holders" means (i) funds and accounts managed or advised by Genstar Capital Management LLC, Genstar Capital Partners V AIV, LP, Stargen V AIV, LP, Genstar Capital Partners VI AIV, LP, Stargen VI AIV, LP, GC Palomar Investor, LP and (ii) Mac Armstrong, Heath Fisher, Chris Uchida, Jon Christianson, Elizabeth Seitz, Genstar Capital Management LLC, Genstar Capital Partners V AIV, LP, Stargen V AIV, LP, Genstar Capital Partners VI AIV, LP, Stargen VI AIV, LP and GC Palomar Investor, LP . In addition, any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) whose status as a beneficial owner constitutes or results in a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of this Indenture, together with its Affiliates, shall thereafter constitute Permitted Holders.

"Permitted Liens" means, with respect to any Person:

(1) (x) pledges or deposits by such Person under workers' compensation laws, unemployment, general insurance and other insurance laws and old age pensions and other social security or retirement benefits or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or United States government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent in each case Incurred in the ordinary course of business and (y) collateral consisting of Cash Equivalents securing letters of credit issued in respect of obligations to insurers or reinsurers in an aggregate amount not to exceed $2,000,000 at any time outstanding;

(2) Liens imposed by law and carriers', warehousemen's, mechanics', material-men's, repairmen's and other like Liens, in each case Incurred in the ordinary course of business;

(3) Liens for taxes, assessments or other governmental charges or levies not yet subject to penalties for non-payment or that are being contested in good faith by appropriate proceedings, *provided* that appropriate reserves required pursuant to GAAP have been made in respect thereof;

(4) Liens in favor of issuers of surety, appeal or performance bonds or letters of credit or bankers' acceptances or similar obligations issued pursuant to the request of and for the account of such Person in the ordinary course of its business;

(5) minor survey exceptions, encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(6) Liens securing Hedging Obligations relating to Indebtedness so long as the related Indebtedness is, and is permitted to be under this Indenture, secured by a Lien on the same property securing such Hedging Obligation; *provided*, *however*, that such Hedging Obligations are entered into (i) in the ordinary course of business by any Insurance Subsidiary or (ii) to fix, manage or hedge interest rate, weather, hurricane, storm, earthquake, natural catastrophe, currency or commodity exposure of the Company or any Subsidiary and not for speculative purposes.

(7) leases, licenses, subleases and sublicenses of assets (including, without limitation, real property and intellectual property rights) that do not materially interfere with the ordinary conduct of the business of the Company or any of its Subsidiaries;

(8) judgment Liens not giving rise to an Event of Default, and Liens securing appeal or surety bonds related to such judgment, so long as any appropriate legal proceedings that may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(9) Liens that constitute banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a bank, depositary or other financial institution, whether arising by operation of law or pursuant to contract;

(10) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by the Company and its Subsidiaries in the ordinary course of business;

(11) Liens existing on the Issue Date and any Liens arising from any Refinancing Indebtedness of the Company Incurred to Refinance any Indebtedness of the Company existing on the Issue Date;

(12) Liens on property at the time the Company or a Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Company or any Subsidiary*; provided*, *however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition*; provided further*, that such Liens may not extend to any other property owned by the Company or any Subsidiary;

(13) Liens securing Indebtedness or other obligations of a Subsidiary owing to the Company or another Subsidiary;

(14) deposits as security for contested taxes or contested import to customs duties;

(15) any interest or title of a lessor under any operating lease;

(16) Liens on funds of the Company or any Subsidiary held in deposit accounts with third-party providers of payment services securing credit card charge-back reimbursement and similar cash management obligations of the Company or the Subsidiaries;

(17) Liens of a collecting bank arising in the ordinary course of business under Section 4-208 of the Uniform Commercial Code in effect in the relevant jurisdiction covering only the items being collected upon;

(18) Liens arising by operation of law or contract on insurance policies and the proceeds thereof to secure premiums thereunder;

(19) statutory, common law or contractual Liens of landlords;

(20) customary Liens granted in favor of a trustee to secure fees and other amounts owing to such trustee under an indenture or other agreement pursuant to which Permitted Indebtedness is Incurred;

(21) Liens on any cash earnest money deposit made by the Company or any Subsidiary in connection with any letter of intent or acquisition agreement that is not prohibited by this Indenture;

(22) Liens in favor of credit card processors granted in the ordinary course of business;

(23) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, order, permit or grant, including for the avoidance of doubt, any encumbrance or restriction on any Insurance Subsidiary by any governmental authority having the power to regulate such Insurance Subsidiary;

(24) Liens arising in connection with Cash Equivalents described in clause (5) of the definition of Cash Equivalents;

(25) Liens securing cash management obligations incurred in the ordinary course of business;

(26) Liens to secure Permitted Indebtedness;

(27) Liens to secure Reinsurance Agreements;

(28) Liens or deposits required under applicable insurance laws or regulations or posted to any Department or other applicable insurance regulatory Governmental Authority; and

(29) Liens securing Indebtedness, as measured by principal amount, which, when taken together with the principal amount of all other Indebtedness secured by Liens (excluding Liens permitted by clauses (1) though (26) above) at the time of determination, does not exceed $5,000,000.

"Permitted Payment" means, for so long as the Guarantor is a member of the group filing a consolidated or combined tax return with the Company, any payment to the Guarantor in respect of an allocable portion of the tax liabilities of such group that is attributable to the Guarantor and its subsidiaries.

"Permitted Portfolio Investments" means Investments by the Company or the Insurance Subsidiaries made in accordance with the Company's Investment Policy.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision hereof or any other entity.

"Preferred Stock" means, as applied to the Capital Stock of any corporation, Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Private Placement Legend" means the legend set forth in Section 2.1(d) to be placed on all Notes issued under this Indenture except as otherwise permitted by the provisions hereof.

"Purchase Agreement" means the Note Purchase Agreement by and among the Company and the initial purchasers of the Notes dated September 6, 2018.

"QIB" means any "qualified institutional buyer" (as defined in Rule 144A).

"Quarterly Statement" means the quarterly statutory financial statement of any Insurance Subsidiary required to be filed with the insurance commissioner (or similar authority) of its jurisdiction of incorporation, which statement shall be in the form required by such Insurance Subsidiary's jurisdiction of incorporation or, if no specific form is so required, in the form of financial statements permitted by such insurance commissioner (or such similar authority) to be used for filing quarterly statutory financial statements and shall contain the type of information permitted or required by such insurance commissioner (or such similar authority) to be disclosed therein, together with all exhibits or schedules filed therewith.

"Record Date" for the interest payable on any applicable Interest Payment Date means the Depositary Business Day immediately preceding such Interest Payment Date.

"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, refund, replace, repay, prepay, purchase, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for or to consolidate, such Indebtedness. "Refinanced" and "Refinancing" shall have correlative meanings.

"Refinancing Indebtedness" means any Indebtedness that Refinances any other Indebtedness, including any successive Refinancings, so long as:

(1) such Indebtedness is in an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) not in excess of the sum of:

(a) the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being Refinanced, and

(b) an amount necessary to pay any fees and expenses, including accrued and unpaid interest, premiums, transaction costs and defeasance costs, related to such Refinancing,

(2) the Average Life of such Indebtedness is equal to or greater than the Average Life of the Indebtedness being Refinanced,

(3) the stated maturity of such Indebtedness is no earlier than the stated maturity of the Indebtedness being Refinanced, and

(4) if the Indebtedness being Refinanced was subordinated to the Notes, the new Indebtedness shall be subordinated to the Notes at least to the same extent as such Indebtedness being Refinanced;

"Registrar" has the meaning assigned to such term in the preamble to this Indenture or any successor pursuant to Section 7.9.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Regulation S Global Note" means a Global Note bearing the Private Placement Legend and deposited with or on behalf of the Common Depositary for Euroclear and Clearstream and registered in the name of the Common Depositary or its nominee, that may be held by Non-U.S. Persons purchasing outside the United States in "offshore transactions" (as defined in Rule 902 of Regulation S).

"Reinsurance Agreements" means any agreement, contract, treaty, certificate or other arrangement by which any Insurance Subsidiary agrees to transfer or cede to another insurer all or part of the liability assumed or assets held by it under one or more insurance, annuity, reinsurance or retrocession policies, agreements, contracts, treaties, certificates or similar arrangements. Reinsurance Agreements shall include, but not be limited to, any agreement, contract, treaty, certificate or other arrangement that is treated as such by the applicable Department and derivative risk transfer contracts that assume or cede risks of the types that are, or that are permitted to be, insured or reinsured by any Insurance Subsidiaries.

"Related Business" means any business conducted or proposed to be conducted by the Company and its Subsidiaries on the Issue Date or any business that is similar, reasonably related, incidental, complementary or ancillary thereto, or that constitutes a reasonable extension or expansion of any of the foregoing.

"Restricted Definitive Note" means a Definitive Note bearing the Private Placement Legend.

"Restricted Global Note" means a Global Note bearing the Private Placement Legend.

"Restricted Payment" has the meaning assigned to it in Section 3.4 of this Indenture.

"Restricted Period" means the 40-day distribution compliance period as defined in Rule 903 promulgated under the Securities Act.

"Rule 144" means Rule 144 promulgated under the Securities Act.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"Rule 904" means Rule 904 promulgated under the Securities Act.

"S&P" means Standard & Poor's Ratings Group, Inc. and any successor thereto.

"Sale/Leaseback Transaction" means any direct or indirect arrangement relating to property now owned or hereafter acquired by the Company or a Subsidiary whereby the Company or such Subsidiary transfers such property to a Person (other than the Company or any of its Subsidiaries) and the Company or such Subsidiary leases it from such Person.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Security Documents" means the security agreements, pledge agreements, mortgages, collateral assignments and related agreements, as amended, supplemented, restated, renewed, refunded, replaced, restructured, repaid, refinanced or otherwise modified from time to time, creating, perfecting or otherwise evidencing the security interests in the Notes Collateral as contemplated by this Indenture.

"Stated Maturity" means, with respect to any security, the date specified in the agreement governing or certificate relating to such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"Subsidiary" means, with respect to either the Guarantor or the Company: (1) Palomar Specialty Insurance Company, (2) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of

any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by the Guarantor or the Company, as applicable, or one or more of the other Subsidiaries of the

Guarantor or the Company, as applicable, (or a combination thereof), or (3) any partnership (a) the sole general partner or the managing general partner of which is the Guarantor or the Company or a Subsidiary of the Guarantor or the Company, as applicable, or (b) the only general partners of which are the Guarantor or the Company or one or more Subsidiaries of the Guarantor or the Company, as applicable, (or any combination thereof).

"Successor Guarantor" shall have the meaning set forth in Section 4.2.

"Taxes" means all taxes, charges, fees, levies or other assessments imposed by any federal, state, local or foreign taxing authority, including, without limitation, income, gross receipts, excise, real or personal property, sales, occupation, use, service, leasing, environmental, value-added, transfer, payroll, and franchise taxes (and including any interest, penalties, or additions to tax attributable to or imposed with respect to any such assessment).

"Total Capitalization" means, with respect to any Person, the following calculated without duplication: (a) the amount described in clause (a) of the definition of "Debt to Total Capitalization Ratio" for such Person, plus (b) Total Shareholders' Equity of such Person.

"Total Shareholders' Equity" means, with respect to a Person, the total common and preferred shareholders' equity determined on a consolidated basis in accordance with GAAP of such Person and its consolidated Subsidiaries.

"TPP" shall mean an authorized third party provider and/or account information service provider that has identified itself to the Paying Agent and is acting in accordance with its obligations under the 2017 Regulations (as defined in Section 2.4) or the Second Payment Services Directive 2015/366/EC (as amended from time to time), as applicable.

"Trade Payables" means, with respect to any Person, any accounts payable to trade creditors created, assumed or Guaranteed by such Person arising in the ordinary course of business in connection with the acquisition of goods or services.

"Treasury Determination Date" means, with respect to each Interest Accrual Period, the second Banking Day prior to the day on which such Interest Accrual Period commences.

"Treasury Rate" means, with respect to any Interest Accrual Period, the rate determined by the Calculation Agent on each Treasury Determination Date for each Interest Accrual Period as of the related Treasury Determination Date in accordance with the following provisions:

(i) the rate from the auction held on the applicable determination date, which is referred to as the "auction," of direct obligations of the United States which are commonly referred to as "Treasury Bills," having the index maturity closest to the three-month anniversary of the Treasury Determination Date (the "Index Maturity") (and in the event multiple securities are equally close in maturity, such security with the longest maturity) as that rate appears under the relevant caption on the display on Bloomberg, or any successor service, on page USGG3M INDEX <GO> on the ALLX function or

any other page as may replace page USGG3M INDEX <GO> on the ALLX function on that service; or

(ii) if the rate described in (i) is not published by 3:00 p.m., New York City time, on the related calculation date, the bond equivalent yield of the auction rate of the applicable Treasury Bills, announced by the United States Department of the Treasury; or

(iii) if the rate referred to in (ii) is not announced by the United States Department of the Treasury, or if the auction is not held, the bond equivalent yield of the auction rate on the applicable determination date of Treasury Bills having the Index Maturity published in H.15(519) under the caption "U.S. Government Securities/Treasury Bills/Secondary Market"; or

(iv) if the rate referred to in (iii) is not so published by 3:00 p.m., New York City time, on the related calculation date, the rate on the applicable determination date of the applicable Treasury Bills as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market"; or

(v) if the rate referred to in (iv) is not so published by 3:00 p.m., New York City time, on the related calculation date, the rate on the applicable determination date calculated by the Indenture Trustee as the bond equivalent yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable determination date, of three primary U.S. government securities dealers, which may include the agent and its affiliates, selected by the Company, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity; or

(vi) if the dealers selected by the Company are not quoting as set forth above, the Treasury rate for that determination date will remain the Treasury rate as of the most recent determination date.

"Trust Officer" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall, in each case, have direct responsibility for the administration of this Indenture.

"Trustee" has the meaning assigned to such term in the preamble to this Indenture or any successor pursuant to Section 7.7 or Section 7.8.

"Uniform Commercial Code" means the New York Uniform Commercial Code as in effect from time to time.

"Unrestricted Definitive Note" means one or more Definitive Notes that do not bear and are not required to bear the Private Placement Legend.

"Unrestricted Global Note" means a permanent Global Note substantially in the form of Exhibit A hereto, as applicable, hereto that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, and that is deposited with or on behalf of the Common Depositary for Euroclear and Clearstream, registered in the name of the Common Depositary or its nominee representing Notes that do not bear the Private Placement Legend.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such U.S. Government Obligations or a specific payment of principal of or interest on any such U.S. Government Obligations held by such custodian for the account of the holder of such depositary receipt*; provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the Holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligations or the specific payment of principal of or interest on the U.S. Government Obligations evidenced by such depositary receipt.

"U.S. Person" means a U.S. Person as defined in Rule 902(k) of Regulation S.

"Voting Stock" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors, general partners, managers or trustees, as applicable, of such Person.

Section 1.2 Other Definitions.(1)

Term	Page Number
Affiliate Transaction	55
Agent Members	30
Applicable Law	97
Asset Sale Offer	61
Asset Sale Offer Amount	61
Asset Sale Offer Period	61
Asset Sale Purchase Date	61
Authentication Order	30
Bankruptcy Law	71
Change of Control Offer	64
Change of Control Payment	64
Change of Control Payment Date	64
Clearstream	28

(1) Note to Draft: To be updated.

Client Assets Sourcebook	33
Client Money Distribution Rules	33
Client Money Rules	33
Company	1
Company Conference Call	50
covenant defeasance option	81
Custodian	71
Defaulted Interest	45
Early Redemption Date	66
Euroclear	28
Event of Default	68
Excess Proceeds	61
FCA	33
FCA Rules	33
FSMA	33
Indenture	1
legal defeasance	81
Note Payment Account	33
Notice of Default	71
Other Taxes	48
Paying Agent	1, 31
payment default	69
Permitted Indebtedness	49
Registrar	1, 31
Regulations	34
Restricted Payment	54
Second Commitment	61
Securities Act	29
Security Document Order	92
Special Interest Payment Date	46
Special Record Date	46
Successor Company	62
Trustee	1
Unutilized Excess Proceeds	61

Section 1.3 Rules of Construction. Unless the context otherwise requires:

(a) a term has the meaning assigned to it;

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(c) “or” is not exclusive;

(d) “including” means including without limitation;

(e) words in the singular include the plural and words in the plural include the singular;

(f) unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness merely by virtue of its nature as unsecured Indebtedness;

(g) references to sections of, or rules under, the Securities Act or Exchange Act shall be deemed to include substitute, replacement or successor sections or rules adopted by the SEC from time to time;

(h) unless the context otherwise requires, any reference to an "Article," "Section" or "clause" refers to an Article, Section or clause, as the case may be, of this Indenture; and

(i) the words "herein," "hereof" and "hereunder" and any other words of similar import refer to this Indenture as a whole and not any particular Article, Section, clause or other subdivision.

ARTICLE II.
The Notes

Section 2.1 Form and Dating.

(a) There are to be issued by the Company, and authenticated and delivered by the Trustee on the date hereof, the Notes which shall be limited to the aggregate principal amount of $20,000,000.

(b) The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A, the terms of which are incorporated in and made a part hereof. The Notes may have notations, legends or endorsements approved as to form by the Company, and required by law, stock exchange rule, agreements to which the Company is subject or usage. Each Note shall be dated the date of its authentication. The Notes shall be issuable only in minimum denominations of $100,000 principal amount and integral multiples of $1,000 thereafter.

(c) The Notes shall initially be issued in the form of one or more Global Notes and Euroclear Bank S.A./N.V ("Euroclear") and Clearstream Banking, *société anonyme*, Luxembourg ("Clearstream"), and their respective successors, shall act as the Depositary with respect thereto. Each Global Note (i) shall be registered in the name of the Common Depositary for such Global Note or its nominee, (ii) shall be delivered by the Registrar to such Common Depositary, and (iii) shall bear a Global Note Legend in substantially the following form:

> UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY (AS DEFINED IN THE INDENTURE), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THE BANK OF NEW YORK MELLON, LONDON

BRANCH, ACTING AS COMMON DEPOSITARY ON BEHALF OF CLEARSTREAM AND EUROCLEAR OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITORY (AND ANY PAYMENT IS MADE TO THE BANK OF NEW YORK MELLON, LONDON BRANCH, OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, THE BANK OF NEW YORK MELLON, LONDON BRANCH, ACTING AS COMMON DEPOSITARY ON BEHALF OF CLEARSTREAM AND EUROCLEAR, HAS AN INTEREST HEREIN.

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE AND IS REGISTERED IN THE NAME OF THE COMMON DEPOSITARY OR A NOMINEE OF THE COMMON DEPOSITARY OR A SUCCESSOR COMMON DEPOSITARY. THIS NOTE IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE COMMON DEPOSITARY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER OF THIS NOTE AS A WHOLE BY THE COMMON DEPOSITARY TO A NOMINEE OF THE COMMON DEPOSITARY OR BY A NOMINEE OF THE COMMON DEPOSITARY TO THE COMMON DEPOSITARY OR ANOTHER NOMINEE OF THE COMMON DEPOSITARY OR BY THE COMMON DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR COMMON DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR COMMON DEPOSITARY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

(d) Except as permitted by Section 2.6(g)(B), any Note not registered under the Securities Act shall bear the following Private Placement Legend on the face thereof:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 UNDER THE

SECURITIES ACT, (2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER ANY OF THE NOTES REPRESENTED HEREBY EXCEPT (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR (E) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS) AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM ANY OF THE NOTES REPRESENTED HEREBY ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Common Depositary and the Depositary may be treated by the Company, the Trustee, the Agents and any agent of the Company, the Trustee or the Agents as the absolute owner of the Global Note for all purposes whatsoever, including but not limited to notices and payments due under the Global Notes. Notwithstanding the foregoing, nothing herein shall (a) prevent the Company, the Trustee, the Agents or any agent of the Company, the Trustee or the Agents from giving effect to any written certification, proxy or other authorization furnished by the Depositary or (b) impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a Holder of any Note. Any notice to be delivered to Euroclear or Clearstream, as applicable, may be delivered electronically by the Trustee, any Agent or the Company in accordance with the Applicable Procedures.

Section 2.2 Form of Execution and Authentication. An Officer shall sign the Notes for the Company by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note shall nevertheless be valid.

A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature of the Trustee shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee shall authenticate the Notes for original issue on the Issue Date in an aggregate principal amount of $20,000,000 upon receipt of a written order of the Company, (an "Authentication Order"). In addition, such Authentication Order shall specify the amount of Notes to be authenticated, the date on which the Notes are to be authenticated and the aggregate

principal amount of Notes outstanding on the date of authentication, and shall further specify the amount of such Notes to be issued as Global Notes or Definitive Notes. Such Notes shall initially be in the form of one or more Global Notes, which (i) shall represent, and shall be denominated in an amount equal to the aggregate principal amount of, the Notes to be issued or (ii) shall be registered in the name of the Common Depositary or its nominee. All Notes issued under this Indenture shall vote and consent together on all matters as one class and no series of Notes will have the right to vote or consent as a separate class on any matter.

The Trustee may appoint an authenticating agent acceptable to the Company in writing to authenticate Notes. Unless limited by the terms of such appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or any Affiliate of the Company.

Section 2.3 Registrar and Paying Agent. The Company shall maintain (i) an office or agency where Notes may be presented for registration of transfer or for exchange (including any co-registrar, the "Registrar") and (ii) an office or agency where Notes may be presented for payment, which shall initially be the Paying Agent. The Paying Agent shall be responsible for paying sums due on the Notes and arranging on behalf of and at the expense of the Company for notices to be communicated to Holders in accordance with the terms of this Indenture. The Registrar shall keep a register of the Notes (including the names and addresses of each Holder and the outstanding principal amounts (and stated interest) on each Note) (the "Register") and of their transfer and exchange and facilitate any transfers or exchanges of Notes or beneficial interests in the Global Notes. No transfer may be effected unless (1) the Note is surrendered to the Registrar and either (i) the Registrar reissues the surrendered Note to the transferee holder or (ii) the Registrar issues a new Note to the transferee holder and (2) the transfer is recorded in the Register. The entries in the Register shall be conclusive absent manifest error, and the Company, the Registrar and the Holders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Holder hereunder for all purposes of this Agreement.

The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent, Registrar or co-registrar without prior notice to any Holder of a Note. The Company shall notify the Trustee in writing and the Trustee shall notify the Holders of the name and address of any Agent not a party to this Indenture. The Company may act as Paying Agent, Registrar or co-registrar. The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture. The agreement shall implement the provisions hereof that relate to such Agent. The Company shall notify the Trustee and the Agents in writing of the name and address of any such Agent. If the Company fails to maintain a Registrar or Paying Agent, or fails to give the foregoing notice, the Company shall direct the Trustee to act as such, and the Trustee shall be entitled to appropriate compensation in accordance with Section 7.6.

Notwithstanding anything to the contrary herein, if in the Paying Agent's opinion, acting reasonably, it deems it appropriate to delegate any of its roles, duties or obligations

created hereunder or under any other agreement to a third party, the Company hereby acknowledges the potential for, and acquiesces to, such delegation.

Euroclear and Clearstream have appointed The Bank Of New York Mellon, London Branch, to act as Common Depositary with respect to the Notes and The Bank Of New York Mellon, London Branch, has accepted such appointment.

In the event that Definitive Notes are issued (and no Global Notes remain outstanding) and the Paying Agent informs the Company that it is unable to perform its obligations under this Indenture, the Company shall forthwith appoint an additional agent who shall provide written notice of such to the Trustee. Such additional Agent shall become the Paying Agent hereunder upon written acceptance of the duties and obligations set forth herein. Subject to the payment by the Company to the Paying Agent of any fees, costs, expenses or other obligations owed and outstanding to the Paying Agent, the costs and expenses (including its counsels' fees and expenses) incurred by the additional Agent in connection with such proceeding shall be paid by the Company. Upon receipt of the identity of the additional Agent, the Paying Agent shall deliver any funds then held hereunder to the additional Agent. Upon its resignation and delivery of any funds, the Agent shall be discharged of and from any and all further obligations arising in connection with this Indenture, but shall continue to enjoy the benefit of Section 7.6.

The Issuer shall request all forms from the relevant Depositary that are required to exempt payments under the Notes from United States federal income tax withholding.

Section 2.4 Payments to the Trustee; Paying Agent to Hold Money.

(a) Each Paying Agent shall be entitled to deal with each amount paid in the same manner as other amounts paid to it as a banker by its customers except that it shall not exercise against the Company any lien, right of set-off or similar claim in respect thereof or combine or consolidate such moneys with any money or accounts.

(b) The Company shall require each Paying Agent other than the Trustee that is not a party to this Indenture to agree in writing that the Paying Agent shall hold for the benefit of the Holders or the Trustee all money held by the Paying Agent for the payment of principal of, premium, if any, and interest on the Notes, and shall notify the Trustee in writing of any Default by the Company in making any such payment. While any such Default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee for further payment to Holders as and when due. The Company at any time may require a Paying Agent to pay all money held by such Paying Agent to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company) shall have no further liability for the money delivered to the Trustee. If the Company acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent.

(c) Note Payment Account.

(i) The Company hereby appoints The Bank of New York Mellon, London Branch as Paying Agent hereunder, and the Paying Agent accepts such appointment. All money the Paying Agent holds for the Company under this Indenture is

held by it as banker and not as trustee under the Client Money Rules. If the Paying Agent fails (as that term is used in the glossary of the FCA Rules), the Client Money Distribution and Transfer Rules will not apply to such money and so the Company will not be entitled to share in any distribution under the Client Money Distribution and Transfer Rules. For purposes of this Section 2.4(c) only,

"Client Assets Sourcebook" means the CASS sourcebook as set out in the FCA Rules.

"Client Money Distribution and Transfer Rules" means the client money distribution and transfer rules set out in Chapter 7A of the Client Assets Sourcebook.

"Client Money Rules" means the client money rules set out in Chapter 7 of the Client Assets Sourcebook of the FCA Rules.

"FCA" means the United Kingdom Financial Conduct Authority (and any successor regulatory authority).

"FCA Rules" means the rules and guidance of the FCA promulgated by the FCA under FSMA as amended or replaced from time to time.

"FSMA" means the Financial Services and Markets Act 2000.

(ii) On or prior to the Issue Date, the Company shall cause to be established and maintained with the Paying Agent, in a location outside of the United States and in the name of the Company an account (the "Note Payment Account"), which shall be a separate non-interest bearing account. The Note Payment Account shall be held at all times by a bank or financial institution located outside of the United States, or a non-U.S. branch or non-U.S. affiliate of a United States bank or financial institution. The Trustee agrees to give the Company and the Holders prompt notice if, to the actual knowledge of the Trustee, the Note Payment Account or any funds on deposit therein, or otherwise to the credit of the Note Payment Account, shall become subject to any writ, order, judgment, warrant of attachment, execution or similar process. The Company shall provide prior written notice to the Trustee and the Paying Agent each day that funds will be deposited in the Note Payment Account.

(iii) The following Note Payment Account has been established with the Paying Agent upon the terms and subject to the conditions set forth in Section 2.4(c):

To: The Bank of New York Mellon, New York
SWIFT: IRVTUS3N
ACCOUNT NAME: The Bank of New York Mellon, Brussels
SWIFT: IRVTBEBB
ACCOUNT NUMBER: 8900285451
ATTN Corporate Trust Services
FOR FURTHER CREDIT TO ACCOUNT # 4089268400

(iv) The Paying Agent may with respect to the Note Payment Account and the services provided under this Indenture be carrying out a payment service for the purposes of the Payment Services Regulations 2017 (as amended from time to time, the "2017 Regulations"). To the extent it is, the Company represents and warrants that it is not a consumer, microenterprise or charity as defined in the 2017 Regulations and undertakes to notify the Paying Agent promptly if at any time it becomes a consumer, micro-enterprise or charity. Broadly, for these purposes, a micro-enterprise is an autonomous enterprise that employs fewer than ten people and whose annual turnover and/or balance sheet total does not exceed €2 million (or its British pound sterling equivalent), a consumer is an individual acting for purposes other than a trade, business or profession, and a charity includes only those whose annual income is less than £1 million. On the basis of the foregoing and in accordance with regulations 40(7) and 63(5) of the 2017 Regulations (which provide that parties may agree that certain provisions of the 2017 Regulations shall not apply), the Company agrees that all of the provisions of Part 6 of the 2017 Regulations and regulations 66(1), 67(3), and (4), 75, 77, 79, 80, 83, 91, 92 and 94 of Part 7 of the 2017 Regulations shall not apply with respect to the Note Payment Account and services to be provided under this Indenture and that a time period of thirty (30) calendar days shall apply for the purposes of regulation 74(1).

Section 2.5 Lists of Holders. The Registrar shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Paying Agent is not the Registrar, the Company shall furnish to the Paying Agent at least the Depositary Business Day before each Interest Payment Date and at such other times as the Paying Agent may request in writing a list in such form and as of such date as the Paying Agent may reasonably require of the names and addresses of Holders as of the record date, including the aggregate principal amount of the Notes held by each thereof.

Section 2.6 Transfer and Exchange.

(a) Transfer and Exchange of Global Notes. A Global Note may not be transferred as a whole except by the Common Depositary to a nominee of the Common Depositary, by a nominee of the Common Depositary to the Common Depositary or to another nominee of the Common Depositary, or by the Common Depositary or any such nominee to a successor Common Depositary or a nominee of such successor Common Depositary (but in no event shall such transfer be less than all of a Global Note). Global Notes will be exchanged by the Company for Definitive Notes, subject to any applicable laws, only (i) if the Company delivers to the Trustee notice from the Depositary that the Depositary is unwilling or unable to continue to act as a depositary for the Global Notes and the Company fails to appoint a successor depositary within 90 days after the date of such notice from the Depositary or (ii) upon request of the Trustee at the written direction of Holders of a majority of the aggregate principal amount of the then outstanding Notes if there shall have occurred and be continuing an Event of Default with respect to the Notes. In any such case, the Company will notify the Trustee in writing that, upon surrender by the Participants and Indirect Participants of their interests in such Global Note, Definitive Notes will be issued to each Person that such Participants, Indirect Participants

and Euroclear or Clearstream, as applicable, jointly identify as being the beneficial owner of the related Notes. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.7 and 2.10. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.6 or Sections 2.7 or 2.10, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.6. However, beneficial interests in a Global Note may be transferred and exchanged as provided in paragraph (b) or (c) below.

(b) Transfer and Exchange of Beneficial Interests in the Global Notes. The transfer and exchange of beneficial interests in the Global Notes shall be effected through the Depositary, in accordance with the provisions hereof and the Applicable Procedures. Beneficial interests in the Restricted Global Notes shall be subject to restrictions on transfer comparable to those set forth in this Indenture to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also shall require compliance with the applicable subparagraphs below.

(i) Transfer of Beneficial Interests in the Same Global Note. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend*; provided*, *however*, that prior to the expiration of the Restricted Period, no transfer of beneficial interests in a Regulation S Global Note may be made to a U.S. Person or for the account or benefit of a U.S. Person unless permitted by applicable law and made in compliance with subparagraphs (ii) and (iii) below. Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this subparagraph (i) unless specifically stated above.

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Notes. In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.6(b)(i) above, the transferor of such beneficial interest must deliver to the Registrar either:

(A) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(1) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase; or

(B) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing

the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(1) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (B)(1) above.

Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Registrar shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.6(i).

(iii) Transfer of Beneficial Interests to Another Restricted Global Note. A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of subparagraph (ii) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in a Rule 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; and

(B) if the transferee will take delivery in the form of a beneficial interest in a Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.

(iv) Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note. A beneficial interest in any Restricted Global Note may be exchanged by any Holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.6(b)(ii) above and:

(A) such transfer is effected pursuant to an effective registration statement under the Securities Act; or

(B) the Registrar receives the following:

(x) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(y) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take

delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (B), if the Company so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to subparagraph (A) or (B) above at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.2, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests exchanged or transferred pursuant to subparagraph (A) or (B) above.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(c) Transfer and Exchange of Beneficial Interests for Definitive Notes. Transfers of beneficial interests in the Definitive Notes shall require compliance with the applicable subparagraphs below.

(i) Transfer and Exchange of Beneficial Interests in Restricted Global Notes for Restricted Definitive Notes. Subject to Section 2.6(a) if any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then upon receipt by the Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2) (a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 904 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof; and

(D) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

the Registrar shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.6(i) below, and the Company shall execute and, upon receipt of an Authentication Order the Trustee shall authenticate and deliver to the Person designated in the certificate a Restricted Definitive Note in the appropriate principal amount. Any Restricted Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this paragraph (c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Registrar shall deliver such Restricted Definitive Notes to the Persons in whose names such Notes are so registered. Any Restricted Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this subparagraph (c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(ii) Transfer and Exchange of Beneficial Interests in Restricted Global Notes for Unrestricted Definitive Notes. Subject to Section 2.6(a) a holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) such transfer is effected pursuant to an effective registration statement under the Securities Act; or;

(B) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (B), if the Company so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iii) Transfer and Exchange of Beneficial Interests in Unrestricted Global Notes for Unrestricted Definitive Notes. Subject to Section 2.6(a) if any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in subparagraph (b)(ii) above, the Registrar shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.6(i) below, and the Company shall execute and, upon receipt of an Authentication Order the Trustee shall authenticate and deliver to the Person designated in the certificate a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this subparagraph (c)(iii) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this subparagraph (c)(iii) shall not bear the Private Placement Legend.

(d) Transfer and Exchange of Definitive Notes for Beneficial Interests.

(i) Transfer and Exchange of Restricted Definitive Notes for Beneficial Interests in Restricted Global Notes. If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof; or

(C) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 904 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof,

the Registrar shall cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the appropriate Restricted Global Note, in the case of clause (B) above, the Rule 144A Global Note, and in the case of clause (C) above, the Regulation S Global Note.

(ii) Transfer and Exchange of Restricted Definitive Notes for Beneficial Interests in Unrestricted Global Notes. A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if the Registrar receives the following:

(A) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in an Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(B) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the applicable certifications in item (4) thereof;

and, in each such case set forth in this Section 2.6(d)(ii) if the Company so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained in this Indenture and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this subparagraph (d)(ii), the Registrar shall cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(e) Transfer and Exchange of Unrestricted Definitive Notes for Beneficial Interests in Unrestricted Global Notes. A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Unrestricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Registrar shall cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

If any such exchange or transfer from an Unrestricted Definitive Note or a Restricted Definitive Note, as the case may be, to a beneficial interest is effected at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.2 the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Unrestricted Definitive Notes or Restricted Definitive Notes, as the case may be, so transferred.

(f) Transfer and Exchange of Definitive Notes for Definitive Notes. Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this

paragraph (f), the Registrar shall register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or its attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this paragraph (f).

(i) Transfer of Restricted Definitive Notes to Restricted Definitive Notes. Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A under the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including, if the Company so requests, a certification or Opinion of Counsel in form reasonably acceptable to the Company to the effect that such transfer is in compliance with the Securities Act.

(ii) Transfer and Exchange of Restricted Definitive Notes for Unrestricted Definitive Notes. Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if:

(A) any such transfer is effected pursuant to an effective registration statement under the Securities Act; or

(B) the Registrar receives the following:

(x) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(y) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (B), if the Company so requests, an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(iii) Transfer of Unrestricted Definitive Notes to Unrestricted Definitive Notes. A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(g) Private Placement Legend.

(A) Except as permitted in subparagraph (B) below, each Global Note (other than an Unrestricted Global Note) and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the Private Placement Legend.

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraph (b)(iv), (c)(ii), (c)(iii), (d)(ii), (e) or (g)(ii) of this Section 2.6 (and all Notes issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend.

(h) Global Note Legend. Each Global Note shall bear the Global Note Legend.

(i) Cancellation and/or Adjustment of Global Notes. At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note shall be returned to or retained and canceled by the Registrar in accordance with Section 2.11. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Paying Agent or by the Common Depositary at the direction of the Paying Agent to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Paying Agent or by the Common Depositary at the direction of the Paying Agent to reflect such increase.

(j) General Provisions Relating to Transfers and Exchanges.

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Global Notes and Definitive Notes upon receipt of an Authentication Order.

(ii) No service charge shall be made to a holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.2, 2.6, and 2.10).

(iii) Neither the Registrar nor the Trustee shall be required to register the transfer of or exchange any Note selected for redemption in whole or in part, except for the unredeemed portion of any Note being redeemed in part.

(iv) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits hereof, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(v) Neither the Trustee, the Registrar nor the Company shall be required (A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business on the Business Day immediately preceding the mailing of a notice of redemption of Notes and ending at the close of business on the day of such mailing or (B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(vi) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Company shall be affected by notice to the contrary.

(vii) The Trustee shall authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.2.

(viii) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.6 to effect a registration of transfer or exchange may be submitted by facsimile or electronic mail.

(ix) Neither the Trustee nor any Agent shall have any obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Participants or Indirect Participants) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

(x) Neither the Trustee nor any Agent shall have any responsibility for any actions taken or not taken by the Depositary.

(xi) Neither the Trustee nor any Agent shall have any responsibility or obligation to any Participant or Indirect Participant or any other Person with respect to the accuracy of the books or records, or the acts or omissions, of the Depositary or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any Participant or Indirect Participant or other Person (other than the Depositary) of any notice or the payment of any amount, under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders under the Notes shall be given or made only to or upon the order of the registered Holders (which shall be the Common Depositary or its nominee in the case of a Global Note). The rights of beneficial owners in any Global Note shall be exercised only through the Depositary subject to the customary procedures of the Depositary. The Trustee and the Agents may rely and shall be fully protected in relying upon information furnished by the Depositary with respect to its Participants or Indirect Participants.

(xii) Each Holder that sells a participation shall, acting solely for this purpose as an agent of the Company, maintain a register on which it enters the name and address of each Indirect Participant and the principal amounts (and stated interest) of each Indirect Participant's beneficial interest in Notes or other obligations contemplated hereunder (the "Participant Register"); provided that no Holder shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Indirect Participant or any information relating to an Indirect Participant's interest in any Notes or its other obligations hereunder) to any Person except to the extent that such disclosure is necessary to establish that such obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error.

Section 2.7 Replacement Notes. If any mutilated Note is surrendered to the Registrar, or the Company and the Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company shall issue and the Trustee, upon receipt of an Authentication Order, shall authenticate a replacement Note if the Trustee's requirements for replacements of Notes are met*; provided*, *however*, that the Registrar shall not deliver any Note as a replacement for a Note that has been mutilated or defaced otherwise than against surrender of the same and shall not issue any replacement Note until the Holder has furnished the Registrar with such evidence and indemnity as the Company and/or the Registrar may reasonably require. The Registrar shall cancel each mutilated or defaced Note surrendered to it in respect of which a replacement has been delivered. The Holder must supply indemnity or security sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, the Registrar, any Agent or any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Company and the Trustee the Holder may charge for their cost and expenses in replacing a Note including amounts to cover any tax, assessment, fee or other governmental charge that may be imposed in relation thereto.

Every replacement Note is an obligation of the Company and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.8 Outstanding Notes. The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation and those described in this Section 2.8 as not outstanding.

If a Note is replaced pursuant to Section 2.7 it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a protected purchaser.

If the principal amount of any Note is considered paid under Section 3.1, it shall cease to be outstanding and interest on it shall cease to accrue.

Subject to Section 2.9 a Note does not cease to be outstanding because the Company, a Subsidiary of the Company or an Affiliate of the Company holds the Note.

Section 2.9 Treasury Notes. In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company, any Subsidiary or any Affiliate of the Company shall be considered as though not outstanding, except that for purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that a Trust Officer actually knows to be so owned shall be so considered. Notwithstanding the foregoing, Notes that are to be acquired by the Company, any Subsidiary or an Affiliate of the Company pursuant to an exchange offer, tender offer or other agreement shall not be deemed to be owned by the Company, a Subsidiary or an Affiliate of the Company until legal title to such Notes passes to the Company, such Subsidiary or such Affiliate, as the case may be. Upon request of the Trustee, the Company shall promptly furnish to the Trustee an Officers' Certificate listing and identifying all Notes, if any known by the Company to be owned or held by or for the account of any of the Company or any Affiliate of the Company, and the Trustee shall be entitled to accept and rely upon such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Notes not listed therein are outstanding for the purpose of any determination.

Section 2.10 Temporary Notes. Until Definitive Notes are ready for delivery, the Company may prepare and, upon receipt of an Authentication Order the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of Definitive Notes but may have variations that the Company and the Trustee consider appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare and the Trustee, upon receipt of an Authentication Order, shall authenticate Definitive Notes in exchange for temporary Notes. Until such exchange, temporary Notes shall be entitled to the same rights, benefits and privileges as Definitive Notes.

Section 2.11 Cancellation. The Company at any time may deliver Notes to the Registrar for cancellation. The Trustee and Paying Agent shall forward to the Registrar any Notes surrendered to them for registration of transfer, exchange or payment. The Registrar shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall dispose of all canceled Notes in its customary manner. The Company may

not issue new Notes to replace Notes that it has redeemed or paid or that have been delivered to the Registrar for cancellation.

Section 2.12 Payment of Interest and Defaulted Interests. Interest on any Note that is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid by the Paying Agent to the Person in whose name such Note (or one or more predecessor Notes) is registered at the close of business on the regular Record Date for such interest at the office or agency of the Company maintained for such purpose pursuant to Section 2.3.

Any interest on any Note that is payable, but is not paid when the same becomes due and payable and such nonpayment continues for a period of five (5) days shall forthwith cease to be payable to the Holder on the regular Record Date by virtue of having been such Holder, and any defaulted interest and defaulted interest at the rate borne by the Notes (such defaulted interest and interest thereon herein collectively called "Defaulted Interest") shall be paid by the Company in any lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee. The Defaulted Interest shall be paid by the Company, at its election in each case, as provided in clause (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Notes (or their respective predecessor Notes) are registered at the close of business on a Special Record Date (as defined below) for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date (not less than thirty (30) days after such notice unless a shorter period shall be acceptable to the Trustee) of the proposed payment (the "Special Interest Payment Date"), and at the same time the Company shall deposit with the Paying Agent for payment through the Note Payment Account no earlier than three (3) Business Days prior to the proposed payment an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited shall be held in trust for the benefit of the Persons entitled to such Defaulted Interest as provided in this clause. Thereupon the Company shall fix a record (the "Special Record Date") for the payment of such Defaulted Interest, which shall be not less than five (5) days and not more than 10 days prior to the Special Interest Payment Date and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Company shall promptly notify the Trustee in writing of such Special Record Date and, at the written request and in the name and at the expense of the Company, the Trustee shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date and Special Interest Payment Date therefore to be given in the manner provided for in Section 11.1, not less than 10 days prior to such Special Record Date. Such Defaulted Interest shall be paid on the Special Interest Payment Date of the Persons in whose names the Notes (or their respective predecessor Notes) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (b).

(b) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any security exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause (b), such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section 2.12, each Note delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Note shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Note.

Section 2.13 ISIN Numbers. The Company in issuing the Notes may use "ISIN" numbers (if then generally in use). The Trustee and the Agents shall not be responsible for the use of ISIN numbers, and neither the Trustee nor any Agent makes any representation as to their correctness as printed on any Note or notice to Holders. The Company shall promptly notify the Trustee and the Agents in writing of any change in the ISIN numbers.

Section 2.14 Paying Agent Provisions. The Company shall not later than 10:00 a.m. (New York time) on the second Business Day prior to the day on which the Paying Agent is to receive payment, procure that the bank effecting payment for it confirms via fax or tested SWIFT MT100 message to the Paying Agent the payment instructions relating to such payment. Prior to 10:00 a.m. (New York time) on the Business Day prior to each Interest Payment Date, the Stated Maturity and each payment date relating to a Change of Control Offer, and on the Business Day immediately following any acceleration of the Notes pursuant to Section 6.2, the Company shall deposit with the Paying Agent in immediately available freely transferable funds money in dollars sufficient to make cash payments, if any, due on such day or date, as the case may be. Subject to actual receipt of such funds as provided by this Section 2.14 by the Paying Agent, the Paying Agent shall make payments on the Notes to the Holders on such day or date, as the case may be, to the Persons and in accordance with the provisions of this Indenture and the Notes. All payments made by the Paying Agent shall be made net of any withholding that is required by applicable law to be made. Backup withholding will apply to payments of interest on the Notes and the proceeds of a sale (including retirement or redemption) of the Notes within the United States or conducted through certain United States-related persons, unless a beneficial owner of a Note qualifies for an exemption and has provided the Depositary with a properly executed IRS Form W-9, W-8BEN-E or other applicable form.

Section 2.15 Agents' Interest.

(a) The rights, powers, duties and obligations and actions of each Agent under this Indenture are several and not joint or joint and several. Each Agent shall only be obligated to perform the duties set forth in this Indenture and the Notes and shall have no implied duties.

(b) The Company and the Agents acknowledge and agree that upon occurrence of an Event of Default and continuation thereof after the expiration of all available notice and cure periods, the Trustee may, by notice in writing to each of the Company and the Agents, require that the Agents act as agents of, and take instructions exclusively from, the Trustee.

(c) Other than as set forth in clause (b) above, the Agents shall act solely as agents of the Company and in no event shall be agents of the Holders.

(d) Any obligation the Agents may have to publish a notice to Holders of Global Notes on behalf of the Company shall have been met upon delivery of the notice to the relevant clearing system.

(e) The Company shall provide the Agents with a certified list of authorized signatories.

Section 2.16 Calculation Agent

(a) For the purpose of appointing an agent to calculate the interest rate based on the Treasury Rate on the Notes, the Company and the Calculation Agent agree as follows:

(i) Upon the terms and subject to the conditions contained herein, the Company hereby appoints The Bank of New York Mellon as its Calculation Agent and The Bank of New York Mellon hereby accepts such appointment as the Company's agent for the purpose of calculating the Treasury Rate on the Notes in the manner and at the times provided in herein.

(ii) The Calculation Agent shall exercise due care to determine the Treasury Rate on the Notes and shall communicate the same to the Company and the Trustee, and any paying agent identified to it in writing as soon as practicable after each determination.

(iii) The Calculation Agent accepts its obligations set forth herein, upon the terms and subject to the conditions hereof, including the following, to all of which the Company agrees:

(A) The Calculation Agent shall be entitled to such compensation as may be agreed upon with the Company for all services rendered by the Calculation Agent, and the Company promises to pay such compensation and to reimburse the Calculation Agent for the reasonable and documented out-of-pocket expenses (including attorneys' and other professionals' reasonable and documented out-of-pocket fees and expenses) incurred by it in connection with the services rendered by it hereunder upon receipt of such invoices as the Company shall reasonably require. The Company also agrees to indemnify the Calculation Agent for, and to hold it harmless against, any and all loss, liability, damage, claim or expense (including the costs and expenses of defending against any claim (regardless of who asserts such claim) of liability) incurred by the Calculation Agent that arises out of or in connection with its accepting appointment as, or acting as, Calculation Agent hereunder, except such as may result from the gross negligence, willful misconduct or bad faith of the Calculation Agent or any of its agents or employees. The Calculation Agent shall incur no liability and shall be indemnified and held harmless by the Company for, or in respect of, any actions taken, omitted to be taken or suffered to be taken in good faith by the Calculation Agent in reliance upon (i) the opinion or advice of

legal or other professional advisors satisfactory to it or (ii) written instructions from the Company. The Calculation Agent shall not be liable for any error resulting from the use of or reliance on a source of information used in good faith and with due care to calculate any interest rate hereunder. The provisions of this section shall survive the termination of this Indenture.

(B) In acting under this Indenture and in connection with the Notes, the Calculation Agent is acting solely as agent of the Company and does not assume any obligations to or relationship of agency or trust for or with any of the owners or Holders or any other parties.

(C) The Calculation Agent shall be protected and shall incur no liability for or in respect of any action taken or omitted to be taken or anything suffered by it in reliance upon the terms of the Notes, any notice, direction, certificate, affidavit, statement or other paper, document or communication reasonably believed by it to be genuine and to have been approved or signed by the proper party or parties.

(D) The Calculation Agent, its officers, directors, employees and shareholders may become the owners of, or acquire any interest in, any Notes, with the same rights that it or they would have if it were not the Calculation Agent, and may engage or be interested in any financial or other transaction with the Company as freely as if it were not the Calculation Agent.

(E) Neither the Calculation Agent nor its officers, directors, employees, agents or attorneys shall be liable to the Company for any act or omission hereunder, or for any error of judgment made in good faith by it or them, except in the case of its or their gross negligence or willful misconduct.

(F) The Calculation Agent shall be obligated to perform such duties and only such duties as are herein specifically set forth, and no implied duties or obligations shall be read into this Indenture against the Calculation Agent.

(G) Unless herein otherwise specifically provided, any order, certificate, notice, request, direction or other communication from the Company made or given by it under any provision of this Indenture shall be sufficient if signed by any Officer of the Company.

(H) In no event shall the Calculation Agent be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever the (including, but not limited to, loss of profit) irrespective of whether the Calculation Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(I) In In no event shall the Calculation Agent be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused by, directly or indirectly, forces beyond its

reasonable control, including without limitation strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services.

(J) The Company will not, without first obtaining the prior written consent of the Calculation Agent, make any change to the Notes if such change would materially and adversely affect the Calculation Agent's duties and obligations under this Indenture.

(b) The Calculation Agent may at any time resign as Calculation Agent by giving written notice to the Company of such intention on its part, specifying the date on which its desired resignation shall become effective; provided, however, that such date shall never be earlier than thirty (30) days after the receipt of such notice by the Company, unless the Company agrees to accept less notice. The Calculation Agent may be removed at any time by the filing with it of any instrument in writing signed on behalf of the Company and specifying such removal and the date when it is intended to become effective. Such resignation or removal shall take effect upon the date of the appointment by the Company, as hereinafter provided, of a successor Calculation Agent. If within thirty (30) days after notice of resignation or removal has been given, a successor Calculation Agent has not been appointed, the Calculation Agent may, at the expense of the Company, petition a court of competent jurisdiction to appoint a successor Calculation Agent. A successor Calculation Agent shall be appointed by the Company by an instrument in writing signed on behalf of the Corporation and the successor Calculation Agent. Upon the appointment of a successor Calculation Agent and acceptance by it of such appointment, the Calculation Agent so succeeded shall cease to be such Calculation Agent hereunder. Upon its resignation or removal, the Calculation Agent shall be entitled to the payment by the Company of its compensation, if any is owed to it, for services rendered hereunder and to the reimbursement of all reasonable and documented out-of-pocket expenses incurred in connection with the services rendered by it hereunder and to the payment of all other amounts owed to it hereunder

(c) Any successor Calculation Agent appointed hereunder shall execute and deliver to its predecessor and to the Company an instrument accepting such appointment hereunder, and thereupon such successor Calculation Agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of such predecessor with like effect as if originally named as such Calculation Agent hereunder, and such predecessor, upon payment of its charges and disbursements then unpaid, shall thereupon become obliged to transfer and deliver, and such successor Calculation Agent shall be entitled to receive, copies of any relevant records maintained by such predecessor Calculation Agent.

(d) Any corporation into which the Calculation Agent may be merged, or any corporation with which the Calculation Agent may be consolidated, or any corporation resulting from any merger or consolidation or to which the Calculation Agent shall sell or otherwise transfer all or substantially all of its corporate trust assets or business shall, to the extent permitted by applicable law, be the successor Calculation Agent under this Indenture without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notice

of any such merger, consolidation or sale shall forthwith be given to the Company and the Trustee.

ARTICLE III.
Covenants

The Company covenants and agrees that, until payment in full of the obligations under the Indenture and the Notes:

Section 3.1 Payment of the Notes.

(a) The Company shall promptly pay the principal of, premium, if any, and interest on the Notes on the dates and in the manner provided in the Notes and in this Indenture. Principal, premium, if any, and interest shall be considered paid on the date due if by 10:00 a.m. (New York time) on the Business Day prior to such date the Trustee or the Paying Agent holds in accordance with this Indenture money sufficient to pay all principal, premium, if any, and interest then due and the Trustee or the Paying Agent, as the case may be, is not prohibited from paying such money to the Holders on that date pursuant to the terms of this Indenture.

(b) Except as otherwise set forth in this Indenture or the Notes, principal shall be due and payable on the Notes on the Maturity Date, unless the Notes are redeemed early or paid in full pursuant to this Indenture, in an amount equal to the Outstanding Principal Amount as of the Maturity Date.

Each Note shall bear interest, on the Outstanding Principal Amount thereof from and including the date of issuance of such Note until paid in full, at a floating rate *per annum* equal to the Interest Rate determined for the applicable Interest Accrual Period. The Calculation Agent shall as soon as practicable after determining the Treasury Rate applicable to the Notes for any Interest Accrual Period, notify the Company and the Paying Agent thereof and maintain records of the quotations obtained, and all rates determined, by it and make such records available for inspection at all reasonable times by the Company and the Paying Agent. Interest accrued on each Note shall be payable in arrears on each Interest Payment Date, commencing with the Interest Payment Date occurring on December 20, 2018. All interest accrued under the Notes shall be computed on the basis of a 360-day year for the actual number of days elapsed. For the avoidance of doubt, other than the determination by the Calculation Agent of the Treasury Rate, the Calculation Agent and the Trustee shall have no responsibility to calculate or determine the Interest Rate.

(c) Any and all payments by or on behalf of the Company to the Original Holders hereunder shall be made free and clear of and without deduction for any and all present or future Taxes, unless withholding is required by law. If the Company shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to, or in respect of, the Original Holders (i) if such Tax is an Indemnified Tax, the sum payable to each Original Holder shall be increased by the amount necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.1(c)), such Original Holder shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Company shall make such deductions, and (iii) the Company shall

pay the full amount deducted to the relevant taxing authority or other Governmental Authority in accordance with applicable law.

(d) In addition, the Company agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Indenture to the Original Holders (hereinafter referred to as "Other Taxes"), except any such Taxes imposed with respect to an assignment or transfer of the Notes by the Original Holders (other than pursuant to an optional redemption under Section 5.2).

(e) The Company hereby indemnifies each Original Holder, within thirty (30) days after written demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.1) payable or paid by such Original Holder or in respect of such Original Holder, or required to be withheld or deducted from a payment to such Original Holder and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Company by an Original Holder shall be conclusive absent manifest error.

(f) Within thirty (30) days after the date of any payment of Taxes or Other Taxes withheld by the Company in respect of any payment to any Original Holder, the Company will furnish to the Original Holder the original or a certified copy of a receipt evidencing payment thereof.

(g) If an Original Holder shall become aware that it is entitled to receive a refund in respect of Indemnified Taxes, it shall promptly notify the Company of the availability of such refund and shall, within thirty (30) days after receipt of a request by the Company, apply for such refund. If any Original Holder receives a refund or claims a credit or other tax benefit as a result of the payment of as to which it has been indemnified pursuant to this Section 3.1 by the Company, then the Original Holder shall promptly repay to the Company an amount equal to such refund, credit or other tax benefit. Notwithstanding anything to the contrary in this paragraph (g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (g) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph (g) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(h) Any Original Holder that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Note or otherwise contemplated hereunder shall deliver to the Company and the Paying Agent, at the time or times reasonably requested by the Company, such properly completed and executed documentation reasonably requested by the Company as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Original Holder, if reasonably requested by the

Company or the Paying Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Company or the Paying Agent as will enable the Company or the Paying Agent to determine whether or not such Original Holder is subject to backup withholding or information reporting requirements. Without limiting the generality of the foregoing, any Original Holder claiming the benefits for the exemption for "portfolio interest" under the Code shall deliver to the Company and the Paying Agent (x) a certificate to the effect that such Original Holder is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Company within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code and (y) one or more executed originals of IRS Form W-8BEN-E or other applicable withholding certificate.

Section 3.2 Reports.

(a) The Company shall furnish or otherwise make available, in the manner and subject to the limitations contained in Section 3.2(b) below, to the Holders and to prospective purchasers of the Notes designated by such Holders, true and complete copies of: (i) unaudited quarterly consolidated financial statements of the Guarantor prepared in accordance with GAAP consistently applied (other than the requirements under GAAP to make normal year-end adjustments or to provide footnote disclosure relating to the financial statements) within 45 days following the end of each fiscal quarter beginning with the fiscal quarter ending September 30, 2018 and (ii) audited annual consolidated financial statements of the Guarantor, prepared in accordance with GAAP consistently applied within 150 days following the end of each fiscal year beginning with the fiscal year ending December 31, 2018.

(b) The Company shall also furnish or otherwise make available, in the manner and subject to the limitations contained in Section 3.2(c) below, to the Holders and to prospective purchasers of the Notes designated by such Holders, true and complete copies of: (1) each Annual Statement and Quarterly Statement of each Insurance Subsidiary, filed with the respective Department, within ten (10) days of such filing; (2) the information required to be filed annually with the respective Department by each Insurance Subsidiary relating to such Insurance Subsidiary's reinsurance program within ten (10) days of filing such information; and (3) such other information about the Company and its Subsidiaries as the Holders may reasonably request from time to time*; provided* such other financial information in the case of this clause (4) is (A) regularly prepared by the Company in the ordinary course of business or can be prepared through administrative and ministerial efforts without undue burden and (B) available to the Company in a form that could reasonably be disclosed to Holders.

(c) The foregoing information in Section 3.2(a) and (b) shall be furnished or otherwise made available by the Company in electronic format by e-mail or by posting to a password protected website, as determined by the Company, to Holders and prospective purchasers designated by Holders that have completed and submitted the Request for Information Form attached hereto as Exhibit D to the Company. Notwithstanding the foregoing, the Company shall not be obligated to provide such information or materials to, including that it may redact, any such information or materials (i) if doing so would violate applicable law or an obligation of confidentiality owing to a third-party or jeopardize the protection of an attorney-client privilege, or (ii) would constitute sensitive business information or personally identifiable

information of any individual, as reasonably determined by the Company. Each party shall bear their own costs and expenses in connection with any such inspection.

(d) In addition, the Company shall furnish or otherwise make available to the Holders and to prospective purchasers of the Notes designated by such Holders, upon request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to the extent such Notes constitute "restricted securities" within the meaning of the Securities Act.

(e) Delivery of any reports, information and documents to the Trustee, including pursuant to this Section 3.2, if any, is for informational purposes only and the Trustee's receipt of such shall not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants pursuant to Article III (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 3.3 Limitation on Indebtedness.

(a) Except as set forth in the proviso hereto, the Guarantor shall not, and shall not permit any of its Subsidiaries (including the Company) to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) without first (i) providing written notification of the pricing and terms of such Indebtedness to the Holders no less than 10 Business Days in advance of the planned date that such Indebtedness is proposed to be Incurred and (ii) receiving from the Holders, acting through the Trustee or otherwise, written approval from the Holders of a majority of the Outstanding Principal Amount of the Notes that they consent to such Indebtedness being Incurred; *provided*, that the Guarantor and its Subsidiaries (including the Company) shall be entitled to Incur Indebtedness without complying with clauses (i) and (ii) above if, on the date of such Incurrence, and after giving effect thereto on a *pro forma* basis, (x) no Default has occurred and is continuing (or would result therefrom) and (y) the Debt to Total Capitalization Ratio is less than or equal to 40% ("Permitted Indebtedness").

(b) The provisions of Section 3.3(a) shall not apply to the Incurrence of the following Indebtedness:

(i) any surplus notes issued by Palomar Specialty Insurance Company outstanding on the date hereof to the extent they are redeemed or repaid within ninety (90) days after the date hereof;

(ii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument, including, but not limited to, electronic transfers, wire transfers and commercial card payments drawn against insufficient funds in the ordinary course of business (except in the form of committed or uncommitted lines of credit)*; provided*, *however*, that such Indebtedness is extinguished within 10 Business Days of Incurrence;

(iii) Indebtedness owed by the Guarantor to any Subsidiary of the Guarantor or owed by any Subsidiary of the Guarantor to the Guarantor or another Subsidiary of the Guarantor;

(iv) Indebtedness of the Guarantor or any Subsidiary to the extent that the net proceeds thereof are promptly deposited to defease the Notes in accordance with Article VIII.

(c) For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this Section 3.3:

(i) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in this Section 3.3(b) or could be Incurred pursuant to Section 3.3(a), the Company, in its sole discretion, may divide and classify such item of Indebtedness (or any portion thereof) on the date of Incurrence and may later divide and reclassify such item of Indebtedness (or any portion thereof) in any manner that complies with this Section 3.3 and only be required to include the amount and type of such Indebtedness once;

(ii) Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(iii) Indebtedness permitted by this Section 3.3 need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this Section 3.3 permitting such Indebtedness; and

(iv) the amount of Indebtedness issued at a price that is less than the principal amount thereof shall be equal to the amount of the liability in respect thereof determined in accordance with GAAP.

Accrual of interest, accrual of dividends, the accretion of accreted value or the amortization of debt discount, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Capital Stock including Preferred Stock shall not be deemed to be an Incurrence of Indebtedness for purposes of this Section 3.3. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof in the case of any Indebtedness issued with original issue discount or the aggregate principal amount outstanding in the case of Indebtedness issued with interest payable-in-kind, (ii) the principal amount or liquidation preference thereof, together with any interest thereon that is more than five (5) days past due, in the case of any other Indebtedness, (iii) in the case of the guarantee by a specified Person of Indebtedness of another Person, the maximum liability (excluding contingent liabilities) to which the specified Person may be subject upon the occurrence of the contingency giving rise to the obligation and (iv) in the case of Indebtedness of others guaranteed solely by means of a Lien on any asset or property of the Company or any Subsidiary (and not to their other assets or properties generally), the lesser of (x) the Fair Market Value of such asset or property on the date on which such Indebtedness is Incurred and (y) the amount of the Indebtedness so secured.

(d) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated by the Company based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness*; provided* that if such Indebtedness is Incurred to Refinance other Indebtedness denominated in a foreign currency, and such Refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being Refinanced *plus* the amount of any reasonable premium (including reasonable tender premiums), defeasance costs and any reasonable fees and expenses incurred in connection with the issuance of such new Indebtedness. Notwithstanding any other provision of this Section 3.3 the maximum amount of Indebtedness that the Company and its Subsidiaries may Incur pursuant to this Section 3.3 shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to Refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being Refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such Refinancing.

Section 3.4 Limitation on Restricted Payments. Except as set forth on Schedule 3.4, the Guarantor shall not, and shall not permit any of its Subsidiaries, directly or indirectly, to:

(a) declare or pay any dividends or any other distributions of any kind on or in respect of, its Capital Stock or, except pursuant to any transaction described on, and permitted by, Schedule 1.1, purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Guarantor (other than wholly in exchange for Capital Stock of the Guarantor (other than Disqualified Stock)); or

(b) make any payment or other distribution on any other securities of the Guarantor or any of its Subsidiaries that rank junior to or *pari passu* with the Notes, including on any Indebtedness of the Guarantor or any of its Subsidiaries (all such payments and other actions under (a) and (b), a "Restricted Payment"), *unless*, at the time of, and after giving effect to such Restricted Payment on a *pro forma basis*,

(i) no Default shall have occurred and be continuing (or would result therefrom);

(ii) during any fiscal year, the aggregate amount of all Restricted Payments to Persons other than the Guarantor and its Subsidiaries does not exceed 20% of the Total Shareholders' Equity of the Guarantor, as determined on the last day of the immediately preceding fiscal year; and

(iii) the Total Shareholders' Equity of the Guarantor is not less than 1.5 times the amount described in clause (a) of the definition of "Debt to Total Capitalization Ratio".

provided that (i) any such Restricted Payment in respect of the surplus notes issued by Palomar Specialty Insurance Company outstanding on the date hereof or in respect of or to make Permitted Payments shall be permitted; *provided, further*, that any such Restricted Payment shall not violate applicable law or regulations.

Section 3.5 Limitation on Liens. The Company shall not, and shall not permit any of its Subsidiaries to create, incur or assume any Lien on any asset or property of the Company or such Subsidiary (other than Permitted Liens) that secures any Indebtedness.

Section 3.6 Limitation on Sales of Subsidiary Stock. Neither the Company nor any of its Subsidiaries shall issue, sell, transfer or otherwise dispose of any Capital Stock of a Subsidiary, except to the Company or one of its other Subsidiaries that agrees to hold the transferred shares subject to the terms of this Section 3.6, *unless* (1) the Company sells, transfers or otherwise disposes of the entire Capital Stock of the Subsidiary at the same time for cash or property that is at least equal to the Fair Market Value of the Capital Stock or (2) the Company sells, transfers or otherwise disposes of any Capital Stock of a Subsidiary for at least Fair Market Value and, after giving effect thereto, the Company and its Subsidiaries would own more than 80% of the issued and outstanding Voting Stock of such Subsidiary. For purposes of the foregoing, Fair Market Value shall be as determined by the Company or the Board of Directors of the Company, as set forth in the definition of Fair Market Value.

Section 3.7 Limitation on Affiliate Transactions.

(a) Subject to Section 3.7(b), the Company shall not, and shall not permit any of its Subsidiaries to, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service, but excluding the payment of dividends) with any Affiliate of the Company (an "Affiliate Transaction") *unless*:

(i) the terms of such Affiliate Transaction, when viewed together with any related Affiliate Transactions, are not materially less favorable to the Company or such Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction in arm's-length dealings with a Person who is not an Affiliate;

(ii) in the event such Affiliate Transaction involves an aggregate consideration in excess of $1,000,000, the terms of such transaction have been approved by a majority of the independent members of the Board of Directors of the Company (and such majority determines that such Affiliate Transaction satisfies the criteria in clause (i) above).

(b) The provisions of Section 3.7(a) shall not apply to:

(i) any Restricted Payment permitted to be paid pursuant to Section 3.4 or Permitted Investment or Permitted Portfolio Investment not otherwise prohibited hereunder;

(ii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment agreements and other compensation arrangements, options to purchase Capital Stock of the Company pursuant to restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits plans, pension plans or similar plans or agreements or arrangements approved by the Board of Directors of the Company;

(iii) any transaction between or among the Company and any Subsidiary, or between or among the Subsidiaries of the Company;

(iv) any Guarantees issued by the Company or a Subsidiary for the benefit of the Company or a Subsidiary of the Company;

(v) the payment of reasonable and customary compensation (including fees, benefits, severance, change of control payments and incentive arrangements) to, and employee benefit arrangements, including, without limitation, split-dollar insurance policies, and indemnity or similar arrangements provided on behalf of, directors, officers, employees and agents of the Company, any Guarantor or any Subsidiary, whether by charter, bylaw, statutory or contractual provisions;

(vi) the existence of, and the performance of obligations of the Company, its Subsidiaries, or the Guarantor under the terms of any agreement to which the Company, any Subsidiary, or the Guarantor is a party as of or on the Issue Date, as these agreements may be amended, modified, supplemented, extended or renewed from time to time*; provided*, *however*, that any future amendment, modification, supplement, extension or renewal entered into after the Issue Date shall be permitted to the extent that its terms, taken as a whole, are not more disadvantageous to the Holders in any material respect, as determined in Good Faith by the Company, than the terms of the agreements in effect on the Issue Date;

(vii) any agreement between any Person and an Affiliate of such Person existing at the time such Person is acquired by or merged with or into or consolidated with the Company or a Subsidiary*; provided* that such agreement was not entered into in contemplation of such acquisition, merger or consolidation, or any amendment thereto (so long as any such amendment is not disadvantageous in any material respect to the Holders, as determined in Good Faith by the Company, when taken as a whole as compared to the applicable agreement as in effect on the date of such acquisition or merger);

(viii) insurance transactions, intercompany pooling and other reinsurance transactions entered into in the ordinary course of business and consistent with past practice;

(ix) any purchases by the Company's Affiliates of Indebtedness of the Company, any Guarantor or any of their respective Subsidiaries the majority of which Indebtedness is placed with Persons who are not Affiliates;

(x) arrangements for indemnification payments for directors and officers of the Company, any Guarantor and any of their respective Subsidiaries;

(xi) any issuance or sale of Capital Stock to Affiliates of the Company (other than Disqualified Stock) and the granting of registration and other customary rights in connection therewith or any contribution to the Capital Stock of the Company, any Guarantor or any of their respective Subsidiaries; and

(xii) those Affiliate Transactions existing on the Issue Date or set forth on Schedule 3.7.

Section 3.8 Maintenance of Reinsurance Coverage. The Company's Insurance Subsidiaries all purchase and maintain excess of loss catastrophe reinsurance from reinsurers with a minimum financial strength rating of "A-" by A.M. Best Company or a minimum credit rating of "A-" by S&P, unless such reinsurance liabilities have been fully collateralized by such reinsurers, including by any bonds issued by any special purpose reinsurer. The Company's Insurance Subsidiaries shall maintain reinsurance coverage that satisfies each of the following:

(a) such reinsurance coverage, with respect to catastrophe coverage, for first event losses, shall provide full coverage to a level equal to or greater than a 1:200 peak zone probable maximum loss as modeled using a commercially available model from any of Risk Management Solutions, Inc., AIR Worldwide Corporation, or EQECAT, which model (i) has been approved or required by the relevant Department or (ii) is appropriate in the reasonable determination of the Company;

(b) in connection with any renewal of such catastrophe reinsurance program, such program, as so renewed, shall have a U.S. dollar maximum retention in connection with the 1:200 level specified in paragraph (a) above of not more than 15% of the Total Shareholders' Equity of the Guarantor as of the last day of the calendar quarter immediately prior to the effective date of such renewal (the "Retention Cap"); *provided*, that in the event the Debt to Total Capitalization Ratio at such time is less than 40%, the Retention Cap shall be increased to 20%.

This Section 3.8 shall not apply to reinsurance between or among Subsidiaries of the Company.

Section 3.9 Investment Policy. The Company and its Subsidiaries shall comply in all material respects with the Investment Policy applicable thereto as in effect from time to time and except as required by applicable law or regulation or as requested by any Department shall not modify such Investment Policy in any respect that would reasonably be expected to materially and adversely affect the business of the Company and its Subsidiaries taken as a whole without receiving the prior written approval from the Holders of a majority of the Outstanding Principal Amount of the Notes that they consent to such modifications, acting through the Trustee or otherwise.

Section 3.10 Maintenance of Ratios.

(a) As of the last day of each fiscal quarter and fiscal year while the Notes are outstanding, beginning with the fiscal quarter ended September 30, 2018 and the fiscal year ended December 31, 2018, the Guarantor shall not have a Debt to Total Capitalization Ratio greater than 40%.

(b) For each fiscal year, beginning with the fiscal year ending December 31, 2018, as determined on the last day of such fiscal year, the Insurance Subsidiaries of the Guarantor, on a combined basis, shall maintain an annual ratio of (i) gross premiums written as determined in accordance with GAAP, but not including premiums paid from one Subsidiary to another Subsidiary, to (ii) Total Shareholders' Equity of the Guarantor of no more than 8.0 to 1.0.

Section 3.11 Maintenance of Insurance Subsidiaries. The Company shall cause each of its Insurance Subsidiaries to (i) be duly organized and licensed or otherwise eligible to conduct an insurance or a reinsurance business, as the case may be, under the insurance statutes and regulations as applied by the relevant insurance regulatory authorities in each jurisdiction in which the conduct of its business requires such licensing or eligibility, (ii) have all other necessary authorizations, approvals, orders, consents, certificates, permits, registrations and qualifications of and from all insurance regulatory authorities necessary to conduct their respective businesses and (iii) comply with all applicable insurance laws, rules and regulations applicable to the Insurance Subsidiaries, except, for each of (i), (ii) and (iii), where the failure to meet such conditions, would not, individually or in the aggregate, reasonably be expected to materially and adversely affect the business of the Company and its Subsidiaries taken as a whole.

Section 3.12 [Reserved].

Section 3.13 [Reserved].

Section 3.14 Corporate Existence. Except in connection with any transaction described on, and permitted by, Schedule 1.1 or as permitted by Section 4.1 or 4.2, each of the Company and the Guarantor shall do or cause to be done all things necessary to preserve and keep in full force and effect its legal existence and rights (charter and statutory)*; provided*, *however*, that the foregoing shall not obligate the Company or the Guarantor to preserve any such right if the Board of Directors shall reasonably determine that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to any Holder.

Section 3.15 Books and Records; Inspection Rights; Discussions. Each of the Company and the Guarantor shall, and shall cause each of its respective Subsidiaries to, keep proper books of records and account in which full, true and correct entries in conformity with GAAP and/or SAP, as applicable, and all requirements of applicable law shall be made of all dealings and transactions in relation to its business and activities.

(a) Upon the occurrence, and during the continuance of a Default or an Event of Default, the Company and the Guarantor shall make available (including the right to examine

and make abstracts, but not the right to make copies) to the Holders one or more representatives appointed by a Holder, at the Company's or the Guarantor's, as the case may be, relevant facilities upon reasonable advance notice and during normal business hours, its books and records and the books and records of any of its respective Subsidiaries to the extent reasonably requested in connection with, and relating to, such dispute.

(b) In addition, at reasonable times during business hours and upon reasonable prior notice, the Company and the Guarantor shall make available to the Holders or one or more representatives appointed by any such Holders, by teleconference call, members of senior management and the independent auditor of each of the Company and the Guarantor and its respective Subsidiaries to discuss the business, operations, properties and financial and other condition of the Company, the Guarantor and their respective Subsidiaries as reasonably requested.

(c) Notwithstanding the foregoing, the Company shall not be obligated to provide such access or information to, including that it may redact, any such books and records (i) if doing so would violate applicable law or an obligation of confidentiality owing to a third-party or jeopardize the protection of an attorney-client privilege, or (ii) would constitute sensitive business information or personally identifiable information of any individual, as reasonably determined by the Company. In addition, as a precondition to any such inspection and examination, such representative, and any Holder or other Person receiving information about the Company obtained by the representative during any such inspection or examination, shall be required to enter into a customary non-disclosure agreement with the Company relating to, among other things, (i) the confidentiality of such information, (ii) the limited use of such information and (iii) restrictions on trading of the Notes on the basis of material non-public information. Each party shall bear their own costs and expenses in connection with any such inspection.

Section 3.16 Compliance Certificate. The Company shall deliver to the Trustee within 45 days after the end of each fiscal quarter (commencing with the fiscal quarter ending September 30, 2018) an Officers' Certificate stating whether or not the signatory thereto knows (after reasonable inquiry) of any Default or Event of Default that occurred during such period. If a Default or Event of Default is known (after reasonable inquiry) to the signatory thereof, the certificate shall describe such Default or Event of Default, its status and what action the Company has taken, is taking or proposes to take with respect thereto.

Section 3.17 Payment for Consents. The Company shall not, and shall not permit any of its Subsidiaries to, pay or cause to be paid any consideration to or for the benefit of any Holder of any Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes unless such consideration is offered to be paid and is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

Section 3.18 Fundamental Change. Except as set forth on Schedule 3.18, the Company shall not undertake any Fundamental Change without the prior written approval of the Required Holders, which approval shall be provided to the Trustee. "Fundamental Change" means any act, event, development, change, circumstance, effect, condition, occurrence or series

of related acts, events, developments, changes, circumstances, effects, conditions or occurrences outside of the ordinary course of business ("Change") that results in a reduction of the Total Shareholders' Equity of the Guarantor of more than 25%, as determined on a *pro forma* basis giving effect to such Change and based on the most recently prepared quarterly financial statements immediately prior thereto. For the avoidance of doubt, the definition of Change shall include, among other things, (i) entering into, any material contracts, agreements or arrangements after the date hereof, or materially amending any material contracts, agreements or arrangements, in each case, not in the ordinary course of business, (ii) changes in the organizational form of the Company; (iii) forming, establishing or acquiring any subsidiaries not in existence as a Subsidiary of the Company on the date hereof; (iv) mergers or consolidations by the Company or any of its Subsidiaries with or into any Person other than the Company or its Subsidiaries, and (v) entering into any material loss portfolio transaction, bulk reinsurance agreement, or similar transaction not in the ordinary course of business. "Fundamental Change" shall exclude any Change of Control and actions specified in Section 4.1(a) and any Restricted Payment or Permitted Payment permitted by Section 3.4.

Section 3.19 Asset Sale.

(a) The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, consummate any Asset Sale *unless* (i) the Company, or such Subsidiary receives consideration at the time of such Asset Sale at least equal to the Fair Market Value (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Sale; and (ii) at least 75% of the consideration thereof received by the Company or such Subsidiary is in the form of cash or Cash Equivalents*; provided* that the following shall be deemed to be cash for purposes of this provision and for no other purpose:

(i) any liabilities (as reflected in the Company's or such Subsidiary's most recent balance sheet or in the footnotes thereto or, if incurred or increased subsequent to the date of such balance sheet, such liabilities that would have been shown on the Company's or such Subsidiary's balance sheet or in the footnotes thereto if such incurrence or increase had taken place on the date of such balance sheet, as determined by the Company) of the Company or such Subsidiary (other than liabilities that are by their terms subordinated to the Notes) that are assumed by the transferee of any such assets pursuant to a written agreement which releases or indemnifies the Company or Subsidiary from such liabilities;

(ii) any securities, notes or other similar obligations received by the Company or such Subsidiary from such transferee that are converted by the Company or such Subsidiary into cash (to the extent of the cash received) within 180 days of the receipt thereof; and

(iii) any Designated Non-cash Consideration received by the Company or such Subsidiary in such Asset Sale having an aggregate Fair Market Value not to exceed $20 million at the time of the receipt of such Designated Non-cash Consideration, with the fair market value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value.

(b) Within 365 days after the Company's receipt of the Net Available Cash from any Asset Sale, the Company may apply the Net Available Cash from such Asset Sale, at its option:

(i) to repay Pari Passu Indebtedness, *provided* that if the Company shall so reduce Obligations under Pari Passu Indebtedness, the Company shall equally and ratably reduce Obligations under the Notes as provided under Section 5.2 (except that the purchase therefor shall equal 100% of the Outstanding Principal Amount thereof, plus accrued and unpaid interest), or

(ii) to make an Investment in any one or more businesses, assets, or property or capital expenditures, in each case (A) used or useful in a Related Business or (B) that replace the properties and assets that are the subject of such Asset Sale, in each case not to exceed a maximum Fair Market Value of $10,000,000*; provided*, to the extent the assets subject to such Asset Sale constituted Notes Collateral, such newly acquired assets shall also be Notes Collateral;

(c) A binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment*; provided* that in the event such binding commitment is later canceled or terminated for any reason before such Net Available Cash are so applied, the Company or Subsidiary may enter into another binding commitment (a "Second Commitment") within nine (9) months of such cancellation or termination of the prior binding commitment*; provided*, *further*, that the Company or such Subsidiary may enter into a Second Commitment beyond the 365-day period from the Company's initial receipt of the Net Available Cash under the foregoing provision only one time with respect to each Asset subject to an Asset Sale. Pending the final application of any such Net Available Cash, the Company or such Subsidiary may temporarily reduce Indebtedness under a Debt Facility, if any, or otherwise invest such Net Available Cash in any manner not prohibited by this Indenture.

(d) Any Net Available Cash from any Asset Sale that are not applied as provided and within the time period set forth in Section 3.19(b)(i) or (ii) shall be deemed to constitute "Excess Proceeds". When the aggregate amount of Excess Proceeds exceeds $5,000,000, the Company shall be required to make an offer ("Asset Sale Offer") to all Holders to repurchase on a pro rata basis the maximum principal amount of Notes up to the amount of such Excess Proceeds at 100% of the Outstanding Principal Amount of Notes to be redeemed, *plus* accrued and unpaid principal or interest thereon to, but excluding, the date of purchase (subject to the rights of Holders of record on any Record Date to receive payments of interest on the related Interest Payment Date), in accordance with the procedures set forth in this Indenture in integral multiples of $1,000 (except that no Note will be purchased in part if the remaining principal amount would be less than $2,000).

(e) To the extent that the aggregate amount of Notes so validly tendered and not properly withdrawn pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use any remaining portion of such Excess Proceeds that is not applied to purchase Notes for general corporate purposes, the repayment of Indebtedness or as otherwise required pursuant to its other contractual requirements, subject to the terms of this Indenture. If the aggregate principal amount of Notes surrendered by Holders exceeds the Excess Proceeds, the

Notes to be purchased shall be selected on a pro rata basis on the basis of the aggregate principal amount of tendered Notes.

(f) The Asset Sale Offer shall remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the "Asset Sale Offer Period"). No later than five (5) Business Days after the termination of the Asset Sale Offer Period (the "Asset Sale Purchase Date"), the Company shall purchase the principal amount of Notes required to be purchased pursuant to this Section 3.19 (the "Asset Sale Offer Amount") or, if less than the Asset Sale Offer Amount has been so validly tendered and not properly withdrawn, all Notes validly tendered in response to the Asset Sale Offer.

(g) On or before the Asset Sale Purchase Date, the Company shall, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Sale Offer Amount of Notes or portions of Notes validly tendered and not properly withdrawn pursuant to the Asset Sale Offer, or if less than the Asset Sale Offer Amount has been validly tendered and not properly withdrawn, all Notes validly tendered and not properly withdrawn, in each case in minimum denominations of $1,000 (except that no Note shall be purchased in part if the remaining principal amount would be less than $2,000). The Company or the Paying Agent, as the case may be, shall promptly (but in any case not later than five Business Days after termination of the Asset Sale Offer Period) deliver to each tendering Holder an amount equal to the purchase price of the Notes validly tendered and not properly withdrawn by such holder and accepted by the Company for purchase, and the Company shall promptly issue a new Note, and the Trustee, upon receipt of an Authentication Order, shall authenticate and mail or deliver such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered*;* *provided* that each such new Note shall be in a minimum principal amount of $2,000 or an integral multiple of $1,000 in excess thereof. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. In the event that the Paying Agent shall deliver the purchase price of the Notes pursuant to this clause (g), the Company shall deposit with the Paying Agent one (1) Business Day prior to the Asset Sale Purchase Date an amount equal to the purchase price of the Notes or portions of Notes validly tendered and not properly withdrawn.

(h) The Company shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this Section 3.19. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section 3.19, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 3.19.

Section 3.20 Business Changes. The Company shall not, and shall not permit its Subsidiaries to, engage at any time in any business or business activity (other than the business currently conducted by it and business activities reasonably incidental thereto or reasonable extensions thereof) if the results thereof could reasonably be expected to cause the business currently conducted by it and business activities reasonably incidental thereto or reasonable extensions thereof to cease to be the primary revenue source of the Company and its Subsidiaries. For the avoidance of doubt, nothing in this Section 3.20 shall prohibit the

Company and its Subsidiaries from engaging in any business activity relating or incidental to the property and casualty insurance industry, including property restoration activities.

ARTICLE IV.
Successor Company

Section 4.1 When Company May Merge or Otherwise Dispose of Assets.

(a) The Company shall not consolidate with or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Company and its Subsidiaries, taken as a whole, in one or more related transactions, to, any Person, or enter into any transaction, scheme, or redomestication of substantially similar effect, *unless*:

(i) the resulting, surviving or transferee Person (the "Successor Company"), if other than the Company, shall be a corporation, partnership or limited liability company organized and existing under the laws of the United States of America, any State of the United States, the District of Columbia or any territory thereof;

(ii) the Successor Company, if other than the Company, shall expressly assume by an indenture supplemental hereto, executed and delivered to the Trustee, Paying Agent and Registrar, in form reasonably satisfactory to the Trustee, Paying Agent and Registrar, all the obligations of the Company under the Notes and this Indenture;

(iii) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Company, the Successor Company or any Subsidiary as a result of such transaction as having been Incurred by the Company, the Successor Company or such Subsidiary at the time of such transaction, without duplication), no Default or Event of Default shall have occurred and be continuing or would result therefrom;

(iv) immediately after giving effect to such transaction, the Successor Company would be able to Incur at least $1.00 of additional Indebtedness pursuant to Section 3.3(a);

(v) immediately after giving effect to such transaction on a pro forma basis in accordance with GAAP, the consolidation of the Successor Company with the Guarantor as a subsidiary of the Guarantor shall not cause the Total Shareholders' Equity of the Guarantor to be less than an amount equal to (i) the Total Shareholders' Equity of the Guarantor immediately prior to such transaction, minus (ii) $100,000; and

(vi) the Company shall have delivered to the Trustee an Officers' Certificate and Opinion of Counsel, each stating that such consolidation, merger or transfer and supplemental indenture required pursuant to clause (ii) comply with this Section 4.1.

(b) Notwithstanding anything in Section 4.1(a) to the contrary, any Subsidiary may consolidate with, merge with or into the Company or another Subsidiary so long as no Capital Stock of the Subsidiary is distributed to any Person other than the Company or such other Subsidiary, as applicable.

(c) Upon satisfaction of the conditions set forth in Section 4.1(a) or 4.1(b), as applicable, the Company shall be released from its obligations under this Indenture and the Successor Company shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture.

Section 4.2 When Guarantor May Merge or Otherwise Dispose of Assets.

(a) The Guarantor shall not consolidate with or merge with or into (whether or not the Guarantor is the surviving corporation), or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Guarantor and its Subsidiaries, taken as a whole, in one or more related transactions, to, any Person (other than the Company), or enter into any transaction, scheme, or redomestication of substantially similar effect, *unless*:

(i) the resulting, surviving or transferee Person (the "Successor Guarantor"), if other than the Guarantor, shall be an entity organized and existing under the laws of the United States of America (including any State thereof or the District of Columbia), the United Kingdom, Ireland, the Cayman Islands, Bermuda or any country which is a member of the Organization for Economic Co-operation and Development or the European Union;

(ii) the Successor Guarantor, if other than the Guarantor, shall expressly assume by an indenture supplemental hereto, executed and delivered to the Trustee, Paying Agent and Registrar, in form reasonably satisfactory to the Trustee, Paying Agent and Registrar, all the obligations of the Guarantor under the Notes and this Indenture;

(iii) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Guarantor, the Successor Guarantor or any Subsidiary as a result of such transaction as having been Incurred by the Guarantor, the Successor Guarantor or such Subsidiary at the time of such transaction, without duplication), no Default or Event of Default shall have occurred and be continuing or would result therefrom;

(iv) (A) immediately after giving effect to such transaction on a *pro forma* basis in accordance with GAAP, the Total Shareholders' Equity of the Successor Guarantor shall be no less than an amount equal to (i) the Total Shareholders' Equity of the Guarantor immediately prior to such transaction, minus (ii) $100,000 or (B) solely with respect to any transaction described on, and permitted by, Schedule 1.1 hereto, the assets and liabilities of the Successor Guarantor upon the effectiveness of such transaction shall be substantially similar to those of the Guarantor immediately prior to such transaction, together with any additional assets or liabilities so long as, in the

aggregate, such assets and liabilities do not (and are not reasonably expected to) adversely affect in any material respect the financial condition and liquidity of such Successor Guarantor; and

(v) the Guarantor shall have delivered to the Trustee an Officers' Certificate and Opinion of Counsel, each stating that such consolidation, merger or transfer and supplemental indenture required pursuant to clause (ii) comply with this Section 4.2.

(b) Notwithstanding anything in Section 4.2(a) to the contrary, but still subject to Section 4.1, any Subsidiary may consolidate with, merge with or into the Guarantor or another Subsidiary so long as no Capital Stock of the Subsidiary is distributed to any Person other than the Guarantor or such other Subsidiary, as applicable.

(c) Upon satisfaction of the conditions set forth in Section 4.2(a) or 4.2(b), as applicable, the Guarantor shall be released from its obligations under this Indenture and the Successor Guarantor shall succeed to, and be substituted for, and may exercise every right and power of, the Guarantor under this Indenture.

ARTICLE V.
Redemption

Section 5.1 Change of Control Redemption.

(a) If a Change of Control occurs, each Holder shall have the right to require the Company to repurchase all or any part (in integral multiples of $1,000) of such Holder's Notes at 100% of the Outstanding Principal Amount of the Notes to be redeemed *plus* accrued and unpaid interest on the Notes, if any, to, but excluding, the date of purchase (subject to the right of Holders of record on any relevant Record Date to receive interest due on any relevant Interest Payment Date):

(b) Within 15 days following any Change of Control, the Company shall send a notice (the "Change of Control Offer") to each Holder at the address appearing in the note register, with a copy to the Trustee, stating:

(i) that a Change of Control Offer is being made and that such Holder has the right to require the Company to purchase such Holder's Notes at the redemption price set forth above plus accrued and unpaid interest, if any, to, but excluding, the date of purchase (subject to the right of Holders of record on any relevant Record Date to receive interest and principal due on any relevant Interest Payment Date) (the "Change of Control Payment");

(ii) the repurchase date (which shall be no earlier than 15 days nor later than 75 days from the date such notice is distributed to Holders) (the "Change of Control Payment Date");

(iii) the procedures determined by the Company, consistent with this Indenture, that a Holder must follow in order to have its Notes repurchased;

(iv) that any Notes not tendered will continue to accrue interest in accordance with the terms of the applicable Note and this Indenture;

(v) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date;

(vi) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a facsimile or electronic mail transmission or letter setting forth the name of the Holder, the principal amount of the Notes delivered for purchase and a statement that such Holder is unconditionally withdrawing its election to have such Notes purchased; and

(vii) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to the then remaining balance of principal amount per Note.

(c) On the Change of Control Payment Date (or such earlier date as set forth below), the Company shall, to the extent lawful:

(i) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(ii) deposit with the Paying Agent one (1) Business Day prior to the Change of Control Payment Date or tender agent for such Change of Control Offer an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes so tendered; and

(iii) deliver or cause to be delivered to the Registrar the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

(d) The Paying Agent or tender agent for such Change of Control Offer shall promptly pay to each Holder of Notes so tendered the Change of Control Payment for such Notes, and upon receipt of an Authentication Order and following execution by the Company of a new note, the Trustee shall promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new note equal in principal amount to any unpurchased portion of the Notes surrendered, if any*; provided* that each such new note will be in a minimum principal amount of $2,000.

(e) Subject to the definition of a Change in Control, the Change of Control provisions described above shall be applicable whether or not any other provisions of this Indenture are applicable.

(f) The Company shall not be required to make a Change of Control Offer upon a Change of Control if (i) a third party makes the Change of Control Offer in the manner, at

the times and otherwise in compliance with the requirements set forth in this Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (ii) a notice of redemption for all of the outstanding Notes has been given pursuant to this Indenture unless and until there is a default in payment of the applicable redemption price, *plus* accrued and unpaid interest to, but excluding, the proposed Early Redemption Date. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Offer.

(g) The Company shall comply, to the extent applicable, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws or regulations thereunder in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Indenture, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in this Indenture by virtue of the conflict.

(h) The parties hereto expressly acknowledge and agree that, notwithstanding anything to the contrary contained in this Agreement, the Holders shall not be entitled to the rights described in this Section 5.1 solely due to the consummation of any transaction described on Schedule 1.1 hereto.

Section 5.2 Optional Redemption. The Company may, at its option, redeem all or, from time to time, a part of the Notes, without premium or penalty (other than as set forth below), at the following redemption prices (expressed as a percentage of the Outstanding Principal Amount of the Notes to be redeemed) *plus* accrued and unpaid interest on the Notes, if any, to, but excluding, the applicable Early Redemption Date (subject to the right of Holders of record on any relevant Record Date to receive interest due on any relevant Interest Payment Date).

Period	Redemption Price
Prior to September 6, 2019	102%
After September 6, 2019 but prior to September 6, 2020	101%
On September 6, 2020 and thereafter	100%

For the avoidance of doubt, only redemptions at the Company's election pursuant to this Section 5.2 shall be subject to the premiums described above.

Section 5.3 Election to Redeem; Notice to Trustee of Optional Redemptions. If the Company elects to redeem the Notes pursuant to Section 5.2, the Company shall furnish to the Trustee, at least 10 Business Days before notice of redemption is required to be mailed or caused to be mailed to Holders pursuant to Section 5.5, an Officers' Certificate setting forth (a) the paragraph or subparagraph of such Note and/or Section of this Indenture pursuant to which the redemption shall occur, (b) the Early Redemption Date, (c) the principal amount of the Notes to be redeemed and (d) the redemption price, including any applicable premium. The

Company shall deliver to the Trustee such documentation and records as shall enable the Trustee to select the Notes to be redeemed pursuant to Section 5.4.

Section 5.4 Selection by Registrar of Notes to Be Redeemed. In the case of any partial redemption under Section 5.2, selection of the Notes for redemption will be made by the Trustee in compliance with the requirements of the applicable depository and the principal national securities exchange, if any, on which the Notes are listed (as advised by the Company to the Registrar) or, if the Notes are not listed, then on as nearly a *pro rata* basis as possible or by lot or such other similar method in accordance with the Applicable Procedures (subject to such rounding as may be necessary so that Notes are redeemed in integral multiples of the then remaining balance of principal amount per Note or less if redeemed in part), and in accordance with the Applicable Procedures. If any Note is to be redeemed in part only, the notice of redemption relating to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof shall be issued in the name of the Holder thereof upon cancellation of the original Note in accordance with Section 5.8.

The Registrar shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of such Note which has been or is to be redeemed.

Section 5.5 Notice of Redemption. The Company shall furnish to the Trustee for distribution to each Holder whose Notes are to be redeemed at its registered address not less than 30 nor more than 60 days prior to a date fixed for redemption (a "Early Redemption Date")*; provided*, *however*, that redemption notices may be mailed more than 60 days prior to an Early Redemption Date if the notice is issued in connection with Article VIII. At the Company's written request, the Trustee shall give notice of redemption in the Company's name and at the Company's expense*; provided* that the Company shall have delivered to the Trustee, at least five (5) Business Days before notice of redemption is required to be mailed or caused to be mailed to Holder pursuant to this Section 5.5 (unless a shorter notice shall be agreed to by the Trustee), an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the following paragraph.

All notices of redemption shall be prepared by the Company and shall state:

(a) the Early Redemption Date,

(b) the redemption price and the amount of accrued interest, if any, to, but excluding, the Early Redemption Date payable as provided in Section 5.7 if any,

(c) if less than all outstanding Notes are to be redeemed, the identification of the particular Notes (or portion thereof) to be redeemed, as well as the aggregate principal

amount of Notes to be redeemed and the aggregate principal amount of Notes to be outstanding after such partial redemption,

(d) in case any Note is to be redeemed in part only, the notice which relates to such Note shall state that on and after the Early Redemption Date, upon surrender of such Note, the Holder shall receive, without charge, a new Note or Notes of authorized denominations for the principal amount thereof remaining unredeemed,

(e) that on the Early Redemption Date the redemption price (and accrued interest, if any, to, but excluding, the Early Redemption Date payable as provided in Section 5.7) shall become due and payable upon each such Note, or the portion thereof, to be redeemed, and, unless the Company defaults in making the redemption payment, that interest on Notes called for redemption (or the portion thereof) shall cease to accrue on and after said date,

(f) the place or places where such Notes are to be surrendered for payment of the redemption price and accrued interest, if any,

(g) the name and address of the Paying Agent,

(h) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price,

(i) the ISIN number, and that no representation is made as to the accuracy or correctness of the ISIN number, if any, listed in such notice or printed on the Notes, and

(j) the Section of this Indenture pursuant to which the Notes are to be redeemed.

Section 5.6 Deposit of Redemption Price. Prior to 10:00 a.m. (New York time) on the Business Day immediately preceding any Early Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 2.4) an amount of money sufficient to pay the redemption price of, and accrued interest on, all the Notes which are to be redeemed on that date.

Section 5.7 Notes Payable on Early Redemption Date. Notice of redemption having been given as aforesaid, the Notes so to be redeemed shall, on the Early Redemption Date, become due and payable at the redemption price therein specified (together with accrued interest, if any, to, but excluding, the Early Redemption Date) and such Notes shall cease to bear interest. Upon surrender of any such Note for redemption in accordance with said notice, such Note shall be paid by the Company at the redemption price, together with accrued interest, if any, to, but excluding, the Early Redemption Date (subject to the rights of Holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date).

If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Early Redemption Date at the rate borne by the Notes.

If an Early Redemption Date is on or after a Record Date and on or before the related Interest Payment Date, the accrued and unpaid interest, if any, shall be paid to the Person in whose name the Note is registered at the close of business on such Record Date, and no additional interest shall be payable to Holders whose Notes shall be subject to redemption by the Company.

Section 5.8 Notes Redeemed in Part. Any Note which is to be redeemed only in part (pursuant to the provisions of this Article or Section 3.19) shall be surrendered at the office or agency of the Company maintained for such purpose pursuant to Section 2.3 (with, if the Company so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Company shall execute, and, upon receipt of an Authentication Order, the Trustee shall authenticate and make available for delivery to the Holder of such Note at the expense of the Company, a new Note or Notes, of any authorized denomination as requested by such Holder, in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Note so surrendered, *provided* that each such new Note shall be in a minimum principal amount of the Notes not subject to redemption.

ARTICLE VI.
Defaults and Remedies

Section 6.1 Events of Default.

(a) Any one or more of the following events shall constitute an event of default (an "Event of Default") under this Indenture:

(i) default in any payment of interest on any Note when the same becomes due and payable and such default continues for a period of five (5) Business Days;

(ii) default in the payment of principal of or premium, if any, on any Note when the same becomes due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration of acceleration or otherwise or any other amounts otherwise payable under the Notes or this Indenture (except to the extent covered under clause (a)(i) of this Section 6.1), and such default continues for a period of five (5) Business Days;

(iii) failure by the Company or the Guarantor, as applicable, to comply with any of its obligations under Article IV;

(iv) failure by the Company or the Guarantor, as applicable to comply with any of its obligations under Sections 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.11, 3.14, 3.16, 3.17, 3.18, 3.19, 3.20, or 5.1, in each case for a period of thirty (30) days following receipt of written notice as provided below;

(v) failure by the Company or the Guarantor, as applicable, to comply with any of its obligations under Section 3.10 for a period of ninety (90) days following receipt of written notice as provided below;

(vi) failure by the Company or the Guarantor to comply, as applicable with its other agreements (except as provided in clauses (a)(i) through (a)(iv) of this Section 6.1) contained in this Indenture or the Notes for a period of sixty (60) days following receipt of written notice as provided below;

(vii) the Company fails to comply with any material agreement, covenant, condition or obligation in the Security Documents and such failure continues for thirty (30) days after notice as provided below;

(viii) the assertion by the Company in any pleading in any court of competent jurisdiction, that any security interest created or intended to be created by this Indenture or the Security Documents is invalid or unenforceable, except in each case for any failure or loss of perfection resulting from any failure of the Collateral Agent to maintain possession of certificates actually delivered to it representing securities pledged under the Security Documents if such assertion is not rescinded within thirty (30) days;

(ix) the Guarantor or any of its Subsidiaries, including the Company, defaults under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by the Guarantor or any of its Subsidiaries (or the payment of which is Guaranteed by the Guarantor or any of its Subsidiaries), other than Indebtedness owed to the Guarantor or a Subsidiary or the Guarantor, whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default:

(A) is caused by a failure to pay principal of, or interest or premium on, on such Indebtedness on any interest payment date of at its final stated maturity within the grace period provided in the agreements or instruments governing such Indebtedness ("payment default"); or

(B) results in the acceleration of such Indebtedness prior to its stated final maturity;

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates $5,000,000 or more;

(x) any representation or warranty made by or on behalf of the Company in the Purchase Agreement or made by or on behalf of the Company in this Indenture, the Security Documents or in any certificate required to be delivered pursuant hereto or thereto having been incorrect as of the time such representation or warranty is made in any respect (with respect to representations or warranties containing qualifications as to materiality, or words of similar effect) or, with respect to any other representations or warranties, in any material respect;

(xi) the Guarantor or any Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case or proceeding with respect to itself;

(B) is subject to a supervision, rehabilitation, liquidation, conservation or similar insurance receivership proceeding pursuant to an order of competent jurisdiction and such proceeding is not dismissed within 60 days;

(C) an Insurance Subsidiary of the Guarantor fails to maintain minimum capital and surplus as required by the applicable Department with jurisdiction over the Insurance Subsidiary's business that requires or permits the Department to institute liquidation, rehabilitation, conservation or other similar supervision of such Insurance Subsidiary;

(D) consents to the entry of an order for relief against it in an involuntary case or proceeding;

(E) consents to the appointment of a Custodian (as defined below) of it or for substantially all of its property; or

(F) makes a general assignment for the benefit of its creditors;

(xii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Guarantor, the Company or any Insurance Subsidiary of the Guarantor in an involuntary case;

(B) appoints a Custodian of the Guarantor, the Company or any Insurance Subsidiary of the Guarantor for any substantial part of its property; or

(C) orders the winding up or liquidation of the Guarantor, the Company or any Insurance Subsidiary of the Guarantor;

(xiii) failure by the Guarantor or any Subsidiary of the Guarantor, including the Company, to pay final and non-appealable judgments in excess of $2,500,000 (net of any amounts that are covered by third party insurance, pursuant to which the insurer has not contested coverage), which judgments remain unsatisfied or undischarged for any period of 60 consecutive days during which a stay of enforcement of such judgments shall not be in effect;

(xiv) the Liens created by the Security Documents shall at any time not constitute valid and perfected Liens on any portion of the Notes Collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required herein or therein) in favor of the Collateral Agent, except in each case for any failure or loss of perfection resulting from any failure of the Collateral Agent to maintain possession of certificates actually delivered to it representing securities pledged under the Security Documents or to otherwise perform or comply with its duties or obligations under any Security Document; or

(xv) except as permitted in this Indenture, the Guarantee shall be held in any judicial proceeding not subject to appeal, or which is not timely appealed, to be unenforceable or invalid or shall cease for any reason to be in full force or effect, or the Guarantor shall deny or disaffirm in writing its obligations under the Guarantee.

Notwithstanding the foregoing, a default under clauses (iii) through (vii) of this Section 6.1(a) shall not constitute an Event of Default until the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes notify the Company in writing of the default and the Company does not cure such default within the time specified in clause (iv), (v), (vi) or (vii) of this paragraph after receipt of such written notice, as applicable. Such notice must specify the Default, demand that it be remedied and state that such written notice is a "Notice of Default."

The term "Bankruptcy Law" means Title 11, United States Code, or any similar federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

Section 6.2 Acceleration. If an Event of Default (other than an Event of Default specified in Section 6.1(a)(xi) or (xii) (with respect to the Company)), occurs and is continuing, the Holders of at least a majority in principal amount of the outstanding Notes by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a "notice," and the Trustee at the request of such Holders shall, declare the principal of and accrued and unpaid interest, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest shall, subject to Section 6.4 be immediately due and payable. In the event of a declaration of acceleration of the Notes because an Event of Default set forth in Section 6.1(a)(ix) above has occurred and is continuing, such declaration of acceleration of the Notes shall be automatically rescinded and annulled if the default triggering such Event of Default pursuant to Section 6.1(a)(ix) shall be remedied or cured by the Company or a Subsidiary or waived by the holders of the relevant Indebtedness within 15 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived. If an Event of Default specified in Section 6.1(a)(xi) or (xii) with respect to the Company occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Section 6.3 Other Remedies. If an Event of Default occurs and is continuing, the Trustee, acting at the direction of the Holders of at least a majority of the principal amount of the Notes then outstanding, may pursue any available remedy to collect the payment of principal of or interest on the Notes or to enforce the performance of any provision of the Notes and this Indenture (including sums owed to the Trustee, the Agents, and their agents and counsel).

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding, provided the Trustee provides evidence of the Holders' direction. A delay or omission by the Trustee or any Holder in exercising any right or

remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Section 6.4 Waiver of Past Defaults. The Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) by notice to the Trustee and the Company may waive an existing Default or Event of Default and its consequences (except a Default or Event of Default in the payment of the principal of, premium or interest on a Note) and rescind any such acceleration with respect to the Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived.

Section 6.5 Control by Majority. The Holders of a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee, as the case may be, may refuse to follow any direction that conflicts with law or this Indenture, the Notes, or, subject to Sections 7.1 and 7.2, that the Trustee determines is unduly prejudicial to the rights of other Holders or would involve the Trustee in personal liability*; provided*, *however*, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action under this Indenture, the Trustee shall be entitled to indemnity, security and/or prefunding satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action.

Section 6.6 Limitation on Suits. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder may pursue any remedy with respect to this Indenture or the Notes unless:

(i) the Holder has previously given to the Trustee written notice stating that an Event of Default is continuing;

(ii) the Holders of at least a majority in principal amount of the Notes outstanding have made a written request to the Trustee to pursue the remedy;

(iii) such Holder or Holders have offered to the Trustee security, indemnity and/or prefunding satisfactory to it against any loss, liability or expense; and

(iv) the Trustee has not complied with the request within 15 days after receipt of the request and the offer of security or indemnity

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

Section 6.7 Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of, premium

(if any) or interest on the Notes held by such Holder, on or after the respective due dates expressed in the Notes, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.8 Collection Suit by Trustee. If an Event of Default specified in Section 6.1(a)(i) or (ii) occurs and is continuing, the Trustee, at the written direction of the Holders of a majority in aggregate principal amounts of the Notes then outstanding, may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount then due and owing (together with interest on any unpaid interest to the extent lawful) and the amounts provided for in Section 7.6.

Section 6.9 Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Agents (including any claim for the compensation, expenses, disbursements and advances of the Trustee, the Agents and their agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company, its Subsidiaries or their respective creditors or properties and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election of a trustee in bankruptcy or other Person performing similar functions, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and the Agents and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee and the Agents any amount due it for the compensation, expenses, disbursements and advances of the Trustee, the Agent, their agents and counsel, and any other amounts due the Trustee and the Agents under Section 7.6. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, the Agents, their agents and counsel, and any other amounts due to the Trustee and the Agents under Section 7.6 out of the estate in any proceeding shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holder may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan or reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in such proceeding.

Section 6.10 Compliance with Insurance Laws. This Indenture and the transactions contemplated hereby (i) do not and will not constitute, create, or have the effect of constituting or creating, directly or indirectly, actual or practical ownership of the Company or any Subsidiary of the Company by the Trustee or any Holder, or control, affirmative or negative, direct or indirect, by the Trustee or any Holder or any other person or entity over the management or any other aspect of the operation of the Company or any Subsidiary of the Company, in each case in any way that could be deemed to violate any applicable insurance law or regulation and (ii) do not and will not constitute the transfer, assignment or disposition in any manner, voluntarily or involuntarily, directly or indirectly, of any insurance license by the Company or any Subsidiary of the Company in any way that could be deemed to violate any applicable insurance law or regulation. Neither the Trustee nor any Holder shall take any action or effect any remedy under this Indenture contrary to the foregoing sentence.

Section 6.11 Priorities. The Trustee shall pay out any money or property received by it in the following order:

First: to the Trustee, the Collateral Agent and the other Agents for amounts due to each of them under Section 7.6; and

Second: to Holders for amounts due and unpaid on the Notes for principal, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any, and interest, respectively.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section. At least 15 days before such record date, the Company shall send to the Trustee for distribution to each Holder a notice that states the record date, the payment date and the amount to be paid.

Section 6.12 Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by the Company, a suit by a Holder pursuant to Section 6.7 or a suit by Holders of more than 10% in outstanding principal amount of the Notes.

ARTICLE VII.
Trustee

Section 7.1 Duties of Trustee.

(a) If an Event of Default occurs and is continuing the Trustee shall only exercise any of its rights and powers under this Indenture and the Notes to the extent it has received from the Holders of at least a majority of the principal amount of the Notes then outstanding written direction to do so; and *provided further* that the Trustee shall be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any of the Holders unless such Holders have provided the Trustee indemnity, security and/or prefunding satisfactory to the Trustee in its sole discretion, as applicable, against loss, liability or expense.

(b) Subject to subsection (a) above:

(i) the Trustee and the Agents undertake to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee or the Agents; and

(ii) in the absence of gross negligence, bad faith or fraud on its part, each of the Trustee or the Agents may conclusively rely, as to the truth of the statements

and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee under this Indenture and the Notes, as applicable. However, in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the form of such certificates and opinions to determine whether or not they conform to the requirements of this Indenture and the Notes, as the case may be (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section 7.1;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer or Trust Officers unless it is proved in a final and non-appealable decision of a court of competent jurisdiction that the Trustee was grossly negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5.

(d) The Trustee shall not be liable for interest on any money received by it except as the Trustee may expressly agree in writing with the Company.

(e) Money held by the Trustee need not be segregated from other funds except to the extent required by law.

(f) No provision of this Indenture or the Notes shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or thereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 7.1, Section 7.2 and Section 7.6.

(h) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless (i) so directed in writing by the Holders of at least a majority in the principal amount of the outstanding Notes and (ii) such Holders shall have provided to the Trustee, security, prefunding or indemnity satisfactory to the Trustee against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in compliance with such request or direction.

Section 7.2 Rights of Trustee.

(a) The Trustee may conclusively rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, notice, request, direction, consent, order, bond or any other paper or documents believed by it to be genuine and to have been signed or presented by the proper Person or Persons. The Trustee need not investigate any fact or matter stated in the document.

(b) The Trustee may refer any question relating to the ownership of a Note or the adequacy or sufficiency of any evidence supplied in connection with the replacement of a Note to the Company for determination by the Company and rely upon any determination so made.

(c) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Officers' Certificate or Opinion of Counsel.

(d) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(e) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers*; provided*, *however*, that the Trustee's conduct, respectively, does not constitute willful misconduct or gross negligence as determined in a final and non-appealable decision of a court of competent jurisdiction.

(f) The Trustee may consult with professional advisors of its selection, and the advice or opinion of any such advisor with respect to matters relating to this Indenture or the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder or thereunder in good faith and in accordance with the advice or opinion of any such advisor.

(g) The Trustee may engage or be interested in any financial or other transaction with the Company and/or any of their Affiliates and may act as freely as if it were not appointed under this Indenture.

(h) The Trustee shall not be bound to make any investigation into any statement, warranty or representation, or the facts or matters stated in any resolution, certificate, statement, instrument, opinion, notice, request, direction, consent, order, bond or other paper or document made or in connection with this Indenture; moreover, the Trustee shall not be bound to make any investigation into (i) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (ii) the occurrence of any default, or the validity, enforceability, effectiveness or genuineness of this Indenture or any other agreement, instrument or document, or (iii) the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note or other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be

entitled to examine the books, records and premises of the Company, personally or by agent or attorney and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation. The recitals contained herein and in the Notes, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity, sufficiency or adequacy of this Indenture or of the Notes. The Trustee shall not be accountable for the use or application by the Company of Notes or the proceeds thereof. The Trustee shall not be responsible to make any calculation with respect to any matter under this Indenture. The Trustee shall have no duty to monitor or investigate the Company's compliance with or the breach of, or cause to be performed or observed, any representation, warranty or covenant made in this Indenture.

(i) The Trustee shall not be deemed to have knowledge of any matter including any Default or Event of Default, except any Default or Event of Default of which a Trust Officer shall have received written notification from the Company or Holders at the Corporate Trust Office of the Trustee and such notice references the Notes and this Indenture.

(j) In no event shall the Trustee be responsible or liable for special, punitive, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(k) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee and each Agent in each of its capacities hereunder.

(l) The Trustee may request that the Company deliver a certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture.

(m) The permissive rights of the Trustee enumerated herein shall not be construed as duties.

(n) The Company shall provide prompt written notice to the Trustee of any change to its fiscal year.

(o) The Trustee shall have no duty to inquire as to the performance of the Company with respect to the covenants contained in Article III (as may be further amended by any supplemental indenture hereto).

(p) The Trustee shall not be required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Indenture.

(q) No provision of this Indenture shall require the Trustee to do anything which, in its opinion, may be illegal or contrary to applicable law or regulation.

Section 7.3 Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes, in accordance with the provisions of

this Indenture, and may otherwise deal with the Company, the Subsidiaries or their Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar, co-registrar or co-paying agent may do the same with like rights. In addition, the Trustee shall be permitted to engage in transactions with the Company*; provided*, *however*, that if the Trustee acquires any conflicting interest the Trustee must (i) eliminate such conflict within 90 days of acquiring such conflicting interest or (ii) resign.

Section 7.4 Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the Notes or the proceeds from the Notes, and it shall not be responsible for any statement of the Company in this Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Trustee's certificate of authentication or for the use or application of any funds received by any Paying Agent.

Section 7.5 Notice of Defaults. If a Default occurs and is not cured within any applicable cure period of which a Trust Officer has received written notice, the Trustee shall cause to be provided to the Company and each Holder a written Notice of Default within 15 days after the Trustee receives such Notice. Except in the case of a Default in payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold the notice if and so long as a committee of Trust Officers of the Trustee in good faith determines that withholding the notice is in the interests of Holders.

Section 7.6 Compensation and Indemnity. The Company shall pay to the Trustee and each Agent from time to time such compensation for its services as the parties shall agree in writing from time to time. Neither the Trustee's compensation nor any Agent's compensation shall be limited by any law on compensation, including with respect to the Trustee, any law of a trustee of an express trust. The Company shall reimburse the Trustee and each Agent upon request for all reasonable and documented out-of-pocket expenses properly incurred or made by it, including, but not limited to, costs of collection, costs of preparing and reviewing reports, certificates and other documents, costs of preparation and mailing of notices to Holders and reasonable costs of counsel, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and reasonable and documented out-of-pocket expenses, disbursements and advances of the Trustee's or any Agent's agents, counsel, accountants and experts. The Company shall indemnify the Trustee and each Agent or any of their predecessors in each of their capacities hereunder, and each of their officers, directors, employees, counsel and agents, against any and all loss, liability or expense (including, but not limited to, reasonable and documented out-of-pocket attorneys' fees and expenses) incurred by it in connection with the administration of the Notes and this Indenture and the performance of their duties hereunder and thereunder, including the costs and expenses of enforcing this Indenture (including this Section 7.6) and the Notes and of defending itself against any claims (whether asserted by any Holder, the Company or otherwise). The Trustee and each Agent shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee or any Agent to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee or Agent may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not reimburse any expense or indemnify against any loss, liability or expense

incurred by the Trustee or any Agent through its own willful misconduct or gross negligence as determined in a final and non-appealable decision of a court of competent jurisdiction.

To secure the Company's payment obligations in this Section 7.6, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest on particular Notes. The right of the Trustee or an Agent to receive payment of any amounts due under this Section 7.6 shall not be subordinate to any other liability or indebtedness of the Company.

The Company's payment obligations pursuant to this Section and any lien arising hereunder shall survive the discharge of this Indenture and the resignation or removal of the Trustee. When the Trustee incurs expenses after the occurrence of an Event of Default specified in Section 6.1(a)(xi) or (xii) with respect to the Company, the expenses are intended to constitute expenses of administration under any Bankruptcy Law.

The obligation of the Company under this Section 7.6 shall survive satisfaction and discharge of this Indenture or the earlier resignation or removal of the Trustee or an Agent.

Section 7.7 Replacement of Trustee. The Trustee may resign at any time by so notifying the Company with at least thirty (30) days' prior written notice. The Holders of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Company and the Trustee in writing not less than thirty (30) days in advance and may appoint a successor Trustee with the Company's consent (which consent shall not be unreasonably withheld or delayed). The Company may remove the Trustee without cause upon at least 30 day's written notice to the Trustee so long as no Event of Default has occurred and is continuing, and may remove the Trustee for cause if:

(i) the Trustee is adjudged bankrupt or insolvent;

(ii) a receiver or other public officer takes charge of the Trustee or its property;

(iii) the Trustee otherwise becomes incapable of acting; or

(iv) the Trustee breaches this Indenture.

If the Trustee resigns or is removed by the Company or by the Holders of a majority in principal amount of the then outstanding Notes and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Company shall promptly appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.6.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Holders of at least 10% in principal amount of the Notes may petition, at the Company's expense, any court of competent jurisdiction for the appointment of a successor Trustee.

Notwithstanding the replacement of the Trustee pursuant to this Section 7.7 the Company's obligations under Section 7.6 shall continue for the benefit of the retiring Trustee.

Section 7.8 Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture, any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture *provided* that the certificate of the Trustee shall have.

Section 7.9 Agents. Any Agent may resign, without any liability for doing so, and be discharged from its duties under this Indenture at any time by giving thirty (30) days' prior written notice of such resignation to the Trustee and the Company. The Trustee or Company may remove any Agent at any time by giving thirty (30) days' prior written notice to any Agent. Upon such notice, a successor Agent shall be appointed by the Company, who shall provide written notice of such to the Trustee. Such successor Agent shall become the Agent hereunder upon the resignation or removal date specified in such notice. If the Company is unable to replace the resigning Agent within thirty (30) days after such notice, the Agent may, in its sole discretion, deliver any funds then held hereunder in its possession to the Trustee (or its designee for such purposes) or may apply to a court of competent jurisdiction for the appointment of a successor Agent or for other appropriate relief. The costs and expenses (including the reasonable and documented out-of-pocket fees and expenses of counsel) incurred by the Agent in connection with such proceeding shall be paid by the Company. Upon receipt of the identity of the successor Agent, the Agent shall deliver any funds then held hereunder to the successor Agent, less the Agent's fees, costs and expenses or other obligations owed to the Agent. Upon its resignation and delivery of any funds, the Agent shall be discharged of and from any and all further obligations arising in connection with this Indenture, but shall continue to enjoy the benefit of Section 7.6.

ARTICLE VIII.
Discharge of Indenture; Defeasance

Section 8.1 Discharge of Liability on Notes; Defeasance.

(a) When (i) (x) the Company delivers to the Registrar all outstanding Notes (other than Notes replaced pursuant to Section 2.7) for cancellation or (y) all outstanding Notes not theretofore delivered to the Registrar for cancellation have become due and payable by reason of making a notice of redemption pursuant to Section 5.5 or otherwise, or will become due and payable within one year or may be called for redemption within one year under arrangements pursuant to Article V and the Company irrevocably deposits or causes to be deposited with the Trustee or another entity designated by the Trustee for such purpose as trust funds in trust solely for the benefit of the Holders in U.S. dollars, U.S. Government Obligations or a combination thereof, in such amounts as shall be sufficient without consideration of any reinvestment of interest to pay and discharge the entire Indebtedness on such Notes not theretofore delivered to the Registrar for cancellation for principal, premium, if any, and accrued interest to, but excluding, the date of maturity or redemption; (ii) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit (other than a default resulting from borrowing of funds to be applied to such deposit and the grant of any Lien securing such borrowing) and such deposit shall not result in a breach or violation of, or constitute a default under, any material instrument (other than this Indenture) to which the Company is a party or by which the Company is bound; (iii) the Company has paid or caused to be paid all sums payable on the date of deposit to the Trustee under this Indenture; and (iv) the Company has delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of such Notes at maturity or the Early Redemption Date, as the case may be, then this Indenture shall, subject to Section 8.1(c) cease to be of further effect.

(b) Subject to Sections 8.1(c) and 8.2 the Company at its option and at any time may terminate (i) all the obligations of the Company under the Notes and this Indenture ("legal defeasance") or (ii) the obligations of the Company under Sections 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.16, 3.19, 3.20 and 5.1 and the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant or provision, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or provision or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply with such covenants or provisions shall no longer constitute a Default or an Event of Default under Sections 6.1(a)(iv), (v), (vi), (vii), (viii), (ix) (only with respect to its Subsidiaries), (x), (xi) (only with respect to its Material Subsidiaries) and (xii) (clause (ii) being referred to as the "covenant defeasance option") but except as specified above, the remainder of this Indenture and the Notes shall be unaffected thereby. The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

If the Company exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default. If the Company exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in

Section 1(a)(iv), Sections 6.1(a)(iv), (v), (vi), (vii), (viii), (ix) (only with respect to its Subsidiaries), (x), (xi) (only with respect to its Material Subsidiaries) and (xi).

Upon satisfaction of the conditions set forth herein and upon request of the Company, the Trustee shall acknowledge in writing the discharge of those obligations that the Company terminates.

(c) Notwithstanding the provisions of Sections 8.1(a) and (b), the Company's obligations in Sections 2.2, 2.3, 2.4, 2.5, 2.6, 2.9, 2.10, 2.12, 3.1, 6.7, 7.1, 7.2, 7.6, 7.7, 8.1(b) (with respect to legal defeasance), 8.3, 8.4, 8.5 and 8.6 shall survive until the Notes have been paid in full. Thereafter, the Company's obligations in Sections 6.7, 7.6, 8.4 and 8.5 shall survive.

Section 8.2 Conditions to Defeasance. The Company may exercise its legal defeasance option or its covenant defeasance option only if:

(i) the Company shall irrevocably deposit with the Trustee or another entity designated by the Trustee for such purpose, in trust, for the benefit of the Holders, U.S. dollars or U.S. Government Obligations, or a combination of U.S. dollars and U.S. Government Obligations, in such amounts as shall be sufficient, in the opinion of a nationally recognized firm of independent public accountants (a copy of which shall be delivered to the Trustee), to pay the principal of, or interest and premium, if any, on the outstanding Notes issued hereunder on the Stated Maturity or on the applicable Early Redemption Date, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular Early Redemption Date;

(ii) in the case of legal defeasance, the Company has delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that, subject to customary assumptions and exclusions, (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders shall not recognize income, gain or loss for federal income tax purposes as a result of such legal defeasance and shall be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

(iii) in the case of covenant defeasance, the Company has delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that, subject to customary assumptions and exclusions, the Holders of the respective outstanding Notes shall not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and shall be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(iv) such legal defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument

(other than this Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(v) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and the grant of any Lien securing such borrowings);

(vi) the Company shall deliver to the Trustee an Opinion of Counsel to the effect that, assuming, among other things, no intervening bankruptcy of the Company between the date of deposit and the 91st day following the deposit and assuming that no Holder is an "insider" of the Company under applicable bankruptcy law, after the 91st day following the deposit, the trust funds shall not be subject to the effect of Section 547 of Title 11 of the United States Code;

(vii) the Company shall deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

(viii) the Company shall deliver to the Trustee an Officers' Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent relating to the legal defeasance or the covenant defeasance have been complied with.

Section 8.3 Application of Trust Money. The Trustee, or other entity, as applicable, shall hold in trust money or U.S. Government Obligations deposited with it pursuant to this Article VIII. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Notes.

Section 8.4 Repayment to Company. Anything herein to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon receipt of an Officers' Certificate any money or U.S. Government Obligations held by it as provided in this Article VIII that are in excess of the amount thereof which would then be required to be deposited to effect legal defeasance or covenant defeasance, as applicable.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal of or interest on the Notes that remains unclaimed for two years, and, thereafter, Holders entitled to the money must look to the Company for payment as general creditors.

Section 8.5 Indemnity for U.S. Government Obligations. The Company shall pay and shall indemnify the Trustee or other entity, as applicable, against any fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

Section 8.6 Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article VIII by reason of

any legal proceeding or by reason of any order or judgment of any court or Governmental Authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company under this Indenture and the Notes, shall be revived and reinstated as though no deposit had occurred pursuant to this Article VIII until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article VIII*; provided, however*, that, if the Company have made any payment of interest on or principal of any Notes because of the reinstatement of its obligations, the Company, as the case may be, shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE IX.
Amendments

Section 9.1 Without Consent of Holders. This Indenture and the Notes may be amended or supplemented without notice to or consent of any Holder:

(i) to cure any ambiguity, omission, defect or inconsistency;

(ii) to comply with Article IV in respect of the assumption by a Successor Company of an obligation of the Company under this Indenture and the Notes or with Article IV or Article XII, as applicable, in respect of the assumption by a successor Guarantor of the obligations of the Guarantors in accordance with Article IV or Section 12.6, as the case may be;

(iii) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(iv) to add to the covenants of the Company for the benefit of the Holders, add Events of Default or to surrender any right or power herein conferred upon the Company;

(v) to comply with any requirement of the SEC in connection with the qualification of this Indenture under the Trust Indenture Act, if applicable;

(vi) to provide for the appointment of a successor trustee*; provided* that the successor trustee is otherwise qualified and eligible to act as such under the terms of this Indenture; or

(vii) to make any amendment to the provisions of this Indenture relating to the transfer and legending of Notes, including, without limitation to facilitate the issuance and administration of the Notes*; provided*, however, that (i) compliance with this Indenture as so amended would not result in Notes being transferred in violation of the Securities Act and (ii) such amendment does adversely affect the rights of Holders to transfer Notes.

After an amendment under this Section 9.1 becomes effective, the Company shall furnish to the Trustee for distribution to Holders a notice briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the

validity of an amendment under this Section. A consent to any amendment, supplement or waiver under this Indenture by any Holder given in connection with a tender of such Holder's Note shall not be rendered invalid by such tender.

Upon the request of the Company accompanied by a Board Resolution authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Sections 7.2 and 11.2, the Trustee shall join with the Company in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into such amended or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

Section 9.2 With Consent of Holders. This Indenture and the Notes may be amended or supplemented with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). Any past default or compliance with the provisions of this Indenture and the Notes may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of each Holder of an outstanding Note affected thereby, no amendment, supplement or waiver may:

(i) reduce the principal amount of Notes whose Holders must consent to an amendment;

(ii) reduce the rate of or extend the time for payment of interest on any Note;

(iii) reduce the principal of or extend the Stated Maturity of any Note;

(iv) waive a Default or Event of Default in the payment of principal of, or interest or premium, if any, on the Notes issued hereunder (except a rescission of acceleration of the Notes issued hereunder by the Holders of at least a majority in aggregate principal amount of the Notes issued hereunder with respect to a nonpayment default and a waiver of the payment default that resulted from such acceleration);

(v) change the time at which any Note may be redeemed or repurchased in accordance with Section 5.1 whether through an amendment or waiver of provisions in the covenants or otherwise;

(vi) make any Note payable in a currency other than that stated in the Note;

(vii) impair the right of any Holder to receive payment of principal, premium, if any, and interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Notes;

(viii) make any change in the amendment provisions in this Section 9.2; or

(ix) make the Notes subordinated in right of payment to any other obligations.

It shall not be necessary for the consent of the Holders under this Section 9.2 to approve the particular form of any proposed amendment or supplement, but it shall be sufficient if such consent approves the substance thereof. A consent to any amendment, supplement or waiver under this Indenture by any Holder given in connection with a tender of such Holder's Note shall not be rendered invalid by such tender.

Section 9.3 Effect of Consents and Waivers. A consent to an amendment, supplement or a waiver by a Holder of a Note shall bind the Holder and every subsequent Holder of that Note or portion of the Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent or waiver is not made on the Note. After an amendment or waiver becomes effective, it shall bind every Holder. An amendment or waiver made pursuant to Section 9.2 shall become effective upon receipt by the Trustee of the requisite number of written consents.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed (and notice of such date shall have been provided to the Trustee), then notwithstanding the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or revoke such consent or to take any such action, whether or not such Persons continue to be Holders after such record date.

Section 9.4 Notation on or Exchange of Notes. If an amendment changes the terms of a Note, the Trustee may require the Holder of the Note to deliver it to the Trustee. The Trustee may place an appropriate notation on the Note regarding the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Note shall issue, and upon receipt of an Authentication Order the Registrar shall authenticate a new Note that reflects the changed terms. Failure to make the appropriate notation or to issue a new Note shall not affect the validity of such amendment.

Section 9.5 Trustee to Sign Amendments. Upon the request of the Company accompanied by a Board Resolution authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Sections 7.2 and 11.2, the Trustee shall sign any amendment, supplement or waiver authorized pursuant to this Article IX if the amendment, supplement or waiver does not, in the sole determination of the Trustee, adversely affect the rights, duties, liabilities or immunities of the Trustee. In signing any amendment, supplement or waiver pursuant to this Article IX the Trustee shall be entitled to receive, and (subject to Sections 7.1 and 7.2) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment, supplement or waiver is authorized or permitted by or complies with this Indenture and that such

amendment, supplement or waiver is the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to customary exceptions.

ARTICLE X.
Security Documents

Section 10.1 Collateral and Security Documents.

(a) The due and punctual payment of the principal of and interest on the Notes when and as the same shall be due and payable, whether on an Interest Payment Date, at Stated Maturity, by acceleration, repurchase, redemption or otherwise, and interest on the overdue principal of and interest on the Notes and performance of all Obligations of the Company to the Holders, the Trustee or the Collateral Agent under this Indenture, the Notes, the Guaranty and the Security Documents, according to the terms hereunder or thereunder, shall be secured as provided in the Security Documents, which define the terms of the Liens that secure the Notes Obligations.

(b) The Trustee and the Company hereby acknowledge and agree that the Collateral Agent holds the Notes Collateral in trust for the benefit of the Trustee and the Holders, in each case pursuant to the terms of the Security Documents. Each Holder, by accepting a Note, appoints The Bank of New York Mellon as Collateral Agent and consents and agrees to the terms of the Security Documents (including the provisions providing for the possession, use, release and foreclosure of Notes Collateral) as the same may be in effect or may be amended from time to time in accordance with their terms and this Indenture, and that it shall not be entitled to the benefits of the Security Documents or this Indenture except pursuant to the terms and conditions thereof and hereof, and each Holder irrevocably appoints the Collateral Agent and authorizes and directs the Collateral Agent to enter into the Security Documents and to bind the Holders to the terms thereof and to perform obligations and exercise their respective rights thereunder in accordance therewith, together with such powers as are reasonably incidental thereto*; provided*, however, that if any of the provisions of the Security Documents limit, qualify or conflict with the duties imposed by the provisions of the Trust Indenture Act, the Trust Indenture Act, if applicable, shall control. The Company shall deliver to the Trustee (if it is not then also appointed and serving as Collateral Agent) copies of all documents delivered to the Collateral Agent pursuant to the Security Documents, and will do or cause to be done all such acts and things as may be reasonably required by the next sentence of this Section 10.1(b), to assure and confirm to the Trustee and the Collateral Agent the Liens on the Notes Collateral contemplated hereby, by the Security Documents or by any part thereof, as from time to time constituted, so as to render the same available for the security and benefit of this Indenture and of the Notes secured hereby, according to the intent and purposes herein expressed. The Company shall take, and shall cause the Guarantors to take, any and all actions reasonably required to cause the Security Documents to create and maintain at all times, as security for the Notes Obligations of the Company, a valid and enforceable perfected Lien and security interest in and on all of the Notes Collateral (subject to the terms of the Security Documents), in favor of the Collateral Agent for the benefit of the Trustee and the Holders, as contemplated by this Indenture and the Security Documents.

(c) Notwithstanding anything to the contrary in this Indenture or any other Security Document, in no event shall the Collateral Agent or the Trustee be responsible for, or have any duty or obligation with respect to, the recording, filing, registering, perfection, protection or maintenance of the security interests or other Liens intended to be created by this Indenture or the Security Documents (including the filing or continuation of any UCC financing or continuation statements or similar documents or instruments but excluding the maintenance of possession of certificates actually delivered to it representing securities pledged under the Security Documents), nor shall the Collateral Agent or the Trustee be responsible for, and the Collateral Agent and the Trustee make no representation regarding, the validity, effectiveness or priority of any of the Security Documents or the security interests or other Liens intended to be created thereby.

(d) The Trustee shall not be responsible for the existence, genuineness or value of any of the Notes Collateral or for the validity, perfection, priority or enforceability of the Liens in any of the Notes Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder, for the validity or sufficiency of the Notes Collateral or any agreement or assignment contained therein, for the validity of the title of the Company to the Notes Collateral, for insuring the Notes Collateral or for the payment of taxes, charges, assessments or Liens upon the Notes Collateral or otherwise as to the maintenance of the Notes Collateral. Subject to Section 7.1 of this Indenture, the Trustee shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Indenture, the Security Documents by the Company, the Guarantors or the Collateral Agent. The Trustee may act and rely and shall be protected in acting and relying in good faith on the opinion or advice of or information obtained from any counsel, accountant, appraiser or other expert or adviser, whether retained or employed by the Company or by the Trustee, in relation to any matter arising in the administration of this Indenture or the Security Documents.

Section 10.2 Release of Collateral.

(a) Subject to Sections 10.2(b) and 10.3 and the Security Documents, the Notes Collateral may be released from the Lien and security interest created by the Security Documents at any time or from time to time in accordance with the provisions of the Security Documents or as provided hereby. The Company will be entitled to a release of assets included in the Notes Collateral from the Liens securing the Notes, and the Trustee shall release, or instruct the Collateral Agent to release, as applicable, the same from such Liens at the Company's sole cost and expense, under one or more of the following circumstances:

(i) to enable the Company or any Subsidiary to sell, exchange or otherwise dispose of any of the Notes Collateral to any Person other than the Company or any Subsidiary of the Company to the extent not prohibited by this Indenture;

(ii) pursuant to an amendment, supplement or waiver in accordance with Article IX; or

(iii) if the Notes have been defeased or if this Indenture is discharged, in each case in accordance with Article VIII.

Upon receipt of an Officers' Certificate certifying that all conditions precedent under this Indenture and the Security Documents, if any, to such release have been met and any necessary or proper (as determined by the Company) instruments of termination, satisfaction or release have been prepared by the Company, the Collateral Agent shall promptly execute, deliver or acknowledge (at the Company's expense) such instruments or releases to evidence the release of any Notes Collateral permitted to be released pursuant to this Indenture or the Security Documents.

(b) At any time when an Event of Default has occurred and is continuing and the maturity of the Notes has been accelerated (whether by declaration or otherwise) and the Trustee (if not then also appointed and serving as Collateral Agent) has delivered a notice of acceleration to the Collateral Agent, no release of Notes Collateral pursuant to the provisions of this Indenture or the Security Documents will be effective as against the Holders.

Section 10.3 Permitted Releases Not To Impair Lien. The release of any Notes Collateral from the terms hereof and of the Security Documents or the release of, in whole or in part, the Liens created by the Security Documents, will not be deemed to impair the security under this Indenture in contravention of the provisions hereof if and to the extent the Notes Collateral or Liens are released pursuant to the applicable Security Documents and the terms of this Article X. Each of the Holders acknowledges that a release of Notes Collateral or a Lien in accordance with the terms of the Security Documents and of this Article X will not be deemed for any purpose to be an impairment of the Lien on the Notes Collateral in contravention of the terms of this Indenture.

Section 10.4 Suits To Protect the Collateral. Subject to the provisions of Article VII, the Trustee in its sole discretion and without the consent of the Holders, on behalf of the Holders, may or may direct the Collateral Agent to take all actions it deems necessary or appropriate in order to enforce any of the terms of the Security Documents.

Subject to the provisions of the Security Documents, the Trustee shall have the power (but not the obligation) to institute and to maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Notes Collateral by any acts that may be unlawful or in violation of any of the Security Documents or this Indenture, and such suits and proceedings as the Trustee, in its sole discretion, may deem expedient to preserve or protect its interests and the interests of the Holders in the Notes Collateral.

Section 10.5 Authorization of Receipt of Funds by the Trustee Under the Security Documents. The Trustee is authorized (a) to receive any funds for the benefit of the Holders distributed under the Security Documents and (b) to make further distributions of such funds to the Holders according to the provisions of this Indenture.

Section 10.6 Purchaser Protected. In no event shall any purchaser in good faith of any property purported to be released hereunder be bound to ascertain the authority of the Collateral Agent or the Trustee to execute the release or to inquire as to the satisfaction of any conditions required by the provisions hereof for the exercise of such authority or to see to the application of any consideration given by such purchaser or other transferee; nor shall any purchaser or other transferee of any property or rights permitted by this Article X to be sold be

under any obligation to ascertain or inquire into the authority of the Company or the applicable Guarantor to make any such sale or other transfer.

Section 10.7 Powers Exercisable by Receiver or Trustee. In case the Notes Collateral shall be in the possession of a receiver or trustee, lawfully appointed, the powers conferred in this Article X upon the Company or a Guarantor with respect to the release, sale or other disposition of such property may be exercised by such receiver or trustee, and an instrument signed by such receiver or trustee shall be deemed the equivalent of any similar instrument of the Company or a Guarantor or of any officer or officers thereof required by the provisions of this Article X; and if the Trustee shall be in the possession of the Notes Collateral under any provision of this Indenture, then such powers may be exercised by the Trustee.

Section 10.8 Release Upon Termination of the Company's Obligations. In the event that the Company delivers to the Trustee an Officers' Certificate and, solely with respect to (iii) below, an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions) stating that (i) payment in full of the principal of, together with premium, if any, and accrued and unpaid interest on, the Notes and all other Obligations with respect to the Notes under this Indenture and the Security Documents that are due and payable at or prior to the time such principal, together with premium, if any, and accrued and unpaid interest (including additional interest, if any), are paid, (ii) all the Obligations under this Indenture, the Notes and the Security Documents have been satisfied and discharged by complying with the provisions of Article X or (iii) the Company shall have exercised its legal defeasance option or its covenant defeasance option, in each case in compliance with the provisions of Article VIII, the Trustee shall deliver to the Company and the Collateral Agent a notice stating that the Trustee, on behalf of the Holders, disclaims and gives up any and all rights it has in or to the Notes Collateral (other than with respect to funds held by the Trustee pursuant to Article VIII), and any rights it has under the Security Documents, and upon receipt by the Collateral Agent of such notice, the Collateral Agent shall, without further action by any party, automatically be deemed not to hold a Lien in the Notes Collateral on behalf of the Trustee and shall do or cause to be done all acts reasonably requested by the Company or any Guarantor to release such Lien as soon as is reasonably practicable.

Section 10.9 Collateral Agent.

(a) The Bank of New York Mellon shall initially act as Collateral Agent and shall be authorized to appoint co-Collateral Agents as necessary in its sole discretion. In the event the Trustee and the Collateral Agent shall at any time not be the same Person, the Collateral Agent shall take such actions under the Security Documents as are requested or instructed by the Trustee and as are not inconsistent with or contrary to the provisions of this Indenture or any Security Document. Except as otherwise explicitly provided herein or in the Security Documents, neither the Collateral Agent nor any of its officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Notes Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Notes Collateral upon the request of any other Person or to take any other action whatsoever with regard to the Notes Collateral or any part thereof. Notwithstanding any provision to the contrary contained elsewhere in this Indenture or the Security Documents, the duties of the Collateral Agent shall be ministerial and administrative in nature, and the Collateral Agent shall not have

any duties or responsibilities, except those expressly set forth in this Indenture and in the Security Documents to which the Collateral Agent is a party, nor shall the Collateral Agent have or be deemed to have any trust or other fiduciary relationship with the Trustee, any Holder or the Company, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Indenture or the Security Documents or shall otherwise exist against the Collateral Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" or "Agent" in this Indenture and the Security Documents with reference to the Collateral Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties. The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither the Collateral Agent nor any of its officers, directors, employees or agents shall be responsible for any act or failure to act hereunder, except for its own willful misconduct, bad faith or gross negligence (as determined by a final, non-appealable order of a court of competent jurisdiction).

(b) The Collateral Agent is authorized and directed to (i) enter into the Security Documents, (ii) bind the Holders on the terms as set forth in the Security Documents and (iii) perform and observe its obligations under the Security Documents.

(c) The Collateral Agent shall act pursuant to the instructions of the Holders and the Trustee with respect to the Security Documents and the Notes Collateral. For the avoidance of doubt, the Collateral Agent shall have no discretion under this Indenture or the Security Documents and shall not be required to make or give any determination, consent, approval, request or direction without the written direction of the requisite Holders or the Trustee, as applicable. After the occurrence of an Event of Default, the Trustee may, pursuant to this Indenture, direct the Collateral Agent in connection with any action required or permitted by this Indenture or the Security Documents.

(d) The Collateral Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, unless the Collateral Agent shall have received written notice from the Trustee, a Holder or the Company referring to this Indenture, describing such Default or Event of Default and stating that such notice is a "Notice of Default". The Collateral Agent shall take such action with respect to such Default or Event of Default as may be requested by the Trustee or the Holders of a majority in aggregate principal amount of the Notes subject to this Article X.

(e) No provision of this Indenture or any Security Document shall require the Collateral Agent (or the Trustee) to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or thereunder or to take or omit to take any action hereunder or thereunder or take any action at the request or direction of Holders (or the Trustee in the case of the Collateral Agent) if it shall have reasonable grounds for believing that repayment of such funds is not assured to it. Notwithstanding anything to the contrary contained in this Indenture or the Security Documents, in the event the Collateral Agent is entitled or required to commence an action to foreclose or otherwise exercise its remedies to acquire control or possession of the Notes Collateral, the Collateral Agent shall not be required to commence any such action, exercise any remedy, inspect or conduct any studies of any

property or take any such other action if the Collateral Agent has determined that the Collateral Agent may incur personal liability as a result of the presence at, or release on or from, the Notes Collateral or such property of any hazardous substances unless the Collateral Agent has received security or indemnity from the Holders in an amount and in a form all satisfactory to the Collateral Agent in its sole discretion, protecting the Collateral Agent from all such liability. The Collateral Agent shall at any time be entitled to cease taking any action described in this Section 10.9(e) if it no longer reasonably deems any indemnity, security or undertaking from the Company or the Holders to be sufficient.

(f) The Collateral Agent shall not be responsible in any manner to any of the Trustee or any Holder for the validity, effectiveness, genuineness, enforceability or sufficiency of this Indenture or the Security Documents or for any failure of the Company or any other party to this Indenture or the Security Documents to perform its obligations hereunder or thereunder. The Collateral Agent shall not be under any obligation to the Trustee or any Holder to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Indenture or the Security Documents or to inspect the properties, books or records of the Company.

(g) The parties hereto and the Holders hereby agree and acknowledge that the Collateral Agent shall not assume, be responsible for or otherwise be obligated for any liabilities, claims, causes of action, suits, losses, allegations, requests, demands, penalties, fines, settlements, damages (including foreseeable and unforeseeable), judgments, expenses and costs (including any remediation, corrective action, response, removal or remedial action, or investigation, operations and maintenance or monitoring costs, for personal injury or property damages, real or personal) of any kind whatsoever, pursuant to any environmental law as a result of this Indenture, the Security Documents or any actions taken pursuant hereto or thereto. Further, the parties hereto and the Holders hereby agree and acknowledge that, in the exercise of its rights under this Indenture and the Security Documents, the Collateral Agent may hold or obtain indicia of ownership primarily to protect the security interest of the Collateral Agent in the Notes Collateral and that any such actions taken by the Collateral Agent shall not be construed as or otherwise constitute any participation in the management of such Notes Collateral.

(h) Upon the receipt by the Collateral Agent of a written request of the Company signed by an Officer of the Company pursuant to this Section 10.9(h) (a "Security Document Order"), the Collateral Agent is hereby authorized to execute and enter into, and shall execute and enter into, without the further consent of any Holder or the Trustee, any Security Document to be executed after the Issue Date. Such Security Document Order shall (i) state that it is being delivered to the Collateral Agent pursuant to, and is a Security Document Order referred to in, this Section 10.9(h) and (ii) instruct the Collateral Agent to execute and enter into such Security Document. Any such execution of a Security Document shall be at the direction and expense of the Company, upon delivery to the Collateral Agent of an Officers' Certificate and, to the extent required pursuant to Section 11.3, an Opinion of Counsel stating that all conditions precedent to the execution and delivery of such Security Document have been satisfied. The Holders, by their acceptance of the Notes, hereby authorize and direct the Collateral Agent to execute such Security Documents.

(i) The Collateral Agent's resignation or removal shall be governed by provisions equivalent to Section 7.7.

(j) The Collateral Agent shall be entitled to all of the protections, immunities, indemnities, rights and privileges of the Trustee set forth in this Indenture, and all such protections, immunities, indemnities, rights and privileges shall apply to the Collateral Agent in its roles under any Security Document, whether or not expressly stated therein.

ARTICLE XI.
Miscellaneous

Section 11.1 Notices. Any request, demand, authorization, direction, notice, consent, waiver or act of Holders or other documents provided or permitted by this Indenture shall be effective if given in writing (i) by electronic media via a Portable Document Format (PDF) attachment or similar file type, (ii) if provided by facsimile transmission, upon transmitter's confirmation of a receipt of a facsimile transmission, (iii) by delivery by a standard overnight carrier or by hand or (iv) by mailing certified or registered mail, postage prepaid, addressed at the following addresses (or at such other address for a party as shall be specified by like notice):

if to the Company:
Palomar Insurance Holdings, Inc.
7979 Ivanhoe Avenue
Suite 500
La Jolla, California 92037
Attention: Chris Uchida, Chief Financial Officer
E-mail: tcu@palomarspecialty.com

with a copy to (which shall not constitute notice):
David Luce
DLA Piper LLP (US)
1251 Avenue of the Americas
27th Floor
New York, New York 10020
E-mail: david.luce@dlapiper.com

if to the Trustee:
The Bank of New York Mellon, as Trustee
240 Greenwich St., Floor 7E
New York, New York 10286
Attention: Dealing & Trading / Candace Clarke
Fax: (732) 667-9221
E-mail: candace.clarke@bnymellon.com

if to the Registrar:
The Bank of New York Mellon
Structured Products Services

International Corporate Trust
Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg / AIM# EB6-0000
Attention: Luc Biever: +(352) 24-52-5320
Julie Babigeon-Fourrière : +(352) 24-52-5317
Sebastien Loiseau: +(352) 24-52-4436
Fax: +(352) 24-52-4204
E-mail: LUXMB_SPS@bnymellon.com

if to the Paying Agent:
The Bank of New York Mellon, London Branch
London EC2N 2DB
United Kingdom
Attention: International Corporate Trust
Fax: +44 (0) 207 964 2536

with a copy to:
The Bank of New York Mellon
240 Greenwich St., Floor 7E
New York, New York 10286
Attention: Dealing & Trading / Candace Clark
Fax: (732) 667-9221
E-mail: candace.clarke@bnymellon.com

The Company, the Trustee or the Agents by notice to the others may designate additional or different addresses for subsequent notices or communications. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

All notices and communications (other than those sent to Holders) will be deemed to have been duly given: at the time delivered by hand, if personally delivered; two Business Days after being deposited in the mail, postage prepaid, if mailed with an internationally recognized overnight mail carrier; when receipt acknowledged, if transmitted by facsimile or e-mail; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication mailed to a Holder shall be mailed to the Holder at the Holder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Each of the Trustee and the Agents agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods provided, however, that the Trustee or the Agents shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the party elects to give the Trustee or an Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee or such Agent in its discretion elects to act upon such instructions, the Trustee's or such Agent's understanding of such instructions shall be deemed controlling. Neither the Trustee nor any Agent shall be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's or an Agent's, as applicable, reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The party providing electronic instructions agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee or an Agent, as applicable, including without limitation the risk of the Trustee or an Agent acting on unauthorized instructions, and the risk or interception and misuse by third parties.

Whenever a note or other communication to the Holder is required under this Indenture, unless and until Definitive Notes shall have been issued to the Holders pursuant to Section 2.6, the Trustee and the Paying Agent shall give all notices and communications specified herein to the relevant clearing system.

Section 11.2 Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take or refrain from taking any action under this Indenture (except in connection with the original issuance of Notes on the date hereof), the Company shall furnish to the Trustee (upon request):

(i) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(ii) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 11.3 Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(i) a statement that the individual making such certificate or opinion has read such covenant or condition;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether or not, in the opinion of such individual, such covenant or condition has been complied with.

In giving such Opinion of Counsel, counsel may rely as to factual matters on an Officers' Certificate or on certificates of public officials.

Section 11.4 When Notes Disregarded. In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that a Trust Officer of the Trustee knows are so owned shall be so disregarded. Also, subject to the foregoing, only Notes outstanding at the time shall be considered in any such determination.

Section 11.5 Rules by Trustee, Paying Agent and Registrar. The Trustee may make reasonable rules for action by, or a meeting of, Holders, such rules not to be inconsistent with this Indenture. The Registrar and the Paying Agent may make reasonable rules for their functions, such rules not to be inconsistent with this Indenture.

Section 11.6 Days Other than Business Days. If a payment date is not a Business Day, payment shall be made on the next succeeding day that is a Business Day, and no interest shall accrue for the intervening period. If a regular record date is not a Business Day, the record date shall not be affected.

Section 11.7 Governing Law. This Indenture and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

The Company, Holders, Trustee, Paying Agent and Registrar irrevocably consent and agree, from time to time for the benefit of the Holders and the Trustee, that any legal action, suit or proceeding against them with respect to obligations, liabilities or any other matter arising out of or in connection with this Indenture or the Notes may be brought in the courts of the State of New York or the courts of the United States located in the Borough of Manhattan, New York City, New York and, until amounts due and to become due in respect of the Notes have been paid, hereby irrevocably consent and submit to the jurisdiction of each such court *in personam*, generally and unconditionally with respect to any action, suit or proceeding for itself in respect of its properties, assets and revenues.

The Company, Holders, Trustee, Paying Agent and Registrar irrevocably and unconditionally waive, to the fullest extent permitted by law, any objection that they may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with this Indenture brought in the courts of the State of New York or the courts of the United States located in the State of New York and hereby further irrevocably and

unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 11.8 Waiver of Jury Trial. EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY

Section 11.9 No Recourse Against Others. An incorporator, director, officer, employee, stockholder or controlling Person, as such, of the Company or any Subsidiary shall not have any liability for any obligations of the Company or any Subsidiary under the Notes or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Notes.

Section 11.10 Successors. All agreements of the Company in this Indenture and the Notes shall bind its respective successors. All agreements of the Trustee and the Agents in this Indenture shall bind their respective successors.

Section 11.11 Multiple Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

Section 11.12 Table of Contents; Headings. The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

Section 11.13 Force Majeure. In no event shall any party to this Indenture be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that such party shall use reasonable efforts that are consistent with accepted practices in the banking industry (in the case of the Trustee, the Paying Agent and the Registrar) and the insurance industry (in the case of the Company) to resume performance as soon as practicable under the circumstances.

Section 11.14 Tax Matters. Each of the Holders, the Company, the Paying Agent and the Trustee agree (i) to cooperate and to provide the other with such reasonable information as each may have in its possession to enable the determination of whether any payments under a Note or otherwise contemplated hereunder are subject to FATCA, and (ii) that each of the Paying Agent and the Trustee shall be entitled to make any withholding or deduction from payments under the Indenture to the extent necessary to comply with FATCA, for which the Paying Agent and the Trustee shall not have any liability.

Section 11.15 Recognition of Bail-In Powers. Notwithstanding any other term of this Indenture or any other agreements, arrangements, or understanding between the parties, each counterparty to a BRRD Party under this Indenture acknowledges, accepts, and agrees to be bound by:

(a) the effect of the exercise of Bail-in Powers by the Relevant Resolution Authority in relation to any BRRD Liability of any BRRD Party to it under this Indenture, that (without limitation) may include and result in any of the following, or some combination thereof:

(i) the reduction of all, or a portion, of the BRRD Liability or outstanding amounts due thereon;

(ii) the conversion of all, or a portion, of the BRRD Liability into shares, other securities or other obligations of the relevant BRRD Party or another person (and the issue to or conferral on it of such shares, securities or obligations);

(iii) the cancellation of the BRRD Liability;

(iv) the amendment or alteration of the amounts due in relation to the BRRD Liability, including any interest, if applicable, thereon, the maturity or the dates on which any payments are due, including by suspending payment for a temporary period; and

(b) the variation of the terms of this Indenture, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of Bail-in Powers by the Relevant Resolution Authority.

ARTICLE XII.
Guarantee of Notes

Section 12.1 Guarantee.

(a) The Guarantor hereby fully and unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee, the Agents and their respective successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Company hereunder or thereunder, that:

(i) the principal of (including the redemption price, if applicable), and interest on, the Notes will be promptly paid in full when due, whether at maturity, by acceleration or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations (including, without limitation, fees, expenses and indemnities) of the Company to the Holders, the Trustee or the Agents hereunder or thereunder (together, the "Guaranteed Obligations") will be promptly paid and/or otherwise satisfied, as the case may be, in full, all in accordance with the terms hereof and thereof; and

(i) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same will be promptly paid and/or otherwise

satisfied, as the case may be, in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantor shall be obligated to pay and/or deliver, as the case may be, the same immediately. The Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

(a) The Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Guaranteed Obligations and notice of or proof of reliance by the Trustee or any Holder upon the guarantee contained in this Article XII or acceptance of the guarantee contained in this Article XII; the Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Article XII; and all dealings between the Company and the Guarantor, on the one hand, and the Trustee and the Holders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Article XII. The Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Company or the Guarantor with respect to the Guaranteed Obligations. The Guarantor understands and agrees that the guarantee contained in this Article XII shall be construed as a continuing, absolute and unconditional guarantee of payment and performance without regard to (i) the validity or enforceability of the Indenture or the Notes, any of the Guaranteed Obligations or guarantee or right of offset with respect thereto at any time or from time to time held by any Holder, (ii) any defense, set-off or counterclaim (other than a defense of payment or performance in full) which may at any time be available to or be asserted by the Company or any other Person against any Holder, or (iii) any other circumstance whatsoever (with or without notice to or knowledge of the Company or the Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Company for the Guaranteed Obligations, or of the Guarantor under the guarantee contained in this Article XII, in bankruptcy or in any other instance other than the express written release of the Guarantor from its Guarantee pursuant to and to the extent set forth in Section 12.6 or a defense of payment or performance in full. To the fullest extent permitted by applicable law, when making any demand hereunder or otherwise pursuing its rights and remedies hereunder against the Guarantor, any Holder may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Company or any other Person or against any guarantee for the Guaranteed Obligations or any right of offset with respect thereto, and any failure by any Holder to make any such demand, to pursue such other rights or remedies or to collect any payments from the Company or any other Person or to realize upon any such guarantee or to exercise any such right of offset, or any release of the Company or any such guarantee or right of offset, shall not relieve the Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of any Holder against the Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

Section 12.2 Subrogation. Notwithstanding any payment or delivery made by the Guarantor hereunder or any set-off or application of funds of the Guarantor by the Trustee or Holders, the Guarantor shall not be entitled to be subrogated to any of the rights of the Trustee or

Holders against the Company or any guarantee or right of offset held by the Trustee or Holders for the payment or delivery, as the case may be, of the Guaranteed Obligations, nor shall the Guarantor seek or be entitled to seek any contribution or reimbursement from the Company in respect of payments made by the Guarantor hereunder, until payment and/or satisfaction, as the case may be, in full of all Guaranteed Obligations. If any amount shall be paid to the Guarantor on account of such subrogation rights at any time prior to payment and/or satisfaction, as the case may be, in full of all Guaranteed Obligations, such amount shall be held by the Guarantor in trust for the Trustee and the Holders, segregated from other funds of the Guarantor, and shall, forthwith upon receipt by the Guarantor, be turned over to the Trustee in the exact form received by the Guarantor (duly indorsed by the Guarantor to the Trustee, if required), to be applied against the Guaranteed Obligations, whether matured or unmatured, in accordance with Section 6.10 hereof.

Section 12.3 Limitation on Guarantor Liability. The Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of the Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantor hereby irrevocably agree that the obligations of the Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of the Guarantor that are relevant under such laws, result in the obligations of the Guarantor under the Guarantee not constituting a fraudulent transfer or conveyance.

Section 12.4 Reinstatement. The guarantee contained in this Article XII shall continue to be effective, or be reinstated, as the case may be, if at any time payment or delivery, or any part thereof, of any of the Guaranteed Obligations is rescinded or must otherwise be restored or returned by any Holder or the Trustee upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Company or the Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Company or the Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

Section 12.5 Successors and Assigns. This Article XII shall be binding upon the Guarantor and its successors and assigns and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges conferred upon that party in this Indenture and in the Notes shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of this Indenture.

Section 12.6 Release.

(a) The Guarantor shall be automatically released from the Guarantee without any further action by any party:

(i) upon the sale or other disposition (including by way of consolidation or merger), in one transaction or a series of related transactions, of a

majority of the total voting power of the common stock or other equity interests of the Guarantor to any Person other than the Company or an Affiliate of the Company;

(ii) upon the sale or other disposition of all or substantially all of the assets of the Guarantor (including by way of consolidation or merger), in one transaction or a series of related transactions to any Person other than to the Company or an Affiliate of the Company; or

(iii) upon satisfaction and discharge of this Indenture in accordance with Article VIII hereof.

(b) Upon release of the Guarantee pursuant to Section 12.6(a), the Trustee shall promptly execute any instrument or document reasonably requested by the Company or the Guarantor in order to evidence the release of the Guarantor from its obligations under the Guarantee.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

PALOMAR INSURANCE HOLDINGS, INC.

By: /s/ Chris Uchida
Name: Chris Uchida
Title: CFO

GC PALOMAR HOLDINGS

By: /s/ DM Armstrong
Name: DM Armstrong
Title: Director

THE BANK OF NEW YORK MELLON,
as Trustee and Collateral Agent

By: /s/ Arsala Kidwai
Name: Arsala Kidwai
Title: Vice President

THE BANK OF NEW YORK MELLON, LONDON BRANCH,
as Paying Agent

By: /s/ Wanda Camacho
Name: Wanda Camacho
Title: Vice President

THE BANK OF NEW YORK MELLON SA/NV, LUXEMBOURG BRANCH
as Registrar

By: /s/ Arsala Kidwai
Name: Arsala Kidwai
Title: Attorney-in-Fact

[FORM OF NOTE]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY (AS DEFINED IN THE INDENTURE), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THE BANK OF NEW YORK MELLON, LONDON BRANCH, ACTING AS COMMON DEPOSITARY ON BEHALF OF CLEARSTREAM AND EUROCLEAR OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITORY (AND ANY PAYMENT IS MADE TO THE BANK OF NEW YORK MELLON, LONDON BRANCH, OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, THE BANK OF NEW YORK MELLON, LONDON BRANCH, ACTING AS COMMON DEPOSITARY ON BEHALF OF CLEARSTREAM AND EUROCLEAR, HAS AN INTEREST HEREIN.

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE AND IS REGISTERED IN THE NAME OF THE COMMON DEPOSITARY OR A NOMINEE OF THE COMMON DEPOSITARY OR A SUCCESSOR COMMON DEPOSITARY. THIS NOTE IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE COMMON DEPOSITARY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER OF THIS NOTE AS A WHOLE BY THE COMMON DEPOSITARY TO A NOMINEE OF THE COMMON DEPOSITARY OR BY A NOMINEE OF THE COMMON DEPOSITARY TO THE COMMON DEPOSITARY OR ANOTHER NOMINEE OF THE COMMON DEPOSITARY OR BY THE COMMON DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR COMMON DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR COMMON DEPOSITARY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER ANY OF THE NOTES REPRESENTED HEREBY EXCEPT (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) TO A QUALIFIED

INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR (E) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS) AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM ANY OF THE NOTES REPRESENTED HEREBY ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

[The remainder of this page is intentionally left blank]

No. A-1 Principal Amount [$20,000,000] [$0]
as revised by the Schedule of Increases
or Decreases in the Global Note attached hereto

ISIN NO. [XS1868540714] [XS1868540557]

PALOMAR INSURANCE HOLDINGS, INC.

Floating Rate Senior Secured Notes due 2028

Palomar Insurance Holdings, Inc., a California corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), for value received, hereby promises to pay to The Bank of New York Depository (Nominees) Limited, the registered holder hereof, as nominee of The Bank of New York Mellon, London Branch, as common depositary of Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*, Luxembourg, or registered assigns in accordance with the terms and conditions hereof, the initial principal amount set forth on the Schedule of Increases or Decreases in the Global Note attached hereto, as revised by the Schedule of Increases or Decreases in the Global Note attached hereto, in a series of installments as specified below with a final payment date of September 6, 2028, together with the interest on the then outstanding principal amount on each Interest Payment Date at a floating rate *per annum* as specified on the reverse side of this Note.

Interest Payment Dates: March 20, June 20, September 20 and December 20 of each year, commencing on December 20, 2018, or if any such day is not a Depositary Business Day, the next succeeding day that is a Depositary Business Day.

Record Dates: One (1) Depositary Business Day immediately preceding an Interest Payment Date.

Additional provisions of this Note are set forth on the reverse side of this Note. Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

PALOMAR INSURANCE HOLDINGS, INC.

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

THE BANK OF NEW YORK MELLON

as Trustee, certifies that this is one of the Notes referred to in the Indenture.

By: _____ Date: _____
Authorized Signatory

[FORM OF REVERSE SIDE OF NOTE]

Senior Secured Notes due 2028

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated. The terms of the Indenture are incorporated herein by reference and made a part hereof.

1. Principal

Principal shall be due and payable on the Notes on the Maturity Date, unless the Notes are redeemed early or paid in full pursuant to the Indenture, in an amount equal to the Outstanding Principal Amount as of the Maturity Date.

2. Interest

This Note shall bear interest on the Outstanding Principal Amount thereof from and including the date of issuance of such Note until paid in full, at a floating rate *per annum* equal to the Treasury Rate determined by the Calculation Agent *plus* 650 basis points (6.50%). The Calculation Agent shall as soon as practicable after determining the Treasury Rate applicable to the Notes for any Interest Accrual Period, notify the Company and the Paying Agent thereof and maintain records of the quotations obtained, and all rates determined, by it and make such records available for inspection at all reasonable times by the Company and the Paying Agent. Interest accrued on this Note shall be payable in arrears on each Interest Payment Date, commencing with the Interest Payment Date occurring on December 20, 2018. All interest accrued on this Note shall be computed on the basis of a 360-day year for the actual number of days elapsed.

"Calculation Agent" means The Bank of New York Mellon, as Trustee.

"Interest Accrual Period" means, for each Interest Payment Date, the period beginning from and including the immediately preceding Interest Payment Date (or the Issue Date, in the case of the first Interest Payment Date) to, but excluding, such Interest Payment Date.

"Treasury Determination Date" means, with respect to each Interest Accrual Period, the second Banking Day prior to the day on which such Interest Accrual Period commences.

"Treasury Rate" means, with respect to any Interest Accrual Period, the rate determined by the Calculation Agent on each Treasury Determination Date for each Interest Accrual Period as of the related Treasury Determination Date in accordance with the following provisions:

(i) the rate from the auction held on the applicable determination date, which is referred to as the "auction," of direct obligations of the United States which are commonly referred to as "Treasury Bills," having the index maturity closest to the three-month anniversary of the Treasury Determination Date (the "Index Maturity") (and in the event multiple securities are equally close in maturity, such security with the longest

maturity) as that rate appears under the relevant caption on the display on Bloomberg, or any successor service, on page USGG3M INDEX <GO> on the ALLX function or any other page as may replace page USGG3M INDEX <GO> on the ALLX function on that service; or

(ii) if the rate described in (i) is not published by 3:00 p.m., New York City time, on the related calculation date, the bond equivalent yield of the auction rate of the applicable Treasury Bills, announced by the United States Department of the Treasury; or

(iii) if the rate referred to in (ii) is not announced by the United States Department of the Treasury, or if the auction is not held, the bond equivalent yield of the auction rate on the applicable determination date of Treasury Bills having the Index Maturity published in H.15(519) under the caption "U.S. Government Securities/Treasury Bills/Secondary Market"; or

(iv) if the rate referred to in (iii) is not so published by 3:00 p.m., New York City time, on the related calculation date, the rate on the applicable determination date of the applicable Treasury Bills as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market"; or

(v) if the rate referred to in (iv) is not so published by 3:00 p.m., New York City time, on the related calculation date, the rate on the applicable determination date calculated by the Indenture Trustee as the bond equivalent yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable determination date, of three primary U.S. government securities dealers, which may include the agent and its affiliates, selected by the Company, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity; or

(vi) if the dealers selected by the Company are not quoting as set forth above, the Treasury rate for that determination date will remain the Treasury rate as of the most recent determination date.

3. Method of Payment

By no later than 10:00 a.m. (New York time) on the Business Day immediately preceding each Interest Payment Date, any Special Interest Payment Date and the Stated Maturity, and on the Business Day immediately following any acceleration of the Notes pursuant to the Indenture, the Company shall deposit with the Paying Agent in immediately available, freely transferable funds money in dollars sufficient to make cash payments, if any, due on such day or date, as the case may be. Principal and interest on any Note that is due and payable on any Interest Payment Date (other than Defaulted Interest) shall be paid by the Paying Agent to the Person in whose name such Note (or one or more predecessor Notes) is registered at the close of business on the regular Record Date for such principal and interest at the office or agency of the Company maintained for such purpose pursuant to the Indenture.

4. Paying Agent and Registrar

Initially, The Bank of New York Mellon, London Branch shall act as Paying Agent and The Bank of New York Mellon SA/NV, Luxembourg Branch shall act as Registrar. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice to the Holders. The Company may act as Paying Agent, Registrar or co-registrar.

5. Indenture

The Company issued the Notes under the Indenture, dated as of September 6, 2018 (as amended, supplemented or otherwise modified and in effect from time to time, the "Indenture"), among the Company, GC Palomar Holdings, as Guarantor, The Bank of New York Mellon, as Trustee and Collateral Agent (in such capacity, the "Trustee"), The Bank of New York Mellon, London Branch, as Paying Agent (in such capacity, the "Paying Agent"), and The Bank of New York Mellon SA/NV, Luxembourg Branch, as Registrar (in such capacity, the "Registrar"). The Notes are subject to all such terms, and Holders are referred to the Indenture and the Securities Act for a statement of those terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

The Notes are senior secured obligations of the Company. This Note is one of the Senior Secured Notes due 2028 referred to in the Indenture (herein called the "Notes"). The Indenture, among other things, imposes certain covenants including as specified in Article III. The Indenture also imposes requirements with respect to the provision of financial information. The Indenture also contains certain exceptions to the foregoing, and this description is qualified in its entirety by reference to the Indenture.

6. Denominations; Transfer; Exchange

The Notes are in registered form without coupons in initial denominations of $2,000 principal amount and integral multiples of $1,000 thereafter. A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Neither the Registrar nor the Trustee shall be required to register the transfer of or exchange any Note selected for redemption in whole or in part, except for the unredeemed portion of any Note being redeemed in part. Also, none of the Trustee, the Registrar or the Company shall be required to register the transfer of or to exchange any Notes during a period beginning at the opening of business on the Business Day immediately preceding the mailing of a notice of redemption of Notes and ending at the close of business on the day of such mailing.

7. Change of Control and Asset Sale.

If a Change of Control occurs, each Holder shall have the right to require the Company to repurchase all or any part (in integral multiples of $1,000) of such Holder's Notes at a purchase price in cash equal to 100% of the Outstanding Principal Amount of the Notes to be redeemed *plus* accrued and unpaid interest, if any, to, but excluding, the date of purchase (subject to the

right of Holders of record on any relevant Record Date to receive principal and interest due on any relevant Interest Payment Date) as provided in, and subject to the terms of, the Indenture.

In the event of an Asset Sale that requires the purchase of Notes pursuant to Section 3.19 of the Indenture, the Company shall be required to make an offer to all Holders to purchase in cash in an amount equal to 100% of the principal amount of the Notes, *plus* accrued and unpaid interest to, but excluding, the date of purchase (subject to the right of Holders of record on any relevant Record Date to receive principal and interest due on any relevant Interest Payment Date), as provided in, and subject to the terms of, the Indenture. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Note purchased pursuant to such Asset Sale Offer by completing the form entitled "Option of Holder to Elect Purchase" attached to this Note, or transferring its interest in such Note by book-entry transfer, to the Company or the Paying Agent at the address specified in the notice at least three (3) Business Days before the Asset Sale Purchase Date.

8. Redemption

(a) The Company may, at its option, redeem all or, from time to time, a part of the Notes at the following redemption prices (expressed as a percentage of Outstanding Principal Amount of the Notes to be redeemed) *plus* accrued and unpaid interest and principal on the Notes, if any, to the applicable Early Redemption Date (subject to the right of Holders of record on any relevant Record Date to receive interest due on any relevant Interest Payment Date):

Period	**Redemption Price**
Prior to September 6, 2019	102%
After September 6, 2019 and prior to September 6, 2020	101%
Thereafter	100%

(b) Any redemption pursuant to this paragraph 8 shall be made pursuant to the provisions of Sections 5.3 through 5.8 of the Indenture.

9. Persons Deemed Owners

The registered Holder of this Note may be treated as the owner of it for all purposes. Only registered Holders shall have rights hereunder.

10. Unclaimed Money

If money for the payment of the principal of or premium, if any, or interest remains unclaimed for two years, the Trustee and the Paying Agent shall pay the money back to the Company at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

11. Discharge and Defeasance

Subject to certain conditions set forth in the Indenture, the Company at any time may terminate some or all of its obligations under the Notes and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Notes to redemption or maturity, as the case may be.

12. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture and the Notes, may be amended or supplemented with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and (ii) any past default or compliance with the provisions of the Indenture and the Notes may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, certain provisions of the Indenture cannot be amended, supplemented or waived without the consent of each Holder of an outstanding Note affected (including reduction of the principal amount of the Notes or the interest rate, or extension of the maturity of the Notes, waiver of a Default with respect to nonpayment, change of the time for redemption or repurchase pursuant to the Indenture, change of the currency of the Notes, impairment of the right of Holders to receive payment on or after due dates, change of amendment provisions or subordination of the Notes to any other obligations). Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company and the Trustee may amend the Indenture or the Notes to cure any ambiguity, omission, defect or inconsistency, to comply with Article IV of the Indenture in respect of the assumption by a Successor Company of an obligation of the Company under the Indenture, or to provide for uncertificated Notes in addition to or in place of certificated Notes, to add additional covenants or surrender rights and powers conferred on the Company, to comply with any requirement of the SEC in connection with the qualification of this Indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), if applicable, or to provide for the appointment of a successor trustee.

13. Defaults and Remedies

This Note will be subject to Events of Default pursuant to Article VI of the Indenture.

If an Event of Default occurs and is continuing, the Trustee or Holders of at least a majority in principal amount of the outstanding Notes then outstanding may declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes to be due and payable. Certain events of bankruptcy or insolvency with respect to the Company are Events of Default which shall result in the Notes being due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Notes unless the Trustee receives indemnity or security satisfactory to the Trustee. Subject to certain limitations, Holders of a

majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power.

14. Trustee Dealings with the Company

Subject to certain limitations set forth in the Indenture, the Trustee in its individual or any other capacity may become the owner or pledgee of Notes, in accordance with the provisions of the Indenture, and may otherwise deal with the Company, the Guarantors, the Subsidiaries or their Affiliates with the same rights it would have if it were not Trustee.

15. No Recourse Against Others

An incorporator, director, officer, employee, stockholder or controlling Person, as such, of the Company, any Guarantor or any Subsidiary shall not have any liability for any obligations of the Company, any Guarantor or any Subsidiary under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Notes.

16. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the certificate of authentication on the other side of this Note.

17. Security

The Notes shall be secured by Liens and security interests in the Notes Collateral on the terms and conditions set forth in the Security Documents. The Collateral Agent holds the Notes Collateral in trust for the benefit of the Trustee and the Holders, in each case pursuant to the terms of the Security Documents.

18. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entirety), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian) and UIGIMIA (=Uniform Gift to Minors Act).

19. ISIN Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Note Identification Procedures the Company has caused ISIN numbers to be printed on the Notes. No representation is made as to the accuracy of such numbers as printed on the Notes and reliance may be placed only on the other identification numbers placed thereon.

20. Successor Entity

When a successor entity assumes, in accordance with the Indenture, all the obligations of its predecessor under the Notes and the Indenture, and immediately before and thereafter no Default or Event of Default exists and all other conditions of the Indenture are satisfied, the predecessor entity will be released from those obligations.

21. Governing Law

This Note shall be governed by, and construed in accordance with, the laws of the State of New York.

The Company shall furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture. Requests may be made to:

Palomar Insurance Holdings, Inc.
7979 Ivanhoe Avenue
Suite 500
La Jolla, California 92037
Attention: Chris Uchida, Chief Financial Officer
E-mail: tcu@palomarspecialty.com

[TO BE ATTACHED TO GLOBAL NOTES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The initial principal amount of the Note shall be $. The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of Decrease in Principal Amount of this Global Note	Amount of Increase in Principal Amount of this Global Note	Principal Amount of this Global Note Following such Decrease or Increase	Signature of authorized signatory of Registrar or Common Depositary

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: Your Signature:

Signature Guarantee:

(Signature must be guaranteed)

Sign exactly as your name appears on the other side of this Note.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 3.19 or 5.1 of the Indenture, check the appropriate box below:

o	o
Section 3.19	Section 5.1

If you want to elect to have only part of this Note purchased by the Company pursuant to Section 3.19 or 5.1 of the Indenture, state the amount in principal amount (must be divisible by the principal amount per Note then in denominations of integral multiples of $1,000): $

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of the Note)

EXHIBIT B

FORM OF CERTIFICATE OF TRANSFER

Palomar Insurance Holdings, Inc.
7979 Ivanhoe Avenue
Suite 500
La Jolla, California 92037
Attention: Chris Uchida, Chief Financial Officer
E-mail: tcu@palomarspecialty.com

with a copy to (which shall not constitute notice):

David Luce
DLA Piper LLP (US)
1251 Avenue of the Americas
27th Floor
New York, New York 10020
E-mail: david.luce@dlapiper.com

The Bank of New York Mellon SA/NV, Luxembourg Branch, as Registrar
Structured Products Services
International Corporate Trust
Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg / AIM# EB6-0000
Attention: Luc Biever: +(352) 24-52-5320
Julie Babigeon-Fourrière : +(352) 24-52-5317
Sebastien Loiseau: +(352) 24-52-4436
Fax: +(352) 24-52-4204
E-mail: LUXMB_SPS@bnymellon.com

The Bank of New York Mellon, as Trustee
240 Greenwich St., Floor 7E
New York, New York 10286
Attention: Dealing & Trading / Candace Clarke
Fax: (732) 667-9221
E-mail: candace.clarke@bnymellon.com

Re: Senior Secured Notes due 2028

Reference is hereby made to the Indenture, dated as of September 6, 2018 (the "Indenture"), among Palomar Insurance Holdings, Inc., as issuer (the "Company"), GC Palomar Holdings, as guarantor, and The Bank of New York Mellon, as trustee and collateral agent, The Bank of New York Mellon, London Branch, as paying agent, and The Bank of New York Mellon SA/V, Luxembourg Branch, as registrar. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

(the "Transferor") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of $ in such Note[s] or interests (the "Transfer"), to (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. o **Check if Transferee will take delivery of a beneficial interest in the Rule 144A Global Note or a Definitive Note pursuant to Rule 144A**. The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred to a Person that the Transferor reasonably believed and believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Rule 144A Global Note and/or the Definitive Note and in the Indenture and the Securities Act.

2. o **Check if Transferee will take delivery of a beneficial interest in the Regulation S Global Note or a Definitive Note pursuant to Regulation S**. The Transfer is being effected pursuant to and in accordance with Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Global Note and/or the Definitive Note and in the Indenture and the Securities Act.

3. o **Check and complete if Transferee will take delivery of a beneficial interest in a Restricted Definitive Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S**. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) o such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act; or

(b) o such Transfer is being effected to the Company or a subsidiary thereof; or

(c) o such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act.

4. o **Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Definitive Note**.

(a) o **Check if Transfer is pursuant to Rule 144**. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, or Restricted Definitive Notes and in the Indenture.

(b) o **Check if Transfer is pursuant to Regulation S**. (i) The Transfer is being effected pursuant to and in accordance with Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer

be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, or Restricted Definitive Notes and in the Indenture.

(c) o **Check if Transfer is pursuant to other exemption**. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a) o a beneficial interest in the:

(i) o Rule 144A Global Note (ISIN XS1868540714), or

(ii) o Regulation S Global Note (ISIN XS1868540557), or

(b) o a Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

(a) o a beneficial interest in the:

(i) o Rule 144A Global Note (ISIN XS1868540714), or

(ii) o Regulation S Global Note (ISIN XS1868540557), or

(iii) o Unrestricted Global Note (ISIN), or

(b) o a Restricted Definitive Note; or

(c) o an Unrestricted Definitive Note,
in accordance with the terms of the Indenture.

EXHIBIT C

FORM OF CERTIFICATE OF EXCHANGE

Palomar Insurance Holdings, Inc.
7979 Ivanhoe Avenue
Suite 500
La Jolla, California 92037
Attention: Chris Uchida, Chief Financial Officer
E-mail: tcu@palomarspecialty.com

with a copy to (which shall not constitute notice):

David Luce
DLA Piper LLP (US)
1251 Avenue of the Americas
27th Floor
New York, New York 10020
E-mail: david.luce@dlapiper.com

The Bank of New York Mellon SA/NV, Luxembourg Branch, as Registrar
Structured Products Services
International Corporate Trust
Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg / AIM# EB6-0000
Attention: Luc Biever: +(352) 24-52-5320
Julie Babigeon-Fourrière : +(352) 24-52-5317
Sebastien Loiseau: +(352) 24-52-4436
Fax: +(352) 24-52-4204
E-mail: LUXMB_SPS@bnymellon.com

The Bank of New York Mellon, as Trustee
240 Greenwich St., Floor 7E
New York, New York 10286
Attention: Dealing & Trading / Candace Clarke
Fax: (732) 667-9221
E-mail: candace.clarke@bnymellon.com

Re: Senior Secured Notes due 2028

Reference is hereby made to the Indenture, dated as of September 6, 2018 (the "Indenture"), among Palomar Insurance Holdings, Inc., as issuer (the "Company"), GC Palomar Holdings, as guarantor, and The Bank of New York Mellon, as trustee and collateral agent, The Bank of New York Mellon, London Branch, as paying agent, and The Bank of New York Mellon SA/NV, Luxembourg Branch, as registrar. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

(the "Owner") owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of $ in such Note[s] or interests (the "Exchange"). In connection with the Exchange, the Owner hereby certifies that:

1. Exchange of Restricted Definitive Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Definitive Notes or Beneficial Interests in an Unrestricted Global Note.

(a) o **Check if Exchange is from a beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the United States Securities Act of 1933, as amended (the "Securities Act"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) o **Check if Exchange is from a beneficial interest in a Restricted Global Note to an Unrestricted Definitive Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) o **Check if Exchange is from a Restricted Definitive Note to a beneficial interest in an Unrestricted Global Note**. In connection with the Owner's Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) o **Check if Exchange is from a Restricted Definitive Note to an Unrestricted Definitive Note**. In connection with the Owner's Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. Exchange of Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes for Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes.

(a) o **Check if Exchange is from a beneficial interest in a Restricted Global Note to a Restricted Definitive Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b) o **Check if Exchange is from a Restricted Definitive Note to a beneficial interest in a Restricted Global Note**. In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CHECK ONE] Rule 144A Global Note, Regulation S Global Note with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____

[Insert Name of Transferor]

By: _____

Name:

Title:

Dated: _____

EXHIBIT D

REQUEST FOR INFORMATION FORM

Palomar Insurance Holdings, Inc.
7979 Ivanhoe Avenue
Suite 500
La Jolla, California 92037
E-mail: tcu@palomarspecialty.com

[Date]

Re: $20,000,000 Floating Rate Senior Secured Notes due 2028 (the "**Notes**") issued by Palomar Insurance Holdings, Inc. (the "**Company**")

Pursuant to the Indenture, dated as of September 6, 2018 (the "**Indenture**"), requests for Company information required by or otherwise described in Section 3.2 of the Indenture ("**Confidential Information**") by a Holder, or a prospective purchaser designated by a Holder, must be made in writing by submitting this Request for Information Form to the Company. Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in the Indenture.

The undersigned hereby requests the Company to send Confidential Information as and when prepared in accordance with Section 3.2 of the Indenture electronically to the e-mail address or addresses set forth below.

In order to receive information, please provide:

Name of Noteholder/Prospective Purchaser (Entity): _____

Name of Contact Person: _____

E-mail Address (Company Address Only): _____

Mailing Address: _____

Phone Number: _____

The undersigned hereby certifies that it is: (i) a Holder or a prospective purchaser designated by a Holder; and (ii) a Qualified Institutional Buyer or a non-U.S. Person that purchased or is purchasing the Notes in an offshore transaction complying with Regulation S.

As a condition to receiving Confidential Information, the undersigned agrees that it shall not disclose or otherwise transmit any Confidential Information to anyone other than (i) Relevant Persons on a need to know basis or (ii) as required by applicable law or by any court or regulatory, administrative, supervisory, legislative or executive agency or authority. "**Relevant Persons**" means, in relation to the undersigned, its directors, officers, authorized representatives,

professional advisors, affiliates and employees who need to receive and consider the Confidential Information for the purpose of analyzing an investment in the Notes. The undersigned acknowledges and agrees that it will not use the Confidential Information for any purpose other than analyzing an investment in the Notes.

The undersigned agrees, prior to the sale by the undersigned of any Notes, to inform any prospective purchaser of such Notes of the availability of the Confidential Information. The undersigned agrees that it shall not sell any Notes to a prospective purchaser unless such prospective purchaser has submitted a Request For Information Form to the Company and been granted an opportunity to review the Confidential Information.

The undersigned, agreeing to be bound, has duly executed this Request for Information Form as of the date first written above.

[NOTEHOLDER/PROSPECTIVE PURCHASER]

By: _____
Name:
Title

SCHEDULE 1.1

SPECIFIED TRANSACTIONS

Subject to compliance in all respects with Section 4.2 and the immediately following paragraph, none of the following transactions shall constitute a Change of Control under clauses (a), (c) or (e) of the definition thereof nor otherwise be prohibited by nor constitute a breach nor violation of, nor subject the Company nor the Guarantor to any Default, Event of Default, penalty or remedy under the Indenture or any Security Document, solely by reason of such transaction, notwithstanding anything to the contrary herein or therein:

(i) any consolidation, merger, scheme or amalgamation in which the Guarantor is consolidated with or merged with and into (whether or not the Guarantor is the surviving corporation and including any scheme or amalgamation of substantially similar effect) a Delaware corporation, limited liability company or other Delaware entity, in any case, 50% or more of the voting power of the outstanding Voting Stock of which is "beneficially owned" (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly through one or more intermediaries, by Permitted Holders;

(ii) any re-domestication, conversion or migration of the Guarantor into a Delaware corporation, limited liability company or other entity; or

(iii) any transaction in which all or substantially all of the assets and liabilities of the Guarantor are sold, assigned, conveyed, transferred, leased, contributed, or otherwise disposed of to a new Delaware corporation, limited liability company or other entity, in any case, 50% or more of the voting power of the outstanding Voting Stock of which is "beneficially owned" (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly through one or more intermediaries, by Permitted Holders.

Any such transaction or series of related transactions shall be further subject to all of the following conditions: (i) the Guarantor shall have provided at least 20 Business Days prior written notice of such transaction or series of transactions to the Holders, including a reasonably detailed description of such transaction and relevant pro forma financial information; (ii) the Guarantor shall have delivered to the Trustee an Officers' Certificate and Opinion of Counsel, each stating that such transaction or series of transactions complies with the conditions set forth in the Indenture, including this Schedule 1.1; (iii) no Default shall have occurred immediately before and after giving effect to such transaction or series of transactions; (iv) such transaction or series of transactions shall not be adverse in any material respect to the Holders or the ability of the Company or the Guarantor (or its successor entity) to meet its obligations and to otherwise perform under this Indenture and the Notes; (v) if there is a Successor Guarantor, such Successor Guarantor shall have delivered to the Trustee an agreement pursuant to which the successor entity expressly assumes all of the obligations of the Guarantor under the Security Documents to which the Guarantor is a party, including that such Successor Guarantor shall have granted to the Trustee, as collateral agent on behalf of Holders, a first priority perfected security interest in all shares and other equity interests owned by such Successor Guarantor in the Company, including all proceeds thereof and future rights therein, free and clear of all liens; and

(vi) delivery to the Trustee of an Opinion of Counsel, which shall include opinions with respect to the creation and perfection of a security interest granted by the Successor Guarantor to the Collateral Agent for the benefit of the Secured Parties in the Notes Collateral.

SCHEDULE 3.4

ADDITIONAL PERMITTED PAYMENTS

Prior to the first anniversary of the Issue Date, one or more dividends or other distributions on or in respect of the Capital Stock of the Guarantor in an amount not to exceed $10,000,000 in the aggregate.

SCHEDULE 3.7

AFFILIATE TRANSACTIONS

The Company and Palomar Specialty Reinsurance Company Bermuda Ltd. may terminate or restructure their existing reinsurance arrangement within the next eighteen (18) months to reflect changes to U.S. tax reform.

SCHEDULE 3.8

2018 CATASTROPHE REINSURANCE PROGRAM

[Attached]

SCHEDULE 3.18

FUNDAMENTAL CHANGES

The Company and Palomar Specialty Reinsurance Company Bermuda Ltd. may terminate or restructure their existing inter-affiliate reinsurance.

Exhibit 4.3

GLOBAL NOTE

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY (AS DEFINED IN THE INDENTURE), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THE BANK OF NEW YORK MELLON, LONDON BRANCH, ACTING AS COMMON DEPOSITARY ON BEHALF OF CLEARSTREAM AND EUROCLEAR OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITORY (AND ANY PAYMENT IS MADE TO THE BANK OF NEW YORK MELLON, LONDON BRANCH, OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, THE BANK OF NEW YORK MELLON, LONDON BRANCH, ACTING AS COMMON DEPOSITARY ON BEHALF OF CLEARSTREAM AND EUROCLEAR, HAS AN INTEREST HEREIN.

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE AND IS REGISTERED IN THE NAME OF THE COMMON DEPOSITARY OR A NOMINEE OF THE COMMON DEPOSITARY OR A SUCCESSOR COMMON DEPOSITARY. THIS NOTE IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE COMMON DEPOSITARY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER OF THIS NOTE AS A WHOLE BY THE COMMON DEPOSITARY TO A NOMINEE OF THE COMMON DEPOSITARY OR BY A NOMINEE OF THE COMMON DEPOSITARY TO THE COMMON DEPOSITARY OR ANOTHER NOMINEE OF THE COMMON DEPOSITARY OR BY THE COMMON DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR COMMON DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR COMMON DEPOSITARY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER ANY OF THE NOTES REPRESENTED HEREBY EXCEPT (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D)

PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR (E) IN ACCORDANCE WITH ANOTHER

EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS) AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM ANY OF THE NOTES REPRESENTED HEREBY ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

[The remainder of this page is intentionally left blank]

No. A-1 Principal Amount $20,000,000
as revised by the Schedule of Increases
or Decreases in the Global Note attached hereto

ISIN NO. XS1868540714

PALOMAR INSURANCE HOLDINGS, INC.

Floating Rate Senior Secured Notes due 2028

Palomar Insurance Holdings, Inc., a California corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), for value received, hereby promises to pay to The Bank of New York Depository (Nominees) Limited, the registered holder hereof, as nominee of The Bank of New York Mellon, London Branch, as common depositary of Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*, Luxembourg, or registered assigns in accordance with the terms and conditions hereof, the initial principal amount set forth on the Schedule of Increases or Decreases in the Global Note attached hereto, as revised by the Schedule of Increases or Decreases in the Global Note attached hereto, in a series of installments as specified below with a final payment date of September 6, 2028, together with the interest on the then outstanding principal amount on each Interest Payment Date at a floating rate *per annum* as specified on the reverse side of this Note.

Interest Payment Dates: March 20, June 20, September 20 and December 20 of each year, commencing on December 20, 2018, or if any such day is not a Depositary Business Day, the next succeeding day that is a Depositary Business Day.

Record Dates: One (1) Depositary Business Day immediately preceding an Interest Payment Date.

Additional provisions of this Note are set forth on the reverse side of this Note. Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

PALOMAR INSURANCE HOLDINGS, INC.

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

THE BANK OF NEW YORK MELLON

as Trustee, certifies that this is one of the Notes referred to in the Indenture.

By: _____ Date: _____
Authorized Signatory

REVERSE SIDE OF NOTE

Senior Secured Notes due 2028

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated. The terms of the Indenture are incorporated herein by reference and made a part hereof.

1. Principal

Principal shall be due and payable on the Notes on the Maturity Date, unless the Notes are redeemed early or paid in full pursuant to the Indenture, in an amount equal to the Outstanding Principal Amount as of the Maturity Date.

2. Interest

This Note shall bear interest on the Outstanding Principal Amount thereof from and including the date of issuance of such Note until paid in full, at a floating rate *per annum* equal to the Treasury Rate determined by the Calculation Agent *plus* 650 basis points (6.50%). The Calculation Agent shall as soon as practicable after determining the Treasury Rate applicable to the Notes for any Interest Accrual Period, notify the Company and the Paying Agent thereof and maintain records of the quotations obtained, and all rates determined, by it and make such records available for inspection at all reasonable times by the Company and the Paying Agent. Interest accrued on this Note shall be payable in arrears on each Interest Payment Date, commencing with the Interest Payment Date occurring on December 20, 2018. All interest accrued on this Note shall be computed on the basis of a 360-day year for the actual number of days elapsed.

"Calculation Agent" means The Bank of New York Mellon, as Trustee.

"Interest Accrual Period" means, for each Interest Payment Date, the period beginning from and including the immediately preceding Interest Payment Date (or the Issue Date, in the case of the first Interest Payment Date) to, but excluding, such Interest Payment Date.

"Treasury Determination Date" means, with respect to each Interest Accrual Period, the second Banking Day prior to the day on which such Interest Accrual Period commences.

"Treasury Rate" means, with respect to any Interest Accrual Period, the rate determined by the Calculation Agent on each Treasury Determination Date for each Interest Accrual Period as of the related Treasury Determination Date in accordance with the following provisions:

(i) the rate from the auction held on the applicable determination date, which is referred to as the "auction," of direct obligations of the United States which are commonly referred to as "Treasury Bills," having the index maturity closest to the three-month anniversary of the Treasury Determination Date (the "Index Maturity") (and in the event multiple securities are equally close in maturity, such security with the longest maturity) as that rate appears under the relevant caption on the display on Bloomberg, or any successor service, on page USGG3M INDEX <GO> on the ALLX function or

---

any other page as may replace page USGG3M INDEX <GO> on the ALLX function on that service; or

(ii) if the rate described in (i) is not published by 3:00 p.m., New York City time, on the related calculation date, the bond equivalent yield of the auction rate of the applicable Treasury Bills, announced by the United States Department of the Treasury; or

(iii) if the rate referred to in (ii) is not announced by the United States Department of the Treasury, or if the auction is not held, the bond equivalent yield of the auction rate on the applicable determination date of Treasury Bills having the Index Maturity published in H.15(519) under the caption "U.S. Government Securities/Treasury Bills/Secondary Market"; or

(iv) if the rate referred to in (iii) is not so published by 3:00 p.m., New York City time, on the related calculation date, the rate on the applicable determination date of the applicable Treasury Bills as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market"; or

(v) if the rate referred to in (iv) is not so published by 3:00 p.m., New York City time, on the related calculation date, the rate on the applicable determination date calculated by the Indenture Trustee as the bond equivalent yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable determination date, of three primary U.S. government securities dealers, which may include the agent and its affiliates, selected by the Company, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity; or

(vi) if the dealers selected by the Company are not quoting as set forth above, the Treasury rate for that determination date will remain the Treasury rate as of the most recent determination date.

3. Method of Payment

By no later than 10:00 a.m. (New York time) on the Business Day immediately preceding each Interest Payment Date, any Special Interest Payment Date and the Stated Maturity, and on the Business Day immediately following any acceleration of the Notes pursuant to the Indenture, the Company shall deposit with the Paying Agent in immediately available, freely transferable funds money in dollars sufficient to make cash payments, if any, due on such day or date, as the case may be. Principal and interest on any Note that is due and payable on any Interest Payment Date (other than Defaulted Interest) shall be paid by the Paying Agent to the Person in whose name such Note (or one or more predecessor Notes) is registered at the close of business on the regular Record Date for such principal and interest at the office or agency of the Company maintained for such purpose pursuant to the Indenture.

4. Paying Agent and Registrar

Initially, The Bank of New York Mellon, London Branch shall act as Paying Agent and The Bank of New York Mellon SA/NV, Luxembourg Branch shall act as Registrar. The

Company may appoint and change any Paying Agent, Registrar or co-registrar without notice to the Holders. The Company may act as Paying Agent, Registrar or co-registrar.

5. Indenture

The Company issued the Notes under the Indenture, dated as of September 6, 2018 (as amended, supplemented or otherwise modified and in effect from time to time, the "Indenture"), among the Company, GC Palomar Holdings, as Guarantor, The Bank of New York Mellon, as Trustee and Collateral Agent (in such capacity, the "Trustee"), The Bank of New York Mellon, London Branch, as Paying Agent (in such capacity, the "Paying Agent"), and The Bank of New York Mellon SA/NV, Luxembourg Branch, as Registrar (in such capacity, the "Registrar"). The Notes are subject to all such terms, and Holders are referred to the Indenture and the Securities Act for a statement of those terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

The Notes are senior secured obligations of the Company. This Note is one of the Senior Secured Notes due 2028 referred to in the Indenture (herein called the "Notes"). The Indenture, among other things, imposes certain covenants including as specified in Article III. The Indenture also imposes requirements with respect to the provision of financial information. The Indenture also contains certain exceptions to the foregoing, and this description is qualified in its entirety by reference to the Indenture.

6. Denominations; Transfer; Exchange

The Notes are in registered form without coupons in initial denominations of $2,000 principal amount and integral multiples of $1,000 thereafter. A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Neither the Registrar nor the Trustee shall be required to register the transfer of or exchange any Note selected for redemption in whole or in part, except for the unredeemed portion of any Note being redeemed in part. Also, none of the Trustee, the Registrar or the Company shall be required to register the transfer of or to exchange any Notes during a period beginning at the opening of business on the Business Day immediately preceding the mailing of a notice of redemption of Notes and ending at the close of business on the day of such mailing.

7. Change of Control and Asset Sale.

If a Change of Control occurs, each Holder shall have the right to require the Company to repurchase all or any part (in integral multiples of $1,000) of such Holder's Notes at a purchase price in cash equal to 100% of the Outstanding Principal Amount of the Notes to be redeemed *plus* accrued and unpaid interest, if any, to, but excluding, the date of purchase (subject to the right of Holders of record on any relevant Record Date to receive principal and interest due on any relevant Interest Payment Date) as provided in, and subject to the terms of, the Indenture.

In the event of an Asset Sale that requires the purchase of Notes pursuant to Section 3.19 of the Indenture, the Company shall be required to make an offer to all Holders to purchase in

cash in an amount equal to 100% of the principal amount of the Notes, *plus* accrued and unpaid interest to, but excluding, the date of purchase (subject to the right of Holders of record on any relevant Record Date to receive principal and interest due on any relevant Interest Payment Date), as provided in, and subject to the terms of, the Indenture. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Note purchased pursuant to such Asset Sale Offer by completing the form entitled "Option of Holder to Elect Purchase" attached to this Note, or transferring its interest in such Note by book-entry transfer, to the Company or the Paying Agent at the address specified in the notice at least three (3) Business Days before the Asset Sale Purchase Date.

8. Redemption

(a) The Company may, at its option, redeem all or, from time to time, a part of the Notes at the following redemption prices (expressed as a percentage of Outstanding Principal Amount of the Notes to be redeemed) *plus* accrued and unpaid interest and principal on the Notes, if any, to the applicable Early Redemption Date (subject to the right of Holders of record on any relevant Record Date to receive interest due on any relevant Interest Payment Date):

Period	Redemption Price
Prior to September 6, 2019	102%
After September 6, 2019 and prior to September 6, 2020	101%
Thereafter	100%

(b) Any redemption pursuant to this paragraph 8 shall be made pursuant to the provisions of Sections 5.3 through 5.8 of the Indenture.

9. Persons Deemed Owners

The registered Holder of this Note may be treated as the owner of it for all purposes. Only registered Holders shall have rights hereunder.

10. Unclaimed Money

If money for the payment of the principal of or premium, if any, or interest remains unclaimed for two years, the Trustee and the Paying Agent shall pay the money back to the Company at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

11. Discharge and Defeasance

Subject to certain conditions set forth in the Indenture, the Company at any time may terminate some or all of its obligations under the Notes and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Notes to redemption or maturity, as the case may be.

12. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture and the Notes, may be amended or supplemented with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and (ii) any past default or compliance with the provisions of the Indenture and the Notes may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, certain provisions of the Indenture cannot be amended, supplemented or waived without the consent of each Holder of an outstanding Note affected (including reduction of the principal amount of the Notes or the interest rate, or extension of the maturity of the Notes, waiver of a Default with respect to nonpayment, change of the time for redemption or repurchase pursuant to the Indenture, change of the currency of the Notes, impairment of the right of Holders to receive payment on or after due dates, change of amendment provisions or subordination of the Notes to any other obligations). Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company and the Trustee may amend the Indenture or the Notes to cure any ambiguity, omission, defect or inconsistency, to comply with Article IV of the Indenture in respect of the assumption by a Successor Company of an obligation of the Company under the Indenture, or to provide for uncertificated Notes in addition to or in place of certificated Notes, to add additional covenants or surrender rights and powers conferred on the Company, to comply with any requirement of the SEC in connection with the qualification of this Indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), if applicable, or to provide for the appointment of a successor trustee.

13. Defaults and Remedies

This Note will be subject to Events of Default pursuant to Article VI of the Indenture.

If an Event of Default occurs and is continuing, the Trustee or Holders of at least a majority in principal amount of the outstanding Notes then outstanding may declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes to be due and payable. Certain events of bankruptcy or insolvency with respect to the Company are Events of Default which shall result in the Notes being due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Notes unless the Trustee receives indemnity or security satisfactory to the Trustee. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power.

14. Trustee Dealings with the Company

Subject to certain limitations set forth in the Indenture, the Trustee in its individual or any other capacity may become the owner or pledgee of Notes, in accordance with the provisions of

the Indenture, and may otherwise deal with the Company, the Guarantors, the Subsidiaries or their Affiliates with the same rights it would have if it were not Trustee.

15. No Recourse Against Others

An incorporator, director, officer, employee, stockholder or controlling Person, as such, of the Company, any Guarantor or any Subsidiary shall not have any liability for any obligations of the Company, any Guarantor or any Subsidiary under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Notes.

16. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the certificate of authentication on the other side of this Note.

17. Security

The Notes shall be secured by Liens and security interests in the Notes Collateral on the terms and conditions set forth in the Security Documents. The Collateral Agent holds the Notes Collateral in trust for the benefit of the Trustee and the Holders, in each case pursuant to the terms of the Security Documents.

18. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entirety), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian) and UIGIMIA (=Uniform Gift to Minors Act).

19. ISIN Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Note Identification Procedures the Company has caused ISIN numbers to be printed on the Notes. No representation is made as to the accuracy of such numbers as printed on the Notes and reliance may be placed only on the other identification numbers placed thereon.

20. Successor Entity

When a successor entity assumes, in accordance with the Indenture, all the obligations of its predecessor under the Notes and the Indenture, and immediately before and thereafter no Default or Event of Default exists and all other conditions of the Indenture are satisfied, the predecessor entity will be released from those obligations.

21. Governing Law

This Note shall be governed by, and construed in accordance with, the laws of the State of New York.

The Company shall furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture. Requests may be made to:

Palomar Insurance Holdings, Inc.
7979 Ivanhoe Avenue
Suite 500
La Jolla, California 92037
Attention: Chris Uchida, Chief Financial Officer
E-mail: tcu@palomarspecialty.com

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The initial principal amount of the Note shall be $. The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of Decrease in Principal Amount of this Global Note	Amount of Increase in Principal Amount of this Global Note	Principal Amount of this Global Note Following such Decrease or Increase	Signature of authorized signatory of Registrar or Common Depositary

---

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: Your Signature:

Signature Guarantee:

(Signature must be guaranteed)

Sign exactly as your name appears on the other side of this Note.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 3.19 or 5.1 of the Indenture, check the appropriate box below:

o	o
Section 3.19	Section 5.1

If you want to elect to have only part of this Note purchased by the Company pursuant to Section 3.19 or 5.1 of the Indenture, state the amount in principal amount (must be divisible by the principal amount per Note then in denominations of integral multiples of $1,000): $

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of the Note)

Exhibit 4.4

STOCKHOLDERS AGREEMENT

by and among

PALOMAR HOLDINGS, INC.

and

THE OTHER PARTIES HERETO

Dated as of [·], 2019

TABLE OF CONTENTS

		Page
ARTICLE I. INTRODUCTORY MATTERS		1
1.1	Defined Terms	1
1.2	Construction	3
ARTICLE II. BOARD OF DIRECTORS		3
2.1	Election of Directors	3
2.2	Compensation	4
2.3	Other Rights of Genstar Designees	4
ARTICLE III. INFORMATION		4
3.1	Books and Records; Access	4
3.2	Sharing of Information	4
ARTICLE IV. OTHER RIGHTS		5
4.1	Consent to Certain Actions	5
ARTICLE V. GENERAL PROVISIONS		5
5.1	Termination	5
5.2	Notices	5
5.3	Amendment; Waiver	6
5.4	Further Assurances	6
5.5	Assignment	6
5.6	Third Parties	6
5.7	Governing Law	6
5.8	Jurisdiction; Waiver of Jury Trial	6
5.9	Specific Performance	7
5.10	Entire Agreement	7
5.11	Severability	7
5.12	Table of Contents, Headings and Captions	7
5.13	Counterparts	7
5.14	Effectiveness	7
5.15	No Recourse	7

STOCKHOLDERS AGREEMENT

This Stockholders Agreement is entered into as of [·], 2019 by and among Palomar Holdings, Inc., a Delaware corporation (the "Company"), and each of the other parties identified on the signature pages hereto (the "Holders").

RECITALS:

WHEREAS, the Company is currently contemplating an underwritten initial public offering ("IPO") of shares of its Common Stock (as defined below); and

WHEREAS, in connection with, and effective upon, the date of completion of the IPO (the "Closing Date"), the Company and the Holders wish to set forth certain understandings between such parties, including with respect to certain governance matters.

NOW, THEREFORE, the parties agree as follows:

ARTICLE I.

INTRODUCTORY MATTERS

1.1 Defined Terms. In addition to the terms defined elsewhere herein, the following terms have the following meanings when used herein with initial capital letters:

"Affiliate" means, with respect to any Person, (a) any Person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, or (b) any Person who is a general partner, partner, limited partner, managing director, manager, officer, director or principal of the specified Person. Notwithstanding the foregoing, except with respect to Section 5.15 and the definitions of "Genstar Entities", "Related Party" and "Related Parties", none of the Genstar Entities shall be considered an Affiliate of (i) any portfolio company in which the Genstar Entities or any of their investment fund affiliates have made a debt or equity investment (and vice versa), (ii) any limited partners, non-managing members of, or other similar direct or indirect investors in, the Genstar Entities or any of their affiliates (and vice versa) or (iii) any portfolio company in which any limited partner with, non-managing member of, or other similar direct or indirect investor in the Genstar Entities or any of their affiliates have made a debt or equity investment (and vice versa), and none of the Persons described in clauses (i) through (iii) of this definition shall be considered an Affiliate of each other.

"Agreement" means this Stockholders Agreement, as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with the terms hereof.

"beneficially own" has the meaning set forth in Rule 13d-3 promulgated under the Exchange Act.

"Board" means the board of directors of the Company.

"Business Day" means a day other than a Saturday, Sunday, federal or California State holiday or other day on which commercial banks in San Francisco, California are authorized or required by Law to close.

"Bylaws" means the Bylaws of the Company, as the same may be amended and/or restated from time to time.

"Charter" means the Certificate of Incorporation of the Company, as the same may be amended and/or restated from time to time.

"Closing Date" has the meaning set forth in the Recitals.

"Common Stock" means the shares of common stock, par value $0.0001 per share, of the Company, and any other capital stock of the Company into which such stock is reclassified or reconstituted and any other common stock of the Company.

"Company" has the meaning set forth in the Preamble.

"control" (including its correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies (whether through ownership of securities or any partnership or other ownership interest, by contract or otherwise) of a Person.

"Director" means any member of the Board.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"Genstar Designee" has the meaning set forth in Section 2.1(b).

"Genstar Entities" means Genstar Parent, its Affiliates and Genstar Parent's and such Affiliates' respective successors and Permitted Assigns.

"Genstar Parent" means, collectively, Genstar Capital Partners V AIV, L.P. and Genstar Capital Partners VI AIV, L.P.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Holders" has the meaning set forth in the Preamble.

"IPO" has the meaning set forth in the Recitals.

"Law" means any statute, law, regulation, ordinance, rule, injunction, order, decree, governmental approval, directive, requirement, or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority.

"Permitted Assigns" means with respect to a Related Entity, a Transferee of shares of Common Stock that agrees to become party to, and to be bound to the same extent as its Transferor by the terms of, this Agreement.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or other form of business organization, whether or not regarded as a legal entity under applicable Law, or any Governmental Authority or any department, agency or political subdivision thereof.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which: (a) if a corporation, a majority of the total voting power of shares of stock entitled to vote in the election of directors, representatives or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof; or (b) if a limited liability company, partnership, association or other business entity, a majority of the total voting power of stock (or equivalent ownership interest) of the limited liability company, partnership, association or other business entity is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control the managing member, managing director or other governing body or general partner of such limited liability company, partnership, association or other business entity.

"Total Number of Directors" means the total number of directors constituting the Board.

"Transfer" (including its correlative meanings, "Transferor", "Transferee" and "Transferred") shall mean, with respect to any security, directly or indirectly, to sell, contract to sell, give, assign, hypothecate, pledge, encumber, grant a security interest in, offer, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any economic, voting or other rights in or to such security. When used as a noun, "Transfer" shall have such correlative meaning as the context may require.

1.2 Construction. Interpretation of this Agreement shall be governed by the following rules of construction. Unless the context otherwise requires: (a) references to the terms Article, Section, paragraph and Exhibit are references to the Articles, Sections, paragraphs and Exhibits to this Agreement unless otherwise specified; (b) the terms "hereof," "herein," "hereby," "hereto," and derivative or similar words refer to this entire Agreement, including Exhibits hereto; (c) references to "$" or "Dollars" shall mean United States dollars; (d) the words "include," "includes," "including" and words of similar import when used in this Agreement shall mean "including without limitation," unless otherwise specified; (e) the word "or" shall not be exclusive; (f) references to "written" or "in writing" include in electronic form; (g) provisions shall apply, when appropriate, to successive events and transactions; (h) the headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement; (i) each of Genstar Parent and the Holders has participated in the negotiation and drafting of this Agreement and if an ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the parties thereto and no presumption or burden of proof shall arise favoring or burdening either party by virtue of the authorship of any of the provisions in this Agreement; (j) a reference to any Person includes such Person's permitted successors and assigns; (k) references to "days" mean calendar days unless Business Days are expressly specified; (l) the word "will" shall be construed to have the same meaning and effect as the word "shall"; (m) the terms "party", "party hereto", "parties" and "parties hereto" shall mean a party to this Agreement and the parties to this Agreement, as applicable, unless otherwise specified; (n) with respect to the determination of any period of time, "from" means "from and including"; and (o) any deadline or time period set forth in this Agreement that by its terms ends on a day that is not a Business Day shall be automatically extended to the next succeeding Business Day. Any agreement, instrument or statute defined or referred to herein means such agreement, instrument or statute as from time to time may be amended, supplemented, restated or modified, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes.

ARTICLE II.

BOARD OF DIRECTORS

2.1 Election of Directors.

(a) Following the Closing Date, Genstar Parent shall have the right, but not the obligation, to nominate to the Board a number of designees equal to at least: (i) the lowest whole number that is greater than 50% of the Total Number of Directors, so long as the Genstar Entities beneficially own 50% or more of the outstanding shares of Common Stock; (ii) the lowest whole number that is greater than 40% of the Total Number of Directors, in the event that the Genstar Entities beneficially own 40% or more, but less than 50%, of the outstanding shares of Common Stock; (iii) the lowest whole number that is greater than 30% of the Total Number of Directors, in the event that the Genstar Entities beneficially own 30% or more, but less than 40%, of the outstanding shares of Common Stock; (iv) the lowest whole number that is greater than 20% of the Total Number of Directors, in the event that the Genstar Entities beneficially own 20% or more, but less than 30%, of the outstanding shares of Common Stock; and (v) the lowest whole number that is greater than 10% of the Total Number of Directors, in the event that the Genstar Entities beneficially own 10% or more, but less than 20%, of the outstanding shares of Common Stock.

(b) In the event that Genstar Parent has nominated less than the total number of designees Genstar Parent shall be entitled to nominate pursuant to Section 2.1(a), Genstar Parent shall have the right, at any time, to nominate such additional designees to which it is entitled, in which case, the Company and the Directors shall take all necessary corporate action, to the fullest extent permitted by applicable Law, to (i) enable Genstar Parent to nominate and effect the election or appointment of such additional individuals, whether by increasing the size of the Board, or otherwise and (ii) to effect the election or appointment of such additional individuals nominated by Genstar Parent to fill such newly-created directorships or to fill any other existing vacancies. Each such Person whom Genstar Parent shall actually nominate pursuant to this Section 2.1 and who is thereafter elected to the Board to serve as a Director shall be referred to herein as an "Genstar Designee."

(c) In the event that a vacancy is created at any time by the death, retirement or resignation of any Genstar Designee, the remaining Directors and the Company shall, to the fullest extent permitted by applicable Law, take all actions necessary at any time and from time to time to cause the vacancy created thereby to be filled by a new designee of Genstar Parent, as soon as possible.

(d) The Company agrees, to the fullest extent permitted by applicable Law, to include in the slate of nominees recommended by the Board for election at any meeting of stockholders called for the purpose of electing directors the persons designated pursuant to this Section 2.1 and to nominate and recommend each such individual to be elected as a Director as provided herein, and to solicit proxies or consents in favor thereof. The Company is entitled, solely for the purposes set forth in this

Section 2.1(d), to identify such individual as a Genstar Designee pursuant to this Agreement.

2.2 Compensation. Except to the extent Genstar Parent may otherwise notify the Company, the Genstar Designees shall be entitled to compensation consistent with the compensation received by other non-employee Directors, including any fees and equity awards. If the Company adopts a policy that Directors own a minimum amount of equity in the Company, Genstar Designees shall not be subject to such policy.

2.3 Other Rights of Genstar Designees. Except as provided in Section 2.2, each Genstar Designee serving on the Board shall be entitled to the same rights and privileges applicable to all other members of the Board generally or to which all such members of the Board are entitled. In furtherance of the foregoing, the Company shall indemnify, exculpate, and reimburse fees and expenses of the Genstar Designees (including by entering into an indemnification agreement in a form substantially similar to the Company's form director indemnification agreement) and provide the Genstar Designees with director and officer insurance to the same extent it indemnifies, exculpates, reimburses and provides insurance for the other members of the Board pursuant to the Charter, articles of association or other organizational document of the Company, applicable Law or otherwise.

ARTICLE III.

INFORMATION

3.1 Books and Records; Access. The Company shall, and shall cause its Subsidiaries to, keep proper books, records and accounts, in which full and correct entries shall be made of all financial transactions and the assets and business of the Company and each of its Subsidiaries in accordance with generally accepted accounting principles. For so long as (a) no Genstar Designee is then serving as a Director, and (b) Genstar Parent beneficially owns 10% or more of the outstanding shares of Common Stock, the Company shall, and shall cause its Subsidiaries to, permit the Genstar Entities and their respective designated representatives, at reasonable times and upon reasonable prior notice to the Company, to inspect, review and/or make copies and extracts from the books and records of the Company or any of such Subsidiaries and to discuss the affairs, finances and condition of the Company or any of such Subsidiaries with the officers of the Company or any such Subsidiary. For so long as (i) no Genstar Designee is then serving as a Director, and (ii) Genstar Parent beneficially owns 10% or more of the outstanding shares of Common Stock, the Company, upon the written request of any Genstar Entity, shall, and shall cause its Subsidiaries to, provide the Genstar Entities, in addition to other information that might be reasonably requested by the Genstar Entities from time to time, (A) direct access to the Company's auditors and officers, (B) quarter-end reports, in a format to be prescribed by the Genstar Entities, to be provided within 30 days after the end of each quarter, (C) copies of all materials provided to the Board (or committee of the Board) at the same time as provided to the Directors (or members of a committee of the Board), (D) access to appropriate officers and directors of the Company and its Subsidiaries at such times as may be requested by the Genstar Entities, as the case may be, for consultation with each of the Genstar Entities with respect to matters relating to the business and affairs of the Company and its Subsidiaries, (E) information in advance with respect to any significant corporate actions, including, without limitation, extraordinary dividends, stock redemptions or repurchases, mergers, acquisitions or dispositions of assets, issuances of significant amounts of debt or equity and material amendments to the Charter or Bylaws or the organizational documents of any of its Subsidiaries, and to provide the Genstar Entities with the right to consult with the Company and its Subsidiaries with respect to such actions, (F) flash data, in a format to be prescribed by the Genstar Entities, to be provided within ten days after the end of each quarter and (G) to the extent otherwise prepared by the Company, operating and capital expenditure budgets and periodic information packages relating to the operations and cash flows of the Company and its Subsidiaries (all such information so furnished pursuant to this Section 3.1, the "Information"). The Company agrees to consider, in good faith, the recommendations of the Genstar Entities in connection with the matters on which the Company is consulted as described above. Subject to Section 3.2, any Genstar Entity (and any party receiving Information from an Genstar Entity) who shall receive Information shall maintain the confidentiality of such Information, and the Company shall not be required to disclose any privileged Information of the Company so long as the Company has used its commercially reasonable efforts to enter into an arrangement pursuant to which it may provide such Information to the Genstar Entities without the loss of any such privilege.

3.2 Sharing of Information. Individuals associated with the Genstar Entities may from time to time serve on the Board or the equivalent governing body of the Company's Subsidiaries. The Company, on its behalf and on behalf of its Subsidiaries, recognizes that such individuals (a) will from time to time receive non-public information concerning the Company and its Subsidiaries and (b) may (subject to the obligation to maintain the confidentiality of such information in accordance with Section 3.1) share such information with other individuals associated with the Genstar Entities. Such sharing will be for the

dual purpose of facilitating support to such individuals in their capacity as Directors (or members of the governing body of any Subsidiary) and enabling the Genstar Entities, as equityholders, to better evaluate the Company's performance and prospects. The Company, on behalf of itself and its Subsidiaries, hereby irrevocably consents to such sharing.

ARTICLE IV.

OTHER RIGHTS

4.1 Consent to Certain Actions.

(a) Subject to the provisions of Section 4.1(b), without the prior written approval of Genstar Parent, the Company shall not, and shall (to the extent applicable) cause each of its Subsidiaries not to:

(i) amend, modify or repeal (whether by merger, consolidation or otherwise) any provision of the Charter, the Bylaws or equivalent organizational documents of its Subsidiaries in a manner that adversely affects any of the Genstar Entities;

(ii) make any payment or declaration of any dividend or other distribution on any shares of Common Stock or entering into any recapitalization transaction, the primary purpose of which is to pay a dividend;

(iii) merge or consolidate with or into any other entity, or transfer (by lease, assignment, sale or otherwise) all or substantially all of the Company's and its Subsidiaries' assets, taken as a whole, to another entity, or enter into or agree to undertake any transaction that would constitute a "Change of Control" as defined in the Company's or its Subsidiaries' principal credit facilities or note indentures (other than, in each case, transactions among the Company and its wholly-owned Subsidiaries);

(iv) other than in the ordinary course of business with vendors, customers and suppliers, enter into or effect any (A) acquisition by the Company or any Subsidiary of the equity interests or assets of any Person, or the acquisition by the Company or any Subsidiary of any business, properties, assets, or Persons, in one transaction or a series of related transactions or (B) disposition of assets of the Company or any Subsidiary or the shares or other equity interests of any Subsidiary, in each case where the amount of consideration for any such acquisition or disposition exceeds $15 million in any single transaction, or an aggregate amount of $30 million in any series of transactions during a calendar year;

(v) undertake any liquidation, dissolution or winding up of the Company; or

(vi) change the size of the Board.

(b) The approval rights set forth in Section 4.1(a) shall terminate at such time as the Genstar Entities no longer collectively beneficially own at least 20% of the outstanding shares of Common Stock of the Company.

ARTICLE V.

GENERAL PROVISIONS

5.1 Termination. This Agreement shall terminate on the earlier to occur of (a) such time as the Genstar Entities collectively no longer beneficially owns 10% or more of the outstanding shares of Common Stock and (b) upon the delivery of a written notice by Genstar Parent to the Company requesting that this Agreement terminate.

5.2 Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, sent by electronic transmission or sent by reputable overnight courier service (charges prepaid) to the Company at the address set forth below and to any other recipient at the address indicated on the Company's records, or at such address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder when delivered personally, sent by electronic transmission or upon actual delivery by reputable overnight courier service (as indicated in such courier service's records).

The Company's address is:

Palomar Holdings, Inc.
7979 Ivanhoe Avenue, Suite 500
La Jolla, CA 92037
Attention: Chief Executive Officer

The Genstar Entities' address is:

c/o Genstar Capital Partners LLC
Four Embarcadero Center
Suite 1900
San Francisco, CA 94111
Attention: J. Ryan Clark

with a copy to:

Weil, Gotshal & Manges LLP
201 Redwood Shores Parkway
Redwood Shores, CA 94065
Attention: Craig W. Adas

5.3 Amendment; Waiver. This Agreement may be amended, supplemented or otherwise modified only by a written instrument executed by the Company and the other parties hereto. Neither the failure nor delay on the part of any party hereto to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

5.4 Further Assurances. The parties hereto will sign such further documents, cause such meetings to be held, resolutions passed, exercise their votes and do and perform and cause to be done such further acts and things necessary, proper or advisable in order to give full effect to this Agreement and every provision hereof. To the fullest extent permitted by Law, the Company shall not directly or indirectly take any action that is intended to, or would reasonably be expected to result in, any Genstar Entity being deprived of the rights contemplated by this Agreement.

5.5 Assignment. This Agreement will inure to the benefit of and be binding on the parties hereto and their respective successors and permitted assigns. This Agreement may not be assigned without the express prior written consent of the other parties hereto, and any attempted assignment, without such consents, will be null and void; provided, however, that each Genstar Entity shall be entitled to assign, in whole or in part, to any of its Permitted Assigns without such prior written consent any of its rights hereunder.

5.6 Third Parties. Except as provided for in Section 3.2 with respect to any Genstar Entity, this Agreement does not create any rights, claims or benefits inuring to any Person that is not a party hereto nor create or establish any third-party beneficiary hereto.

5.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to principles of conflicts of laws thereof.

5.8 Jurisdiction; Waiver of Jury Trial. In any judicial proceeding involving any dispute, controversy or claim arising out of or relating to this Agreement, each of the parties unconditionally accepts the jurisdiction and venue of the Court of Chancery of the State of Delaware or, if the Court of Chancery does not have subject matter jurisdiction over this matter, the Superior Court of the State of Delaware (Complex Commercial Division), or if jurisdiction over the matter is vested exclusively in federal courts, the United States District Court for the District of Delaware, and the appellate courts to which orders and judgments thereof may be appealed. In any such judicial proceeding, the parties agree that in addition to any method for the service of process permitted or required by such courts, to the fullest extent permitted by Law, service of process may be made by delivery provided pursuant to the directions in Section 5.2. EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW TRIAL BY JURY IN ANY JUDICIAL PROCEEDING

INVOLVING ANY DISPUTE, CONTROVERSY OR CLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT.

5.9 Specific Performance. Each party hereto acknowledges and agrees that in the event of any breach of this Agreement by any of them, the other parties hereto would be irreparably harmed and could not be made whole by monetary damages. Each party accordingly agrees to waive the defense in any action for specific performance that a remedy at law would be adequate and that the parties, in addition to any other remedy to which they may be entitled at law or in equity, shall be entitled to specific performance of this Agreement without the posting of any bond.

5.10 Entire Agreement. This Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof. There are no agreements, representations, warranties, covenants or understandings with respect to the subject matter hereof or thereof other than those expressly set forth herein and therein. This Agreement supersedes all other prior agreements and understandings between the parties with respect to such subject matter.

5.11 Severability. If any provision of this Agreement, or the application of such provision to any Person or circumstance or in any jurisdiction, shall be held to be invalid or unenforceable to any extent, (a) the remainder of this Agreement shall not be affected thereby, and each other provision hereof shall be valid and enforceable to the fullest extent permitted by Law, (b) as to such Person or circumstance or in such jurisdiction such provision shall be reformed to be valid and enforceable to the fullest extent permitted by Law and (c) the application of such provision to other Persons or circumstances or in other jurisdictions shall not be affected thereby.

5.12 Table of Contents, Headings and Captions. The table of contents, headings, subheadings and captions contained in this Agreement are included for convenience of reference only, and in no way define, limit or describe the scope of this Agreement or the intent of any provision hereof.

5.13 Counterparts. This Agreement and any amendment hereto may be signed in any number of separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one Agreement (or amendment, as applicable).

5.14 Effectiveness. This Agreement shall become effective upon the Closing Date.

5.15 No Recourse. Notwithstanding anything that may be expressed or implied in this Agreement or otherwise, and notwithstanding the fact that certain of the Holders may be partnerships, limited liability companies, corporations or other entities, each party hereto covenants, agrees and acknowledges that no recourse under this Agreement or any documents or instruments delivered by any Person pursuant hereto or otherwise shall be had against any of the Genstar Entities or any of their former, current or future direct or indirect equity holders, controlling Persons, stockholders, directors, officers, employees, agents, Affiliates, members, financing sources, managers, general or limited partners or assignees (each a "Related Party" and collectively, the "Related Parties"), in each case other than (subject, for the avoidance of doubt, to the provisions of this Agreement) each party hereto or any of its respective assignees under this Agreement, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any applicable Law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any of the Related Parties, as such, for any obligation or liability of any party hereto or any of its respective assignees under this Agreement or any documents or instruments delivered by any Person pursuant hereto for any claim based on, in respect of or by reason of such obligations or liabilities or their creation; provided, however, that nothing in this Section 5.16 shall relieve or otherwise limit the liability of any party hereto or any of its respective assignees for any breach or violation of its obligations under such agreements, documents or instruments.

[*Remainder Of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

COMPANY

PALOMAR HOLDINGS, INC.

By:
Name: Mac Armstrong
Title: Chief Executive Officer

[Signature Page to Stockholders Agreement]

HOLDERS

[GENSTAR]

By: [Genstar Entity]
its general partner

By:
Name:
Title:

[Signature Page to Stockholders Agreement]

Exhibit 4.5

FORM OF REGISTRATION RIGHTS AGREEMENT

dated as of [·], 2019

between

THE INVESTORS SET FORTH ON EXHIBIT A ATTACHED HERETO

AND

PALOMAR HOLDINGS, INC.

TABLE OF CONTENTS

		Page
ARTICLE I DEFINITIONS		
Section 1.1	Definitions	
Section 1.2	Interpretation	
ARTICLE II REGISTRATION RIGHTS		
Section 2.1	Demand Registration	
Section 2.2	Piggyback Registration	
Section 2.3	Shelf Registration	
Section 2.4	Withdrawal Rights	
Section 2.5	Holdback Agreements	
Section 2.6	Registration Procedures	
Section 2.7	Registration Expenses	
Section 2.8	Registration Indemnification	
Section 2.9	Request for Information; Certain Rights	
ARTICLE III REPRESENTATIONS AND WARRANTIES		
Section 3.1	Representations and Warranties of Genstar	
Section 3.2	Representations and Warranties of the Company	
ARTICLE IV MISCELLANEOUS(1)		
Section 4.1	Notices	
Section 4.2	Severability	
Section 4.3	Counterparts	
Section 4.4	Entire Agreement; No Third Party Beneficiaries	
Section 4.5	Further Assurances	
Section 4.6	Governing Law; Equitable Remedies	
Section 4.7	Consent To Jurisdiction	
Section 4.8	Amendments; Waivers	
Section 4.9	Assignment	
Section 4.10	Effectiveness	
Section 4.11	Term	

(1) To be updated for added Section 4.1

REGISTRATION RIGHTS AGREEMENT (the "Agreement"), dated as of [·], 2019, among the investors set forth on Exhibit A attached hereto ("Genstar") and Palomar Holdings, Inc. (the "Company").

WHEREAS, Genstar is currently the beneficial owner of [·] shares of common stock, par value $0.0001, of the Company (the "Common Stock");

WHEREAS, the Company is currently contemplating an underwritten initial public offering ("IPO") of shares of its Common Stock; and

WHEREAS, in connection with, and effective upon, the date of completion of the IPO (the "Closing Date"), the Company and Genstar wish to set forth certain understandings between such parties.

NOW, **THEREFORE**, in consideration of the mutual covenants and undertakings contained herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following terms have the following meanings:

"Affiliate" of any Person means any other Person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. As used in this definition, the term "control," including the correlative terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or any partnership or other ownership interest, by contract or otherwise) of a Person.

"Agreement" has the meaning set forth in the recitals to this Agreement.

"Beneficial Owner" means, a Person who directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares: (A) voting power, which includes the power to vote, or to direct the voting of, such security and/or (B) investment power, which includes the power to dispose, or to direct the disposition of, such security. The terms "Beneficially Own" and "Beneficial Ownership" have correlative meanings.

"Board" means the board of directors of the Company or any duly authorized committee thereof.

"Bylaws" means the Bylaws of the Company, as they may be amended, supplemented, restated or otherwise modified from time to time.

"Company" shall have the meaning set forth in the recitals to this Agreement.

"Charter" means the Certificate of Incorporation of the Company, as it may be amended, supplemented, restated or otherwise modified from time to time.

"Demand" has the meaning set forth in Section 2.1(a).

"Demand Registration" has the meaning set forth in Section 2.1(a).

"Disclosure Package" means, with respect to any offering of securities, (i) the preliminary prospectus, (ii) each Free Writing Prospectus and (iii) all other information, in each case, that is deemed, under Rule 159 promulgated under the Securities Act, to have been conveyed to purchasers of securities at the time of sale of such securities (including a contract of sale).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, supplemented or restated from time to time and any successor to such statute, and the rules and regulations promulgated thereunder.

"Form S-3" has the meaning set forth in Section 2.3.

"Free Writing Prospectus" has the meaning set forth in Section 2.6(a)(iii).

"Governmental Entity" means any Federal, state, county, city, local or foreign governmental, administrative or regulatory authority, commission, committee, agency or body (including any court, tribunal or arbitral body).

"Inspectors" has the meaning set forth in Section 2.6(a)(viii).

"Long-Form Registration" has the meaning set forth in Section 2.1(c).

"Losses" has the meaning set forth in Section 2.8(a).

"Marketed Underwritten Offering" has the meaning set forth in Section 2.1(f).

"Non-Marketed Underwritten Offering" has the meaning set forth in Section 2.1(f).

"Non-Underwritten Shelf Takedown" has the meaning set forth in Section 2.1(f).

"Other Demanding Sellers" has the meaning set forth in Section 2.2(b).

"Person" shall be construed broadly and includes any individual, corporation, firm, partnership, limited liability company, joint venture, estate, business, association, trust, Governmental Entity or other entity.

"Piggyback Notice" has the meaning set forth in Section 2.2(a).

"Piggyback Registration" has the meaning set forth in Section 2.2(a).

"Piggyback Seller" has the meaning set forth in Section 2.2(a).

"Proceeding" has the meaning set forth in Section 4.8.

"Records" has the meaning set forth in Section 2.6(a)(viii).

"Registrable Amount" means a number of Registrable Securities representing at least $25 million (such value shall be determined based on the value of such Registrable Securities on the date immediately preceding the date upon which the Demand or Shelf Notice, as applicable, has been received by the Company).

"Registrable Securities" means any Shares currently owned or hereafter acquired by any Stockholder (whether acquired upon conversion, exchange or exercise of any securities, through open market purchases, or otherwise). As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (i) such securities have been sold or otherwise transferred by the holder thereof pursuant to an effective registration statement or (ii) such securities are sold in accordance with Rule 144.

"Registration Expenses" has the meaning set forth in Section 2.7.

"Requesting Stockholder" means one or more Stockholders (and its Affiliates) who collectively beneficially own, outstanding shares of Common Stock.

"Rule 144" means Rule 144 promulgated under the Securities Act, as such Rule may be amended from time to time, or any successor provision.

"SEC" means the United States Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute, and the rules and regulations promulgated thereunder.

"Selected Courts" has the meaning set forth in Section 4.8.

"Selling Stockholders" means the Persons named as selling stockholders in any registration statement under Article II hereof and who is the Beneficial Owner of Registrable Securities being offered thereunder.

"Shares" means the shares of Common Stock of the Company and any equity securities issued or issuable in exchange for or with respect to such shares of Common Stock (i) by way of a dividend, split or combination of shares or (ii) in connection with a reclassification, recapitalization, merger, consolidation or other reorganization.

"Shelf Notice" has the meaning set forth in Section 2.3.

"Shelf Registration Statement" has the meaning set forth in Section 2.3.

"Short-Form Registration" has the meaning set forth in Section 2.1(c).

"Stockholder" shall mean Genstar and its successors, permitted transferees and permitted assigns.

"Suspension Period" has the meaning set forth in Section 2.3(d).

"Underwritten Offering" means a sale of securities of the Company to an underwriter or underwriters for reoffering to the public.

"Underwritten Offering Notice" has the meaning set forth in Section 2.1(f).

"Well-Known Seasoned Issuer" means a "well-known seasoned issuer" as defined in Rule 405 promulgated under the Securities Act and which (i) is a "well-known seasoned issuer" under paragraph (1)(i)(A) of such definition or (ii) is a "well-known seasoned issuer" under paragraph (1)(i)(B) of such definition and is also eligible to register a primary offering of its securities relying on General Instruction I.B.1 of Form S-3 or Form F-3 under the Securities Act.

Section 1.2 Interpretation. In this Agreement, unless the context otherwise requires:

(a) words importing the singular include the plural and vice versa;

(b) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms;

(c) a reference to a clause, party, annex, exhibit or schedule is a reference to a clause of, and a party, annex, exhibit and schedule to this Agreement, and a reference to this Agreement includes any annex, exhibit and schedule hereto;

(d) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statues, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another Governmental Entity with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under the statute;

(e) a reference to a document includes all amendments or supplements to, or replacements or novations of that document;

(f) a reference to a party to a document includes that party's successors, permitted transferees and permitted assigns;

(g) the use of the term "including" means "including, without limitation";

(h) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Agreement as a whole, including the annexes, schedules and exhibits, as the same may from time to time be amended, modified, supplemented or restated, and not to any particular section, subsection, paragraph, subparagraph or clause contained in this Agreement;

(i) the title of and the section and paragraph headings used in this Agreement are for convenience of reference only and shall not govern or affect the interpretation of any of the terms or provisions in this Agreement;

(j) where specific language is used to clarify by example a general statement contained herein, such specific language shall

not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates;

(k) the language used in this Agreement has been chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party; and

(l) unless expressly provided otherwise, the measure of a period of one (1) month or year for purposes of this Agreement shall be that date of the following month or year corresponding to the starting date, provided that if no corresponding date exists, the measure shall be that date of the following month or year corresponding to the next day following the starting date (for example, one (1) month following February 18 is March 18, and one (1) month following March 31 is May 1 (or in the case of January 29, 30 or 31, the following month shall be March 1)).

ARTICLE II

REGISTRATION RIGHTS

Section 2.1 Demand Registration.

(a) Following the six month anniversary of the closing of the Company's IPO, one or more Requesting Stockholders shall be entitled to make a written request of the Company (a "Demand") for registration under the Securities Act of an amount of Registrable Securities that, in the aggregate taking into account all of the Requesting Stockholders, equals or is greater than the Registrable Amount (based on the number of Registrable Securities outstanding on the date such Demand is made) (a "Demand Registration") and thereupon the Company will, subject to the terms of this Agreement, use its commercially reasonable efforts to effect the registration as promptly as practicable under the Securities Act of:

(i) the offer and sale of the Registrable Securities which the Company has been so requested to register by the Requesting Stockholders for disposition in accordance with the intended method of disposition stated in such Demand;

(ii) all other Registrable Securities which the Company has been requested to register pursuant to Section 2.1(b); and

(iii) all equity securities of the Company which the Company may elect to register in connection with any offering of Registrable Securities pursuant to this Section 2.1;

all to the extent necessary to permit the disposition (in accordance with the intended methods thereof) of the Registrable Securities and the additional Shares, if any, to be so registered.

(b) Each Demand shall specify: (i) the aggregate number of Registrable Securities requested to be registered in such Demand Registration, (ii) the intended method of disposition in connection with such Demand Registration, if then known and (iii) the identity of the Requesting Stockholder (or Requesting Stockholders). Within five (5) business days after receipt of a Demand, the Company shall give written notice of such Demand to all other Stockholders, if any. Subject to Section 2.1(h), the Company shall include in the Demand Registration covered by such Demand all Registrable Securities with respect to which the Company has received a written request for inclusion therein within five (5) business days after the Company's notice required by this paragraph has been delivered. Such written request shall comply with the requirements of a Demand as set forth in this Section 2.1(b).

(c) Demand Registrations shall be on (i) Form S-1 or any similar long-form registration ("Long-Form Registration"), (ii) Form S-3 or any similar short form registration, if such short form registration is then available to the Company, or (iii) Form S-3ASR if the Company is a Well-Known Seasoned Issuer (a Demand Registration under each of clauses (ii) and (iii), a "Short-Form Registration"), in each case, reasonably acceptable to the Requesting Stockholders holding a majority of the Registrable Securities included in the applicable Demand Registration. The Company shall not be required to effect more than two (2) Long-Form Registrations per fiscal year.

(d) Effective Demand Registration. A Demand Registration shall not be deemed to have been effected:

(i) unless a registration statement with respect thereto has been declared effective by the SEC and remains effective in compliance with the provisions of the Securities Act and the laws of any U.S. state or other jurisdiction applicable to the disposition of Registrable Securities covered by such registration statement until such time as all of such Registrable

Securities shall have been disposed of in accordance with such registration statement or there shall cease to be any Registrable Securities;

(ii) if, after it has become effective, such registration is interfered with by any stop order, injunction or other order or requirement of the SEC or other Governmental Entities or court for any reason other than a violation of applicable law solely by any Selling Stockholder and has not thereafter become effective; or

(iii) if, in the case of an Underwritten Offering, the conditions to closing specified in an underwriting agreement applicable to the Company are not satisfied or waived other than by reason of any breach or failure by any Selling Stockholder.

(iv) if the filing or effectiveness of the registration statement would cause the disclosure of material, non-public information that the Company has a bona fide business purpose for preserving as confidential, provided, however, that any Suspension Period shall terminate at such time as the public disclosure of such information is made. Notwithstanding the foregoing, the Company shall not be obligated to (i) maintain the effectiveness of a Long-Form Registration, filed pursuant to a Demand Registration, for a period longer than ninety (90) days or (ii) effect any Demand Registration (A) within six (6) months of the effective date of a registration statement with respect to a "firm commitment" Underwritten Offering, (B) within three (3) months of the effective date of a registration statement with respect to any other Demand Registration, (C) within ninety (90) days from the date on which a Marketed Underwritten Offering was priced, (D) if, in the reasonable judgment of the Board, it is not feasible for the Company to proceed with the Demand Registration because of the unavailability of audited or other required financial statements, provided that the Company shall use commercially reasonable efforts to obtain such financial statements as promptly as practicable. In addition, the Company shall be entitled to postpone (upon written notice to all Stockholders) the filing or the effectiveness of a registration statement for any Demand Registration (but no more than twice in any period of twelve (12) consecutive months and in no event for more than an aggregate of one-hundred twenty (120) days in any three-hundred sixty-five (365) consecutive day period) if the Board determines in its reasonable judgment that the filing or effectiveness of the registration statement relating to such Demand Registration would cause the disclosure of material, non-public information that the Company has a bona fide business purpose for preserving as confidential.

(e) Offering Requests.

(i) Requests for Marketed Underwritten Offerings. A Requesting Stockholder may from time to time request to sell Registrable Securities in an underwritten offering that is registered pursuant to the Shelf Registration Statement or under a Demand Registration that includes roadshow presentations or investor calls by management of the Company or other marketing efforts by the Company (a "Marketed Underwritten Offering"); provided that in the case of each such Marketed Underwritten Offering the Registrable Securities proposed to be sold shall have an aggregate offering price of at least $25 million; and provided, further, that the Company shall not be required to effect (A) a Marketed Underwritten Offering if another Marketed Underwritten Offering has been effected and priced within ninety (90) days or (B) more than four (4) Marketed Underwritten Offerings within any 12-month period. Notwithstanding anything contrary in this Section 2.1, unless otherwise agreed to by the Requesting Stockholders, no other stockholder shall have the right to participate in a Marketed Underwritten Offering.

(ii) Requests for Non-Marketed Underwritten Offerings. Requesting Stockholders may from time to time request to sell Registrable Securities in an underwritten offering that is registered under the Shelf Registration Statement or under a Demand Registration that does not include any marketing efforts by the Company or its management, including a "block trade" (a "Non-Marketed Underwritten Offering"); provided that in the case of each such Non-Marketed Underwritten Offering the Registrable Securities proposed to be sold shall have an aggregate offering price of at least $5 million. Notwithstanding anything contrary in this Section 2.1, unless otherwise agreed to by the Requesting Stockholders, no other Stockholder shall have the right to participate in a Non-Marketed Underwritten Offering.

(iii) Requests for Non-Underwritten Offerings. At any time that a Shelf Registration Statement or any shelf registration statement filed in connection with a Demand Registration shall be effective with respect to Registrable Securities of a Requesting Stockholder and such Requesting Stockholder desires to initiate an offering or sale of all or part of such Requesting Stockholder's Registrable Securities that does not constitute an Underwritten Offering (a "Non-Underwritten Shelf Takedown"), such Requesting Stockholder shall so indicate in a written request delivered to the Company no later than three (3) business days prior to the expected date of such Non-Underwritten Shelf Takedown, which request shall include (i) the type and total number of Registrable Securities expected to be offered and sold in such Non-Underwritten Shelf Takedown and (ii) the expected plan of distribution of such Non-Underwritten Shelf Takedown. Notwithstanding anything contrary in this Section 2.1, unless otherwise agreed to by the Requesting Stockholder, no other Stockholder shall have the right to participate in a Non-Underwritten Shelf Takedown.

(iv) Underwritten Offering Notices. All requests for Underwritten Offerings shall be made by giving written notice to the Company (an "Underwritten Offering Notice"). Each Underwritten Offering Notice shall specify (i) the approximate number of Registrable Securities to be sold in the Underwritten Offering, (ii) whether such offering will be a Marketed Underwritten Offering or a Non-Marketed Underwritten Offering, (iii) the intended marketing efforts, if any and (iv) the name(s) of the underwriter(s), if then known. Within five (5) business days after receipt of any Offering Notice (or within two (2) business days in the case of a Non-Marketed Underwritten Offering), if agreed to by the Requesting Stockholders in accordance with the provisions set forth above, the Company shall send written notice of such requested Offering to all other Stockholders, if any, and shall include in such Offering all Registrable Securities with respect to which the Company has received written requests for inclusion therein within ten (10) days after delivering such notice (or two (2) business days in the case of a Non-Marketed Underwritten Offering).

(f) Any time that a Demand Registration involves an Underwritten Offering, (i) the Stockholders holding a majority of the Registrable Securities requested to be included in the Demand Registration shall select the investment banker or investment bankers and managers that will serve as lead and co-managing underwriters with respect to the offering of such Registrable Securities, and (ii) the Company shall enter into an underwriting agreement that is reasonably acceptable to the Stockholders holding a majority of the Registrable Securities requested to be included in the Demand Registration and the Company, which agreement shall contain representations, warranties, indemnities and agreements customarily included (but not inconsistent with the covenants and agreements of the Company contained herein) by an issuer of common stock in underwriting agreements with respect to offerings of common stock for the account of, or on behalf of, such issuers.

(g) The Company shall not include any securities other than Registrable Securities in a Demand Registration, except with the written consent of the Requesting Stockholders participating in such Demand Registration holding a majority of the Registrable Securities included in such Demand Registration. If, in connection with a Demand Registration, the lead bookrunning underwriters (or, if such Demand Registration is not an Underwritten Offering, a nationally recognized independent investment bank selected by the Company and reasonably acceptable to Stockholders holding a majority of the Registrable Securities included in such Demand Registration, and whose fees and expenses shall be borne solely by the Company) advise the Company, in writing, that, in their reasonable opinion, the inclusion of all of the securities, including securities of the Company that are not Registrable Securities, sought to be registered in connection with such Demand Registration would adversely affect the marketability of the Registrable Securities sought to be sold pursuant thereto, then the Company shall include in such registration statement only such securities as the Company is reasonably advised by such underwriters or investment bank can be sold without such adverse effect as follows and in the following order of priority: (i) first, up to the number of Shares requested to be included in such Demand Registration by any Stockholders, which, in the opinion of the underwriter or investment bank can be sold without adversely affecting the marketability of the offering, pro rata among such Stockholders based upon the number of Shares deemed to be owned by such Persons; (ii) second, securities the Company proposes to sell for its own account; and (iii) third, all other equity securities of the Company duly requested to be included in such registration statement by any other stockholders holding *pari passu* registration rights, pro rata on the basis of the amount of such other securities requested to be included or such other method determined by the Company.

Section 2.2 Piggyback Registration.

(a) Subject to the terms and conditions hereof, whenever the Company proposes to register the offer and sale of any of its equity securities under the Securities Act (other than a registration by the Company on a registration statement on Form S-4 or a registration statement on Form S-8 or any successor forms thereto) (a "Piggyback Registration"), whether for its own account or for the account of others, the Company shall give each Stockholder prompt written notice thereof (but not less than five (5) business days prior to the public filing by the Company with the SEC of any registration statement with respect thereto, provided that the Company shall not be required to deliver such notice prior to the a confidential submission or non-public filing of any registration statement with the SEC). Such notice (a "Piggyback Notice") shall specify, at a minimum, the number of equity securities proposed to be registered, the proposed date of filing of such registration statement with the SEC, the proposed means of distribution, the proposed managing underwriter or underwriters (if any and if known) and a reasonable estimate by the Company of the proposed minimum offering price of such equity securities. Upon the written request of any Person that on the date of the Piggyback Notice is a Stockholder (a "Piggyback Seller") (which written request shall specify the number of Registrable Securities then presently intended to be disposed of by such Piggyback Seller) given within five (5) business days after such Piggyback Notice is received by such Piggyback Seller, the Company, subject to the terms and conditions of this Agreement, shall use its commercially reasonable efforts to cause all such Registrable Securities held by Piggyback Sellers with respect to which the Company has received such written requests for inclusion to be included in such Piggyback Registration on the same terms and conditions as the Company's equity securities being sold in such Piggyback Registration (whether for the account of the Company or for the account of others).

(b) If, in connection with a Piggyback Registration, any managing underwriter (or, if such Piggyback Registration is not an Underwritten Offering, a nationally recognized independent investment bank selected by the Company and reasonably acceptable to the Stockholders holding a majority of the Registrable Securities included in such Piggyback Registration, and whose fees and expenses shall be borne solely by the Company) advises the Company in writing that, in its opinion, the inclusion of all the equity securities sought to be included in such Piggyback Registration by (i) the Company, (ii) others who acquire Shares after the date hereof and whom the Company gives registration rights and have sought to have all or part of such Shares registered in such Piggyback Registration pursuant to such registration rights, (iii) others with the written consent of Stockholders participating in such Demand Registration holding a majority of the Registrable Securities included in such Demand Registration (such Persons referenced in clauses (ii) and (iii) of this Section 2.2(b) being "Other Demanding Sellers"), and (iv) the Piggyback Sellers, as the case may be, would adversely affect the marketability of the equity securities sought to be sold pursuant thereto, then the Company shall include in the registration statement applicable to such Piggyback Registration only such equity securities as the Company is so advised by such underwriter can be sold without such an effect, as follows and in the following order of priority:

(i) if the Piggyback Registration relates to an offering for the Company's own account, then (A) first, such number of equity securities to be sold by the Company for its own account, and (B) second, Shares requested to be included in such Piggyback Registration by any Other Demanding Sellers and any Piggyback Sellers, pro rata among such Other Demanding Sellers, and Piggyback Sellers based upon the number of Shares deemed to be beneficially owned by such Persons; or

(ii) if the Piggyback Registration relates to an offering other than for the Company's own account, then (A) first, Shares requested to be included in such Piggyback Registration by any Other Demanding Sellers and any Piggyback Sellers, pro rata among such Other Demanding Sellers and Piggyback Sellers based upon the number of Shares deemed to be owned by such Persons, and (B) second, the other equity securities of the Company proposed to be sold by the Company as determined by the Company.

(c) In connection with any Underwritten Offering under this Section 2.2, the Company shall not be required to include the Registrable Securities of a stockholder in the Underwritten Offering unless such stockholder accepts the terms of the underwriting as agreed upon between the Company and the

underwriters, or, if applicable, the underwriters selected by the Stockholders holding a majority of the Registrable Securities requested to be included in the Demand Registration in accordance with the terms of hereof.

(d) If, at any time after giving written notice of its intention to register the offer and sale of any of its equity securities as set forth in this Section 2.2 and prior to the time the registration statement filed in connection with such Piggyback Registration is declared effective, the Company shall determine, at its election, for any reason not to register the offer and sale of such equity securities, the Company shall give written notice of such determination to each Stockholder within five (5) days thereof and thereupon shall be relieved of its obligation to register the offer and sale of any Registrable Securities in connection with such particular withdrawn or abandoned Piggyback Registration (but not from its obligation to pay the Registration Expenses in connection therewith as provided herein); provided, that Stockholders may continue the registration as a Demand Registration pursuant to the terms of Section 2.1.

Section 2.3 Shelf Registration.

(a) Subject to Section 2.3(d), and further subject to the availability of a registration statement on Form S-3 or on any other form which permits incorporation of information by reference to other documents filed by the issuer with the SEC ("Form S-3") to the Company, any of the Stockholders may by written notice delivered to the Company (the "Shelf Notice") require the Company to file as soon as practicable, and to use commercially reasonable efforts to cause to be declared effective by the SEC as promptly as practicable after such filing date, a Form S-3 providing for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act relating to the offer and sale, from time to time, of a number of Registrable Securities that is equal to or greater than the Registrable Amount (based on the number of Registrable Securities outstanding on the date such notice is delivered) owned by such Stockholders and any other Stockholders who elect to participate therein as provided in Section 2.3(b) in accordance with the plan and method of distribution set forth in the prospectus included in such Form S-3 (the "Shelf Registration Statement").

(b) Within five (5) business days after receipt of a Shelf Notice pursuant to Section 2.3, the Company will deliver written notice thereof to each Stockholder. Each Piggyback Seller may elect to participate in the Shelf Registration Statement by delivering to the Company a written request to so participate within five (5) business days after the Shelf Notice is received by any such Piggyback Seller.

(c) Subject to Section 2.3(d), the Company will use commercially reasonable efforts to keep the Shelf Registration Statement continuously effective until the date on which all Registrable Securities covered by the Shelf Registration Statement have been sold thereunder in accordance with the plan and method of distribution disclosed in the prospectus included in the Shelf Registration Statement, or otherwise.

(d) Notwithstanding anything to the contrary contained in this Agreement, the Company shall be entitled to suspend the use of the prospectus included in the Shelf Registration Statement, filed in accordance with Section 2.3, for a reasonable period of time not to exceed ninety (90) days in succession or one-hundred eighty (180) days in the aggregate in any twelve (12) month period (a "Suspension Period") if the Board shall determine in its reasonable judgment that (A) it is not feasible for the Stockholder to use the prospectus for the sale of Registrable Securities because of the unavailability of audited or other required financial statements, provided that the Company shall use its reasonable efforts to obtain such financial statements as promptly as practicable, or (B) the filing or effectiveness of the prospectus relating to the Shelf Registration Statement would cause the disclosure of material, non-public information that the Company has a bona fide business purpose for preserving as confidential; provided, however, that any Suspension Period shall terminate at such time as the public disclosure of such information is made. After the expiration of any Suspension Period and without any further request from a Stockholder, the Company shall as promptly as reasonably practicable prepare a post-effective amendment or supplement to the Shelf Registration Statement or the prospectus, or any document incorporated therein by reference, or file any other required document so that, as thereafter delivered to purchasers of the Registrable Securities included therein, the prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) The Stockholders shall be entitled to demand such number of shelf registrations as shall be necessary to sell all of its Registrable Securities pursuant to this Section 2.3.

Section 2.4 Withdrawal Rights.

Any Stockholder having notified or directed the Company to include any or all of its Registrable Securities in a registration statement under the Securities Act shall have the right to withdraw any such notice or direction with respect to any or all of the Registrable Securities designated by it for registration by giving written notice to such effect to the Company prior to the effective date of such registration statement. In the event of any such withdrawal, the Company shall not include such Registrable Securities in the applicable registration and such Registrable Securities shall continue to be Registrable Securities for all purposes of this Agreement. No such withdrawal shall affect the obligations of the Company with respect to the Registrable Securities not so withdrawn; provided, however, that in the case of a Demand Registration, if such withdrawal shall reduce the number of Registrable Securities sought to be included in such registration below the Registrable Amount, then the Company shall as promptly as practicable give each Stockholder seeking to register Registrable Securities notice to such effect and, within ten (10) days following the delivery of such notice, such Stockholders still seeking registration shall, by written notice to the Company, elect to register additional Registrable Securities to satisfy the Registrable Amount or elect that such registration statement not be filed or, if theretofore filed, be withdrawn. During such 10-day period, the Company shall not file such registration statement if not theretofore filed or, if such registration statement has been theretofore filed, the Company shall not seek, and shall use commercially reasonable efforts to prevent, the effectiveness thereof. If a Stockholder withdraws its notification or direction to the Company to include Registrable Securities in a registration statement in accordance with this Section 2.4 with respect to a sufficient number of shares so as to reduce the number of Registrable Securities requested to be included in such registration statement below the Registrable Amount, such Stockholder shall be required to promptly reimburse the Company for all expenses incurred by the Company in connection with preparing for the registration of such Registrable Securities.

Section 2.5 Holdback Agreements.

(a) In the case of any Underwritten Offering in connection with a Demand or Shelf Registration pursuant to this Agreement, each Stockholder, and in the case of any Piggyback Registration pursuant to this Agreement, each participating Stockholder, agrees not to effect any public sale or distribution (including sales pursuant to Rule 144) of equity securities of the Company, or any securities convertible into or exchangeable or exercisable for such equity securities, during any time period reasonably requested by the managing underwriter(s) of such Underwritten Offering with respect to any Demand, Shelf or Piggyback Registration (in each case, except as part of such registration subject to customary exceptions to be agreed).

(b) In the case of any Underwritten Offering pursuant to this Agreement, the Company shall use commercially reasonable efforts to cause other stockholders (other than the Stockholders) and its directors and officers to execute any lock-up agreements in form and substance as agreed by the Stockholders and as reasonably requested by the managing underwriters.

(c) In the case of any Underwritten Offering, the Company agrees not to effect any Public Offering or distribution of any equity securities of the Company, or securities convertible into or exchangeable or exercisable for equity securities of the Company for a period (a) commencing upon the earlier of (x) the commencement of the roadshow in respect of such offering and (y) seven days prior to the pricing of such offering and (b) ending not less than 60 days after the pricing of such offering, except, in each case, as part of such Underwritten Offering.

Section 2.6 Registration Procedures.

(a) If and whenever the Company is required to use commercially reasonable efforts to effect the registration of any Registrable Securities under the Securities Act as provided in Section 2.1, Section 2.2, and Section 2.3 the Company shall as expeditiously as reasonably possible:

(i) prepare and file with the SEC (subject to the provisions of Section 2.3 with respect to Shelf Registrations, promptly and, in any event on or before the date that is (i) ninety (90) days, in the case of any Long-Form Registration, after the receipt by the Company a Demand from a Requesting Stockholder or (ii) forty-five (45) days, in the case of any Short-Form Registration, after the receipt by the Company of a Demand from a Requesting Stockholder) the requisite registration statement to effect any such registration and thereafter use its commercially reasonable efforts to cause such registration statement to be declared effective by the SEC and remain effective pursuant to the terms of this Agreement and cause such registration statement to contain a "Plan of Distribution" that permits the distribution of securities pursuant to all legal means; provided, however, that the Company may discontinue any registration of its securities which are not Registrable Securities at any time prior to the effective date of the registration statement relating thereto; provided, further that before filing such registration statement, prospectus or any amendments thereto, the Company will furnish to the counsel selected by the Stockholders which are including Registrable Securities in such registration copies of all such documents proposed to be filed, which documents will be subject to the review of such counsel, and such review to be conducted with reasonable promptness;

(ii) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement until the earlier of such time as all of such securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement or (i) in the case of a Demand Registration pursuant to Section 2.1, the expiration of ninety (90) days after such registration statement becomes effective or (ii) in the case of a Piggyback Registration pursuant to Section 2.2, the expiration of ninety (90) days after such registration statement becomes effective;

(iii) furnish to each Selling Stockholder and each underwriter, if any, of the securities being sold by such Selling Stockholder such number of conformed copies of such registration statement and of each amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and each free writing prospectus (as defined in Rule 405 of the Securities Act) (a "Free Writing Prospectus") utilized in connection therewith and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents as such Selling Stockholder and underwriter, if any, may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities owned by such Selling Stockholder;

(iv) use commercially reasonable efforts to register or qualify such Registrable Securities covered by such registration statement under such other securities laws or blue sky laws of such jurisdictions as any Selling Stockholder and any underwriter of the securities being sold by such Selling Stockholder shall reasonably request, and take any other action which may be reasonably necessary or advisable to enable such Selling Stockholder and underwriter to consummate the disposition in such jurisdictions of the Registrable Securities owned by such Selling Stockholder, except that the Company shall not for any such purpose be required to (A) qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this clause (iv) be obligated to be so qualified, (B) subject itself to taxation in any such jurisdiction or (C) file a general consent to service of process in any such jurisdiction;

(v) use commercially reasonable efforts to cause such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed and, if no such securities are so listed, use commercially reasonable efforts to cause such Registrable Securities to be listed on the New York Stock Exchange or the NASDAQ Stock Market;

(vi) use commercially reasonable efforts to cause such Registrable Securities covered by such registration statement to be registered with or approved by such other Governmental Entities as may be necessary to enable each Selling Stockholder

thereof to consummate the disposition of such Registrable Securities;

(vii) in connection with an Underwritten Offering, obtain for each Selling Stockholder and underwriter:

(A) an opinion of counsel for the Company, covering the matters customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such Selling Stockholder and underwriters, and

(B) a "comfort" letter (or, in the case of any such Person which does not satisfy the conditions for receipt of a "comfort" letter specified in Statement on Auditing Standards No. 72, an "agreed upon procedures" letter) signed by the independent public accountants who have certified the Company's financial statements included in such registration statement;

(viii) promptly make available for inspection by a representative of the Selling Stockholders, any underwriter participating in any disposition pursuant to any registration statement, and any attorney, accountant or other agent or representative retained by the Selling Stockholders (collectively and not individually) or underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility in connection with such registration statement, and cause the Company's officers, directors and employees to supply all information requested by any such Inspector in connection with such registration statement; provided, however, that, unless the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, the Company shall not be required to provide any information under this subparagraph (viii) if (i) the Company believes, after consultation with counsel for the Company, that to do so would cause the Company to forfeit an attorney-client privilege that was applicable to such information or (ii) if either (A) the Company has requested and been granted from the SEC confidential treatment of such information contained in any filing with the SEC or documents provided supplementally or otherwise or (B) the Company reasonably determines that such Records are confidential and so notifies the Inspectors in writing unless prior to furnishing any such information with respect to (i) or (ii) such Selling Stockholder requesting such information agrees, and causes each of its Inspectors, to enter into a confidentiality agreement on terms reasonably acceptable to the Company; and provided, further, that each Selling Stockholder agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to the Company and allow the Company, at its expense, to undertake appropriate action and to prevent disclosure of the Records deemed confidential;

(ix) promptly notify in writing each Selling Stockholder and the underwriters, if any, of the following events:

(A) the filing (or confidential submission, as applicable) of the registration statement, the prospectus or any prospectus supplement related thereto or post-effective amendment to the registration statement or any Free Writing Prospectus utilized in connection therewith, and, with respect to the registration statement or any post-effective amendment thereto, when the same has become effective;

(B) any request by the SEC or any other Governmental Entity for amendments or supplements to the registration statement or the prospectus or for additional information;

(C) the issuance by the SEC or any other Governmental Entity of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings by any Person for that purpose; and

(D) the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or blue sky laws of any jurisdiction or the initiation or threat of any proceeding for such purpose;

(x) notify each Selling Stockholder, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and promptly prepare and furnish to such Selling Stockholder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading;

(xi) use commercially reasonable efforts to prevent the issuance of and, if issued, obtain the withdrawal of any order suspending the effectiveness of such registration statement or any suspension of the qualification of any Registrable Securities for sale under the securities or blue sky laws of any jurisdiction;

(xii) otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the SEC, and make available to each Selling Stockholder, as soon as reasonably practicable, an earning statement of the Company covering the period of at least twelve (12) months, but not more than eighteen (18) months, beginning with the first day of the Company's first full quarter after the effective date of such registration statement, which earning statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

(xiii) cooperate with the Selling Stockholders and the managing underwriter to facilitate the timely preparation and delivery of certificates (which shall not bear any restrictive legends unless required under applicable law) representing securities sold under any registration statement, and enable such securities to be in such denominations and registered in such names as the managing underwriter or such Selling Stockholders may request and keep available and make available to the Company's transfer agent prior to the effectiveness of such registration statement a supply of such certificates, or, if requested by a Selling Stockholder or an underwriter, to facilitate the delivery of such securities in book-entry form;

(xiv) have appropriate officers of the Company prepare and make presentations at any "road shows" and before analysts and rating agencies, as the case may be, and other information meetings organized by the underwriters, take other actions to obtain ratings for any Registrable Securities (if they are eligible to be rated) and otherwise use its commercially reasonable efforts to cooperate as reasonably requested by the Selling Stockholders and the underwriters in the offering, marketing or selling of the Registrable Securities;

(xv) with respect to each Free Writing Prospectus or other materials to be included in the Disclosure Package, ensure that no Registrable Securities be sold "by means of" (as defined in Rule 159A(b) promulgated under the Securities Act) such Free Writing Prospectus or other materials without the prior written consent of the Stockholders holding the Registrable Securities covered by such registration statement, which Free Writing Prospectuses or other materials shall be subject to the prior reasonable review of the Selling Stockholders and their counsel;

(xvi)(A) as expeditiously as possible and within the deadlines specified by the Securities Act, make all required filings of all prospectuses and Free Writing Prospectuses with the SEC and (B) within the deadlines specified by the Exchange Act, make all filings of periodic and current reports and other materials required by the Exchange Act;

(xvii) as expeditiously as possible and within the deadlines specified by the Securities Act, make all required filing fee payments in respect of any registration statement or prospectus used under this Agreement (and any offering covered thereby);

(xviii) as expeditiously as practicable, keep the Selling Stockholders and their counsel advised as to the initiation and progress of any registration hereunder;

(xix) cooperate with each Selling Stockholder and each underwriter participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the FINRA;

(xx) furnish the Selling Stockholders, their counsel and the underwriters, as expeditiously as possible, copies of all correspondence with or from the SEC, the FINRA, any stock exchange or other self-regulatory organization relating to the registration statement or the transactions contemplated thereby and, a reasonable time prior to furnishing or filing any such correspondence to the SEC, the FINRA, stock exchange or self-regulatory organization, furnish drafts of such correspondence to the Selling Stockholders, their counsel, and the underwriters for review and comment, such review and comment to be conducted with reasonable promptness; and

(xxi) to take all other reasonable steps necessary to effect the registration and disposition of the Registrable Securities contemplated hereby.

(b) The Company may require each Selling Stockholder and each underwriter, if any, to furnish the Company in writing such information regarding each Selling Stockholder or underwriter and the distribution of such Registrable Securities as the Company may from time to time reasonably request to complete or amend the information required by such registration statement.

(c) Without limiting the terms of Section 2.1(a), in the event that the offering of Registrable Securities is to be made by or through an underwriter, the Company, if requested by the underwriter, shall enter into an underwriting agreement with a managing underwriter or underwriters in connection with such offering containing representations, warranties, indemnities

and agreements customarily included (but not inconsistent with the covenants and agreements of the Company contained herein) by an issuer of common stock in underwriting agreements with respect to offerings of common stock for the account of, or on behalf of, such issuers.

(d) Each Selling Stockholder agrees that upon receipt of any notice from the Company of the happening of any event of the kind described in Sections 2.6(a)(ix)(C), 2.6(a)(ix)(D), or 2.6(a)(x), such Selling Stockholder shall forthwith discontinue (in the case of Section 2.6(a)(ix)(D), only in the relevant jurisdiction set forth in such notice) such Selling Stockholder's disposition of Registrable Securities pursuant to the applicable registration statement and prospectus relating thereto until such Selling Stockholder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 2.6(a)(x) and, if so directed by the Company, deliver to the Company, at the Company's expense, all copies, other than permanent file copies, then in such Selling Stockholder's possession of the prospectus current at the time of receipt of such notice relating to such Registrable Securities. In the event the Company shall give such notice, any applicable period during which such registration statement must remain effective pursuant to this Agreement shall be extended by the number of days during the period from the date of giving of a notice regarding the happening of an event of the kind described in Section 2.6(a)(ix), Section 2.6(a)(ix)(D) or Section2.6(a)(x) to the date when all such Selling Stockholders shall receive such a supplemented or amended prospectus and such prospectus shall have been filed with the SEC.

Section 2.7 Registration Expenses. All expenses incident to the Company's performance of, or compliance with, its obligations under Article II of this Agreement including, without limitation, all registration and filing fees, all fees and expenses of compliance with securities and "blue sky" laws, all fees and expenses associated with filings required to be made with the FINRA (including, if applicable, reasonable and customary fees and expenses of any "qualified independent underwriter" as such term is defined by the FINRA), all fees and expenses of compliance with securities and "blue sky" laws, all printing (including, without limitation, expenses of printing certificates for the Registrable Securities in a form eligible for deposit with the Depository Trust Company and of printing prospectuses if the printing of prospectuses is requested by a holder of Registrable Securities) and copying expenses, all messenger and delivery expenses, all fees and expenses of the Company's independent certified public accountants and counsel (including with respect to "comfort" letters and opinions) and reasonable and customary fees and expenses of one firm of counsel (plus one firm of local counsel in each relevant jurisdiction) to the Selling Stockholders (which firm and local counsel shall be selected by the Selling Stockholders holding a majority of the Registrable Securities included in such registration) (collectively, the "Registration Expenses") shall be borne by the Company, regardless of whether a registration is effected. The Company will pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties, the expense of any annual audit and the expense of any liability insurance) and the expenses and fees for listing the securities to be registered on each securities exchange and included in each established over-the-counter market on which similar securities issued by the Company are then listed or traded. Each Selling Stockholder shall pay its portion of all underwriting discounts and commissions and transfer taxes, if any, relating to the sale of such Selling Stockholder's Registrable Securities pursuant to any registration.

Section 2.8 Registration Indemnification.

(a) By the Company. The Company agrees to indemnify and hold harmless, to the fullest extent permitted by law, each Selling Stockholder and each of their respective Affiliates and their respective officers, directors, employees, managers, partners and agents and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) such Selling Stockholder or such other Person indemnified under this Section 2.8(a) from and against all losses, claims, damages, liabilities and expenses, whether joint or several (including reasonable expenses of investigation and reasonable attorneys' fees and expenses) (collectively, the "Losses"), to which they are or any of them may become subject under the Securities Act, the Exchange Act or other U.S. federal or state statutory law (including any applicable "blue sky" laws), rule or regulation, at common law or otherwise, insofar as such Losses arise out of, are based upon, are caused by or relate to any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus or preliminary prospectus, offering circular, offering memorandum or Disclosure Package (including the Free Writing Prospectus) or any amendment or supplement thereto or any filing or document incidental to such registration or qualification of the securities as required by this Agreement, or any omission (or alleged omission) of a material fact required to be stated therein or necessary to make the statements therein not misleading, except that no Person indemnified shall be indemnified hereunder insofar as the same are made in conformity with and in reliance on information furnished in writing to the Company by such Person concerning such Person expressly for use therein. Such indemnification obligation shall be in addition to any liability that the Company may otherwise have to any such indemnified person. In connection with an Underwritten Offering and without limiting any of the Company's other obligations under this Agreement, the Company shall also indemnify such underwriters, their officers, directors, employees and agents and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) such underwriters or such other Person

indemnified under this Section 2.8(a) to the same extent as provided above with respect to the indemnification (and exceptions thereto) of Selling Stockholders. Reimbursements payable pursuant to the indemnification contemplated by this Section 2.8(a) will be made by periodic payments during the course of any investigation or defense, as and when bills are received or expenses incurred.

(b) By the Selling Stockholders. In connection with any registration statement in which a Stockholder is participating, each such Selling Stockholder will furnish to the Company in writing information regarding such Person's ownership of Registrable Securities and its intended method of distribution thereof and, to the extent permitted by law, shall, severally and not jointly, indemnify the Company, its Affiliates and their respective directors, officers, employees and agents and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) the Company or such other Person indemnified under this Section 2.8(b) against all Losses caused by any untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus or Free Writing Prospectus or any amendment or supplement thereto or any omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is made in conformity with and in reliance on information furnished in writing by such Person concerning such Person expressly for use therein; provided, however, that each Selling Stockholder's obligation to indemnify the Company hereunder shall, to the extent more than one Person is subject to the same indemnification obligation, be apportioned between each Person based upon the net amount received by each Person from the sale of Registrable Securities, as compared to the total net amount received by all of the indemnifying Persons pursuant to such registration statement. Notwithstanding the foregoing, no Person shall be liable to the Company and the underwriters for aggregate amounts in excess of the lesser of (i) such apportionment and (ii) the net amount received by such holder in the offering giving rise to such liability.

(c) Notice. Any Person entitled to indemnification hereunder shall give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification; provided, however, the failure to give such notice shall not release the indemnifying party from its obligation, except to the extent that the indemnifying party has been materially prejudiced by such failure to provide such notice on a timely basis.

(d) Defense of Actions. In any case in which any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not (so long as it shall continue to have the right to defend, contest, litigate and settle the matter in question in accordance with this paragraph) be liable to such indemnified party hereunder for any legal or other expense subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation, supervision and monitoring (unless (i) such indemnified party reasonably objects to such assumption on the grounds that there may be defenses available to it which are different from or in addition to the defenses available to such indemnifying party, (ii) counsel to the indemnifying party has informed the indemnifying party that the joint representation of the indemnifying party and one or more indemnified parties could be inappropriate under applicable standards of professional conduct, or (iii) the indemnifying party shall have failed within a reasonable period of time to assume such defense and the indemnified party is or is reasonably likely to be prejudiced by such delay, in any such event the indemnified party shall be promptly reimbursed by the indemnifying party for the expenses incurred in connection with retaining separate legal counsel). An indemnifying party shall not be liable for any settlement of an action or claim effected without its consent (such consent not to be unreasonably withheld). The indemnifying party shall lose its right to defend, contest, litigate and settle a matter if it shall fail to diligently contest such matter (except to the extent settled in accordance with the next following sentence). No matter shall be settled by an indemnifying party without the consent of the indemnified party (which consent shall not be unreasonably withheld, it being understood that the indemnified party shall not be deemed to be unreasonable in withholding its consent if the proposed settlement imposes any obligation on the indemnified party).

(e) Survival. The indemnification provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified Person and will survive the transfer of the Registrable Securities and the termination of this Agreement.

(f) Contribution. If recovery is not available or is insufficient under the foregoing indemnification provisions for any reason or reasons other than as specified therein, in each case as determined by a court of competent jurisdiction, any Person who would otherwise be entitled to indemnification by the terms thereof shall nevertheless be entitled to contribution with respect to any Losses with respect to which such Person would be entitled to such indemnification but for such reason or reasons. In determining the amount of contribution to which the respective Persons are entitled, there shall be considered the Persons'

relative knowledge and access to information concerning the matter with respect to which the claim was asserted, the opportunity to correct and prevent any statement or omission, and other equitable considerations appropriate under the circumstances. It is hereby agreed that it would not necessarily be equitable if the amount of such contribution were determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding sentence of this Section 2.8(f). No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not found guilty of such fraudulent misrepresentation. Notwithstanding the foregoing, no Selling Stockholder or transferee thereof shall be required to make a contribution in excess of the net amount received by such holder from its sale of Registrable Securities in connection with the offering that gave rise to the contribution obligation.

Section 2.9 Request for Information; Certain Rights.

(a) Request for Information. Not less than five (5) business days before the expected filing (or confidential submission, if applicable) date of each registration statement pursuant to this Agreement, the Company shall notify each Stockholder who has timely provided the requisite notice hereunder entitling the Stockholder to include for registration Registrable Securities in such registration statement of the information, documents and instruments from such Stockholder that the Company or any underwriter reasonably requests in connection with such registration statement, including, but not limited to a questionnaire, custody agreement, power of attorney, form of lock-up letter and form of underwriting agreement (the "Requested Information"). Such Stockholder shall promptly return the Requested Information to the Company. If the Company has not received the Requested Information (or a written assurance from such Stockholder that the Requested Information that cannot practicably be provided prior to filing of the registration statement will be provided in a timely fashion) from such Stockholder within a reasonable period of time (as determined by the Company) prior to the filing (or confidential submission, if applicable) of the applicable registration statement, the Company may file such registration statement without including Registrable Securities of such Stockholder, provided that the Company shall include such Registrable Securities upon receipt of such Requested Information. The failure to so include in any registration statement the Registrable Securities of a Stockholder (with regard to that registration statement) shall not in and of itself result in any liability on the part of the Company to such Stockholder.

(b) No Grant of Future Registration Rights. The Company shall not grant any shelf, demand, piggyback or incidental registration rights that are senior to or otherwise conflict with the rights granted to the Stockholders hereunder to any other Person without the prior written consent of Stockholders holding a majority of the Registrable Securities held by all Stockholders.

(c) Alternative Markets. In the event that a trading market for the Company's Shares develops that does not require that the Shares be registered under Section 12 of the Exchange Act (e.g. outside the United States or through a Rule 144A trading market), the Company agrees to provide alternative liquidity provisions to the Stockholders that would be the functional equivalent of this Article II, including the provision of offering documents, the entering into of placement and/or listing agreements and the functional equivalent of the other terms of this Article II and with the functional equivalent of the division of liabilities and expenses as provided in this Article II.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of Genstar. Genstar represents and warrants to the Company that (a) this Agreement has been duly authorized, executed and delivered by such Stockholder, and is a valid and binding agreement of Genstar, enforceable against it in accordance with its terms, except that the enforcement thereof may be subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law) and (b) the execution, delivery and performance by Genstar, of this Agreement does not violate or conflict with or result in a breach of or constitute (or with notice or lapse of time or both constitute) a default under any agreement to which such Stockholder, is a party or, the organizational documents of Genstar.

Section 3.2 Representations and Warranties of the Company. The Company represents and warrants to Genstar that (a) this Agreement has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except that the enforcement thereof may be subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws now or hereafter in effect

---

relating to creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law); and (b) the execution, delivery and performance by the Company of this Agreement does not violate or conflict with or result in a breach by the Company of or constitute (or with notice or lapse of time or both constitute) a default by the Company under its Charter or Operating Agreement, any existing applicable law, rule, regulation, judgment, order, or decree of any Governmental Entity exercising any statutory or regulatory authority of any of the foregoing, domestic or foreign, having jurisdiction over the Company or any of its respective properties or assets, or any agreement or instrument to which the Company is a party or by which the Company or any of its respective properties or assets may be bound.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Rule 144 and Rule 144A. If the Company shall have filed a registration statement pursuant to the requirements of Section 12 of the Exchange Act or a registration statement pursuant to the requirements of the Securities Act in respect of the Common Stock, the Company covenants that (i) so long as it remains subject to the reporting provisions of the Exchange Act, it will use its commercially reasonable efforts to file in a timely manner the reports required to be filed by it under the Securities Act or the Exchange Act (including, but not limited to, the reports under Sections 13 and 15(d) of the Exchange Act referred to in subparagraph (c)(1)(i) of Rule 144 or, if the Company is not required to file such reports, it will, upon the request of any Stockholder, make publicly available other information so long as necessary to permit sales by such Stockholder under Rule 144, Rule 144A under the Securities Act, as such Rule may be amended ("Rule 144A"), or any similar rules or regulations hereafter adopted by the SEC, and (ii) it will take such further action as any Stockholder may reasonably request, all to the extent required from time to time to enable such Stockholder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (A) Rule 144, (B) Rule 144A or (C) any similar rule or regulation hereafter adopted by the SEC. Upon the request of any Stockholder of Registrable Securities, the Company will deliver to such Stockholder a written statement as to whether it has complied with such requirements.

Section 4.2 Notices. All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or sent by facsimile (provided a copy is thereafter promptly delivered as provided in this Section 4.2), by electronic mail to such electronic mail address as may be designated in writing by such party to the other parties, or nationally recognized overnight courier, addressed to such party at the address or facsimile number set forth below, or such other address or facsimile number as may hereafter be designated in writing by such party to the other parties:

(a) if to the Company, to:

Palomar Holdings, Inc.
7979 Ivanhoe Avenue, Suite 500
La Jolla, CA 92037
Attention: Chief Executive Officer

(b) if to Genstar, to:

c/o Genstar Capital Partners LLC
Four Embarcadero Center
Suite 1900
San Francisco, CA 94111
Attention: J. Ryan Clark

with a copy to:

Weil, Gotshal & Manges LLP
201 Redwood Shores Parkway
Redwood Shores, CA 94065
Attention: Craig W. Adas

Section 4.3 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this

Agreement, or the application thereof to any person or entity or any circumstance, is found to be invalid or unenforceable in any jurisdiction, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 4.4 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall, taken together, be considered one and the same agreement. Electronic counterpart signatures to this Agreement shall be binding and enforceable.

Section 4.5 Entire Agreement; No Third Party Beneficiaries. This Agreement (a) constitutes the entire agreement and supersedes all other prior agreements, both written and oral, among the parties with respect to the subject matter hereof and is not intended to confer upon any Person, other than the parties hereto, any rights or remedies hereunder.

Section 4.6 Further Assurances. Each party hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the provisions of this Agreement and the consummation of the transactions contemplated hereby.

Section 4.7 Governing Law; Equitable Remedies. **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE (WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES THEREOF)**. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions and other equitable remedies to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in the Selected Courts (as defined below), this being in addition to any other remedy to which they are entitled at law or in equity. Any requirements for the securing or posting of any bond with respect to such remedy are hereby waived by each of the parties hereto. Each party further agrees that, in the event of any action for an injunction or other equitable remedy in respect of such breach or enforcement of specific performance, it will not assert the defense that a remedy at law would be adequate.

Section 4.8 Consent To Jurisdiction. With respect to any suit, action or proceeding ("Proceeding") arising out of or relating to this Agreement or any transaction contemplated hereby each of the parties hereto hereby irrevocably (a) submits to the exclusive jurisdiction of (A) the United States District Court for the Northern District of California or (B) in the event that such court lacks jurisdiction to hear the claim, the state courts of California located in the city of San Francisco (the "Selected Courts") and waives any objection to venue being laid in the Selected Courts whether based on the grounds of forum non conveniens or otherwise and hereby agrees not to commence any such Proceeding other than before one of the Selected Courts; provided, however, that a party may commence any Proceeding in a court other than a Selected Court solely for the purpose of enforcing an order or judgment issued by one of the Selected Courts; (b) consents to service of process in any Proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, or by recognized international express carrier or delivery service, to the Company or to the applicable party hereto at their respective addresses referred to in Section 4.2; provided, however, that nothing herein shall affect the right of any party hereto to serve process in any other manner permitted by law; and (c) **TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, WAIVES, AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AND AGREES THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE ITS RIGHT TO TRIAL BY JURY IN ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS WILL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.**

Section 4.9 Amendments; Waivers.

(a) No provision of this Agreement may be amended or waived unless such amendment or waiver is in writing and signed, in

the case of an amendment, by the Company and Stockholders holding a majority of the Registrable Securities, or in the case of a waiver, by the party against whom the waiver is to be effective; provided, that such amendment or waiver which adversely affects any party to this Agreement and is prejudicial to such party relative to all other parties (other than the Company) cannot be effected without the consent of such party.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 4.10 Assignment. Neither this Agreement nor any of the rights or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties; provided that any Stockholder may assign its rights hereunder in connection with a transfer of its Shares if such transferee (i) shall own at least 10% of the Company's outstanding Common Stock (on an as-converted basis, if applicable and after giving effect to all vested and unvested Shares, if applicable) after giving effect to such transfer and (ii) shall execute a joinder to this Agreement. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 4.11 Effectiveness. This Agreement shall become effective upon the Closing Date.

Section 4.12 Term. This Agreement shall automatically terminate, except as provided in Section 2.8(e) and for the provisions of Section 4.1, which will survive such termination, with respect to any Stockholder upon the date on which all Registrable Securities held such Stockholder, together with all Registrable Securities held by such Stockholder's Affiliates, may be sold in a single transaction without registration under the Securities Act in any ninety (90) day period in compliance with Rule 144.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered, all as of the date first set forth above.

[Insert Genstar entities]

By: _____
Name:
Title:

PALOMAR HOLDINGS, INC.

By: _____
Name: Mac Armstrong
Title: Chief Executive Officer

Exhibit A

List of Investors

Exhibit 10.1

PALOMAR HOLDINGS, INC.

2019 EQUITY INCENTIVE PLAN

TABLE OF CONTENTS

			Page
1.	Establishment, Purpose and Term of Plan		1
	1.1	Establishment	1
	1.2	Purpose	1
	1.3	Term of Plan	1
2.	Definitions and Construction		1
	2.1	Definitions	1
	2.2	Construction	8
3.	Administration		8
	3.1	Administration by the Committee	8
	3.2	Authority of Officers	9
	3.3	Administration with Respect to Insiders	9
	3.4	Powers of the Committee	9
	3.5	[Option or SAR Repricing	10
	3.6	Indemnification	10
4.	Shares Subject to Plan		11
	4.1	Maximum Number of Shares Issuable	11
	4.2	Annual Increase in Maximum Number of Shares Issuable	11
	4.3	Adjustment for Unissued or Forfeited Predecessor Plan Shares	11
	4.4	Share Counting	11
	4.5	Adjustments for Changes in Capital Structure	11
	4.6	Assumption or Substitution of Awards	12
5.	Eligibility, Participation and Award Limitations		12
	5.1	Persons Eligible for Awards	12
	5.2	Participation in the Plan	12
	5.3	Incentive Stock Option Limitations	12
	5.4	Nonemployee Director Award Limit	13
6.	Stock Options		13
	6.1	Exercise Price	14
	6.2	Exercisability and Term of Options	14
	6.3	Payment of Exercise Price	14

TABLE OF CONTENTS
(continued)

			Page
	6.4	Effect of Termination of Service	15
	6.5	Transferability of Options	16
7.	Stock Appreciation Rights		16
	7.1	Types of SARs Authorized	17
	7.2	Exercise Price	17
	7.3	Exercisability and Term of SARs	17
	7.4	Exercise of SARs	18
	7.5	Deemed Exercise of SARs	18
	7.6	Effect of Termination of Service	18
	7.7	Transferability of SARs	18
8.	Restricted Stock Awards		18
	8.1	Types of Restricted Stock Awards Authorized	19
	8.2	Purchase Price	19
	8.3	Purchase Period	19
	8.4	Payment of Purchase Price	19
	8.5	Vesting and Restrictions on Transfer	19
	8.6	Voting Rights; Dividends and Distributions	20
	8.7	Effect of Termination of Service	20
	8.8	Nontransferability of Restricted Stock Award Rights	20
9.	Restricted Stock Units		20
	9.1	Grant of Restricted Stock Unit Awards	21
	9.2	Purchase Price	21
	9.3	Vesting	21
	9.4	Voting Rights, Dividend Equivalent Rights and Distributions	21
	9.5	Effect of Termination of Service	22
	9.6	Settlement of Restricted Stock Unit Awards	22
	9.7	Nontransferability of Restricted Stock Unit Awards	22
10.	Performance Awards		22
	10.1	Types of Performance Awards Authorized	23
	10.2	Initial Value of Performance Shares and Performance Units	23

TABLE OF CONTENTS
(continued)

			Page
	10.3	Establishment of Performance Period, Performance Goals and Performance Award Formula	23
	10.4	Measurement of Performance Goals	23
	10.5	Settlement of Performance Awards	25
	10.6	Voting Rights; Dividend Equivalent Rights and Distributions	26
	10.7	Effect of Termination of Service	27
	10.8	Nontransferability of Performance Awards	27
11.	Cash-Based Awards and Other Stock-Based Awards		27
	11.1	Grant of Cash-Based Awards	28
	11.2	Grant of Other Stock-Based Awards	28
	11.3	Value of Cash-Based and Other Stock-Based Awards	28
	11.4	Payment or Settlement of Cash-Based Awards and Other Stock-Based Awards	28
	11.5	Voting Rights; Dividend Equivalent Rights and Distributions	28
	11.6	Effect of Termination of Service	29
	11.7	Nontransferability of Cash-Based Awards and Other Stock-Based Awards	29
12.	Standard Forms of Award Agreement		29
	12.1	Award Agreements	29
	12.2	Authority to Vary Terms	29
13.	Change in Control		30
	13.1	Effect of Change in Control on Awards	30
	13.2	Effect of Change in Control on Nonemployee Director Awards	31
	13.3	Federal Excise Tax Under Section 4999 of the Code	31
14.	Compliance with Securities Law		32
15.	Compliance with Section 409A		32
	15.1	Awards Subject to Section 409A.The Company intends that Awards granted pursuant to the Plan shall either be exempt from or comply with Section 409A, and the Plan shall be so construed	32
	15.2	Deferral and/or Distribution Elections	33
	15.3	Subsequent Elections	33
	15.4	Payment of Section 409A Deferred Compensation	33

TABLE OF CONTENTS
(continued)

			Page
16.	Tax Withholding		36
	16.1	Tax Withholding in General	36
	16.2	Withholding in or Directed Sale of Shares	36
17.	Amendment, Suspension or Termination of Plan		36
18.	Miscellaneous Provisions		37
	18.1	Repurchase Rights	37
	18.2	Forfeiture Events	37
	18.3	Provision of Information	37
	18.4	Rights as Employee, Consultant or Director	37
	18.5	Rights as a Stockholder	38
	18.6	Delivery of Title to Shares	38
	18.7	Fractional Shares	38
	18.8	Retirement and Welfare Plans	38
	18.9	Beneficiary Designation	38
	18.10	Severability	38
	18.11	No Constraint on Corporate Action	39
	18.12	Unfunded Obligation	39
	18.13	Choice of Law	39

Palomar Holdings, Inc.
2019 Equity Incentive Plan

1. **ESTABLISHMENT, PURPOSE AND TERM OF PLAN.**

1.1 **Establishment.** The Palomar Holdings, Inc. 2019 Equity Incentive Plan (the *"**Plan**"*) is hereby established effective as of effective as of the effective date of the initial registration by the Company of its Stock under Section 12 of the Securities Exchange Act of 1934, as amended (the "***Effective Date***").

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan seeks to achieve this purpose by providing for Awards in the form of Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards and Other Stock-Based Awards.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee; provided, however, that all Awards shall be granted, if at all, within ten (10) years from the Effective Date.

2. **DEFINITIONS AND CONSTRUCTION.**

2.1 **Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) *"**Affiliate**"* means (i) a parent entity, other than a Parent Corporation, that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) a subsidiary entity, other than a Subsidiary Corporation, that is controlled by the Company directly or indirectly through one or more intermediary entities. For this purpose, the terms "parent," "subsidiary," "control" and "controlled by" shall have the meanings assigned such terms for the purposes of registration of securities on Form S-8 under the Securities Act.

(b) *"**Award**"* means any Option, Stock Appreciation Right, Restricted Stock Purchase Right, Restricted Stock Bonus, Restricted Stock Unit, Performance Share, Performance Unit, Cash-Based Award or Other Stock-Based Award granted under the Plan.

(c) *"**Award Agreement**"* means a written or electronic agreement between the Company and a Participant setting forth the terms, conditions and restrictions applicable to an Award.

(d) "***Board***" means the Board of Directors of the Company.

(e) "***Cash-Based Award***" means an Award denominated in cash and granted pursuant to Section 11.

(f) "***Cashless Exercise***" means a Cashless Exercise as defined in Section 6.3(b)(i).

(g) "***Cause***" means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or other written agreement between a Participant and a Participating Company applicable to an Award, any of the following: (i) the Participant's theft, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, or falsification of any Participating Company documents or records; (ii) the Participant's material failure to abide by a Participating Company's code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iii) the Participant's unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of a Participating Company (including, without limitation, the Participant's improper use or disclosure of a Participating Company's confidential or proprietary information); (iv) any intentional act by the Participant which has a material detrimental effect on a Participating Company's reputation or business; (v) the Participant's repeated failure or inability to perform any reasonable assigned duties after written notice from a Participating Company of, and a reasonable opportunity to cure, such failure or inability; (vi) any material breach by the Participant of any employment, service, non-disclosure, non-competition, non-solicitation or other similar agreement between the Participant and a Participating Company, which breach is not cured pursuant to the terms of such agreement; or (vii) the Participant's conviction (including any plea of guilty or *nolo contendere*) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs the Participant's ability to perform his or her duties with a Participating Company.

(h) "***Change in Control***" means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or other written agreement between the Participant and a Participating Company applicable to an Award, the occurrence of any one or a combination of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total Fair Market Value or total combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that a Change in Control shall not be deemed to have occurred if such degree of beneficial ownership results from any of the following: (A) an acquisition by any person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (B) any acquisition directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition by the Company, (D) any acquisition by a trustee or other fiduciary under an employee benefit plan of a Participating Company or (E) any acquisition by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) an Ownership Change Event or series of related Ownership Change Events (collectively, a "***Transaction***") in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or

indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(dd)(iii), the entity to which the assets of the Company were transferred (the *"**Transferee**"*), as the case may be; or

(iii) a date specified by the Committee following approval by the stockholders of a plan of complete liquidation or dissolution of the Company;

provided, however, that a Change in Control shall be deemed not to include a transaction or series of transactions described in subsections (i) or (ii) of this Section 2.1(h) in which (A) securities of the Company are sold or disposed of by Genstar Capital Partners V AIV, L.P. and its Affiliates, except as otherwise specifically determined by the Board, or (B) a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple events described in subsections (i), (ii) and (iii) of this Section 2.1(h) are related and to be treated in the aggregate as a single Change in Control, and its determination shall be final, binding and conclusive.

(i) *"**Code**"* means the Internal Revenue Code of 1986, as amended, and any applicable regulations and administrative guidelines promulgated thereunder.

(j) *"**Committee**"* means the Compensation Committee and such other committee or subcommittee of the Board, if any, duly appointed to administer the Plan and having such powers in each instance as shall be specified by the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(k) *"**Company**"* means Palomar Holdings, Inc., a Delaware corporation, and any successor corporation thereto.

(l) *"**Consultant**"* means a person engaged to provide consulting or advisory services (other than as an Employee or a Director) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on registration on Form S-8 under the Securities Act.

(m) *"**Director**"* means a member of the Board.

(n) *"**Disability**"* means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or other written agreement between the Participant and a Participating Company applicable to an Award, the permanent and total disability of the Participant, within the meaning of Section 22(e)(3) of the Code.

(o) "***Dividend Equivalent Right***" means the right of a Participant, granted at the discretion of the Committee or as otherwise provided by the Plan, to receive a credit for the account of such Participant in an amount equal to the cash dividends paid on one share of Stock for each share of Stock represented by an Award held by such Participant.

(p) "***Employee***" means any person treated as an employee (including an Officer or a Director who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a Director nor payment of a Director's fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be. For purposes of an individual's rights, if any, under the terms of the Plan as of the time of the Company's determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee.

(q) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

(r) "***Fair Market Value***" means, as of any date, the value of a share of Stock or other property as determined by the Committee, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) Except as otherwise determined by the Committee, if, on such date, the Stock is listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock as quoted on the national or regional securities exchange or quotation system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or quotation system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded or quoted prior to the relevant date, or such other appropriate day as shall be determined by the Committee, in its discretion.

(ii) Notwithstanding the foregoing, the Committee may, in its discretion, determine the Fair Market Value of a share of Stock on the basis of the opening, closing, or average of the high and low sale prices of a share of Stock on such date or the preceding trading day, the actual sale price of a share of Stock received by a Participant, any other reasonable basis using actual transactions in the Stock as reported on a national or regional securities exchange or quotation system, or on any other basis consistent with the requirements of Section 409A. The Committee may also determine the Fair Market Value upon the average selling price of the Stock during a specified period that is within thirty (30) days before or thirty (30) days after such date, provided that, with respect to the grant of an Option or SAR, the

commitment to grant such Award based on such valuation method must be irrevocable before the beginning of the specified period. The Committee may vary its method of determination of the Fair Market Value as provided in this Section for different purposes under the Plan to the extent consistent with the requirements of Section 409A.

(iii) If, on such date, the Stock is not listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be as determined by the Committee in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse, and in a manner consistent with the requirements of Section 409A.

(s) "***Full Value Award***" means any Award settled in Stock, other than (i) an Option, (ii) a Stock Appreciation Right, or (iii) a Restricted Stock Purchase Right or an Other Stock-Based Award under which the Company will receive monetary consideration equal to the Fair Market Value (determined on the effective date of grant) of the shares subject to such Award.

(t) "***Incentive Stock Option***" means an Option intended to be (as set forth in the Award Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.

(u) "***Incumbent Director***" means a director who either (i) is a member of the Board as of the Effective Date or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but excluding a director who was elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company).

(v) "***Insider***" means an Officer, a Director or other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(w) "***Net Exercise***" means a Net Exercise as defined in Section 6.3(b)(iii).

(x) "***Nonemployee Director***" means a Director who is not an Employee.

(y) "***Nonemployee Director Award***" means any Award granted to a Nonemployee Director.

(z) "***Nonstatutory Stock Option***" means an Option not intended to be (as set forth in the Award Agreement) or which does not qualify as an incentive stock option within the meaning of Section 422(b) of the Code.

(aa) "***Officer***" means any person designated by the Board as an officer of the Company.

(bb) "***Option***" means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(cc) "***Other Stock-Based Award***" means an Award denominated in shares of Stock and granted pursuant to Section 11.

(dd) "***Ownership Change Event***" means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of securities of the Company representing more than fifty percent (50%) of the total combined voting power of the Company's then outstanding securities entitled to vote generally in the election of Directors; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(ee) "***Parent Corporation***" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(ff) "***Participant***" means any eligible person who has been granted one or more Awards.

(gg) "***Participating Company***" means the Company or any Parent Corporation, Subsidiary Corporation or Affiliate.

(hh) "***Participating Company Group***" means, at any point in time, the Company and all other entities collectively which are then Participating Companies.

(ii) "***Performance Award***" means an Award of Performance Shares or Performance Units.

(jj) "***Performance Award Formula***" means, for any Performance Award, a formula or table established by the Committee pursuant to Section 10.3 which provides the basis for computing the value of a Performance Award at one or more levels of attainment of the applicable Performance Goal(s) measured as of the end of the applicable Performance Period.

(kk) "***Performance Goal***" means a performance goal established by the Committee pursuant to Section 10.3.

(ll) "***Performance Period***" means a period established by the Committee pursuant to Section 10.3 at the end of which one or more Performance Goals are to be measured.

(mm) "***Performance Share***" means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Share, as determined by the Committee, based upon attainment of applicable Performance Goal(s).

(nn) "***Performance Unit***" means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Unit, as determined by the Committee, based upon attainment of applicable Performance Goal(s).

(oo) "***Restricted Stock Award***" means an Award of a Restricted Stock Bonus or a Restricted Stock Purchase Right.

(pp) "***Restricted Stock Bonus***" means Stock granted to a Participant pursuant to Section 8.

(qq) "***Restricted Stock Purchase Right***" means a right to purchase Stock granted to a Participant pursuant to Section 8.

(rr) "***Restricted Stock Unit***" means a right granted to a Participant pursuant to Section 9 to receive on a future date or occurrence of a future event a share of Stock or cash in lieu thereof, as determined by the Committee.

(ss) "***Rule 16b-3***" means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(tt) "***SAR***" or "***Stock Appreciation Right***" means a right granted to a Participant pursuant to Section 7 to receive payment, for each share of Stock subject to such Award, of an amount equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the Award over the exercise price thereof.

(uu) "***Section 409A***" means Section 409A of the Code.

(vv) "***Section 409A Deferred Compensation***" means compensation provided pursuant to an Award that constitutes nonqualified deferred compensation within the meaning of Section 409A.

(ww) "***Securities Act***" means the Securities Act of 1933, as amended.

(xx) "***Service***" means a Participant's employment or service with the Participating Company Group, whether as an Employee, a Director or a Consultant. Unless otherwise provided by the Committee, a Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders Service or a change in the Participating Company for which the Participant renders Service, provided that there is no interruption or termination of the Participant's Service. Furthermore, a Participant's Service shall not be deemed to have been interrupted or terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. However, unless otherwise provided by the Committee, if any such leave taken by a Participant exceeds ninety (90) days, then on the ninety-first (91st) day following the commencement of such leave the Participant's Service shall be deemed to have terminated, unless the Participant's right to return to Service is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, an unpaid leave of absence shall not be treated as Service for purposes of determining vesting under the Participant's Award Agreement. A Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the business entity for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of and reason for such termination.

(yy) "***Stock***" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.5.

(zz) "***Stock Tender Exercise***" means a Stock Tender Exercise as defined in Section 6.3(b)(ii).

(aaa) "***Subsidiary Corporation***" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

(bbb) "***Ten Percent Owner***" means a Participant who, at the time an Option is granted to the Participant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company (other than an Affiliate) within the meaning of Section 422(b)(6) of the Code.

(ccc) "***Trading Compliance Policy***" means the written policy of the Company pertaining to the purchase, sale, transfer or other disposition of the Company's equity securities by Directors, Officers, Employees or other service providers who may possess material, nonpublic information regarding the Company or its securities.

(ddd) "***Vesting Conditions***" mean those conditions established in accordance with the Plan prior to the satisfaction of which an Award or shares subject to an Award remain subject to forfeiture or a repurchase option in favor of the Company exercisable for the Participant's monetary purchase price, if any, for such shares upon the Participant's termination of Service or failure of a performance condition to be satisfied.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. ADMINISTRATION.

3.1 **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan, of any Award Agreement or of any other form of agreement or other document employed by the Company in the administration of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or such Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or Award Agreement or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest therein. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

3.2 **Authority of Officers.** Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the Officer

has apparent authority with respect to such matter, right, obligation, determination or election. To the extent permitted by applicable law, the Committee may, in its discretion, delegate to a committee comprised of one or more Officers the authority to grant one or more Awards, without further approval of the Committee, to any Employee, other than a person who, at the time of such grant, is an Insider, and to exercise such other powers under the Plan as the Committee may determine; provided, however, that (a) the Committee shall fix the maximum number of shares subject to Awards that may be granted by such Officers, (b) each such Award shall be subject to the terms and conditions of the appropriate standard form of Award Agreement approved by the Board or the Committee and shall conform to the provisions of the Plan, and (c) each such Award shall conform to such other limits and guidelines as may be established from time to time by the Committee.

3.3 **Administration with Respect to Insiders.** With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3.

3.4 **Powers of the Committee.** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion:

(a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock, units or monetary value to be subject to each Award;

(b) to determine the type of Award granted;

(c) to determine the Fair Market Value of shares of Stock or other property;

(d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of shares pursuant to any Award, (ii) the method of payment for shares purchased pursuant to any Award, (iii) the method for satisfaction of any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares of Stock, (iv) the timing, terms and conditions of the exercisability or vesting of any Award or any shares acquired pursuant thereto, (v) the Performance Measures, Performance Period, Performance Award Formula and Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (vi) the time of expiration of any Award, (vii) the effect of any Participant's termination of Service on any of the foregoing, and (viii) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto not inconsistent with the terms of the Plan;

(e) to determine whether an Award will be settled in shares of Stock, cash, other property or in any combination thereof;

(f) to approve one or more forms of Award Agreement;

(g) to amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired pursuant thereto;

(h) to accelerate, continue, extend or defer the exercisability or vesting of any Award or any shares acquired pursuant thereto, including with respect to the period following a Participant's termination of Service;

(i) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws of, or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose residents may be granted Awards; and

(j) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

3.5 **Option or SAR Repricing.** The Committee shall have the authority, without additional approval by the stockholders of the Company, to approve a program providing for either (a) the cancellation of outstanding Options or SARs having exercise prices per share greater than the then Fair Market Value of a share of Stock ("***Underwater Awards***") and the grant in substitution therefor of new Options or SARs covering the same or a different number of shares but with an exercise price per share equal to the Fair Market Value per share on the new grant date, Full Value Awards, or payments in cash, or (b) the amendment of outstanding Underwater Awards to reduce the exercise price thereof to the Fair Market Value per share on the date of amendment.

3.6 **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, to the extent permitted by applicable law, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. **SHARES SUBJECT TO PLAN.**

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Sections 4.2, 4.3, 4.4 and 4.5, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be equal to two million, four hundred thousand (2,400,000) shares, and such shares shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof.

4.2 **Annual Increase in Maximum Number of Shares Issuable**. Subject to adjustment as provided in Section 4.5, the maximum aggregate number of shares of Stock that may be issued under the Plan as set forth in Section 4.1 shall be cumulatively increased on January 1, 2020 and on each subsequent January 1 through and including January 1, 2029, by a number of shares (the "***Annual Increase***") equal to the smaller of (a) three percent (3%) of the number of shares of Stock issued and outstanding on the immediately preceding December 31, or (b) an amount determined by the Board.

4.3 **Share Counting.** If an outstanding Award for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares of Stock acquired pursuant to an Award subject to forfeiture or repurchase are forfeited or repurchased by the Company for an amount not greater than the Participant's purchase price, the shares of Stock allocable to the terminated portion of such Award or such forfeited or repurchased shares of Stock shall again be available for issuance under the Plan. Shares of Stock shall not be deemed to have been issued pursuant to the Plan with respect to any portion of an Award that is settled in cash. Upon payment in shares of Stock pursuant to the exercise of an SAR, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the SAR is exercised. If the exercise price of an Option is paid by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant, or by means of a Net Exercise, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the Option is exercised. Shares purchased in the open market with proceeds from the exercise of Options shall not be added to the limit set forth in Section 4.1. Shares withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to the exercise or settlement of Options or SARs pursuant to Section 16.2 shall not again be available for issuance under the Plan. Shares withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to the vesting or settlement of Full Value Awards pursuant to Section 16.2 shall again become available for issuance under the Plan.

4.4 **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company and the requirements of Sections 409A and 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting regular, periodic cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and kind of shares subject to the Plan and to any outstanding Awards, the Annual Increase, the Award limits set forth in Section 5.3 and

Section 5.4, and in the exercise or purchase price per share under any outstanding Award in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "***New Shares***"), the Committee may unilaterally amend the outstanding Awards to provide that such Awards are for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise or purchase price per share of, the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number and the exercise or purchase price per share shall be rounded up to the nearest whole cent. In no event may the exercise or purchase price, if any, under any Award be decreased to an amount less than the par value, if any, of the stock subject to such Award. The Committee in its discretion, may also make such adjustments in the terms of any Award to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate, including modification of Performance Goals, Performance Award Formulas and Performance Periods. The adjustments determined by the Committee pursuant to this Section shall be final, binding and conclusive.

4.5 **Assumption or Substitution of Awards.** The Committee may, without affecting the number of shares of Stock reserved or available hereunder, authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with Section 409A and any other applicable provisions of the Code. In addition, subject to compliance with applicable laws, and listing requirements, shares available for grant under a stockholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for awards under the Plan to individuals who were not Employees or Directors of the Participating Company Group prior to the transaction and shall not reduce the number of shares otherwise available for issuance under the Plan.

5. ELIGIBILITY, PARTICIPATION AND AWARD LIMITATIONS.

5.1 **Persons Eligible for Awards.** Awards may be granted only to Employees, Consultants and Directors.

5.2 **Participation in the Plan.** Awards are granted solely at the discretion of the Committee. Eligible persons may be granted more than one Award. However, eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

5.3 **Incentive Stock Option Limitations.**

(a) ***Maximum Number of Shares Issuable Pursuant to Incentive Stock Options.*** Subject to adjustment as provided in Section 4.5, the maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to the exercise of Incentive

Stock Options shall not exceed two million, four hundred thousand (2,400,000) shares, cumulatively increased on January 1, 2020, and on each subsequent January 1, through and including January 1, 2029, by a number of shares equal to the smaller of the Annual Increase determined under Section 4.2 or seventy-two thousand (72,000) shares. The maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to all Awards other than Incentive Stock Options shall be the number of shares determined in accordance with Section 4.1, subject to adjustment as provided in Sections 4.2, 4.3, 4.4 and 4.5.

(b) ***Persons Eligible.*** An Incentive Stock Option may be granted only to a person who, on the effective date of grant, is an Employee of the Company, a Parent Corporation or a Subsidiary Corporation (each being an "***ISO-Qualifying Corporation***"). Any person who is not an Employee of an ISO-Qualifying Corporation on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option.

(c) ***Fair Market Value Limitation.*** To the extent that options designated as Incentive Stock Options (granted under all stock plans of the Participating Company Group, including the Plan) become exercisable by a Participant for the first time during any calendar year for stock having a Fair Market Value greater than One Hundred Thousand Dollars ($100,000), the portion of such options which exceeds such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a limitation different from that set forth in this Section, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section, the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Upon exercise of the Option, shares issued pursuant to each such portion shall be separately identified.

5.4 **Nonemployee Director Award Limit.** No Nonemployee Director shall be granted within any fiscal year of the Company one or more Nonemployee Director Awards pursuant to the Plan which in the aggregate are for more than a number of shares of Stock determined by dividing two hundred fifty thousand dollars ($250,000) by the Fair Market Value of a share of Stock determined on the last trading day immediately preceding the date on which the applicable Nonemployee Director Award is granted.

6. **STOCK OPTIONS.**

Options shall be evidenced by Award Agreements specifying the number of shares of Stock covered thereby, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 **Exercise Price.** The exercise price for each Option shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price less than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner that would qualify under the provisions of Section 409A or Section 424(a) of the Code.

6.2 **Exercisability and Term of Options.** Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; provided, however, that (a) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (b) no Incentive Stock Option granted to a Ten Percent Owner shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option and (c) no Option granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable until at least six (6) months following the date of grant of such Option (except in the event of such Employee's death, disability or retirement, upon a Change in Control, or as otherwise permitted by the Worker Economic Opportunity Act). Subject to the foregoing, unless otherwise specified by the Committee in the grant of an Option, each Option shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions.

6.3 **Payment of Exercise Price.**

(a) ***Forms of Consideration Authorized.*** Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent; (ii) if permitted by the Committee and subject to the limitations contained in Section 6.3(b), by means of (1) a Cashless Exercise, (2) a Stock Tender Exercise or (3) a Net Exercise; (iii) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (iv) by any combination thereof. The Committee may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(b) ***Limitations on Forms of Consideration.***

(i) **Cashless Exercise.** A ***"Cashless Exercise"*** means the delivery of a properly executed notice of exercise together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System). The

Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise, including with respect to one or more Participants specified by the Company notwithstanding that such program or procedures may be available to other Participants.

(ii) **Stock Tender Exercise.** A *"**Stock Tender Exercise**"* means the delivery of a properly executed exercise notice accompanied by a Participant's tender to the Company, or attestation to the ownership, in a form acceptable to the Company of whole shares of Stock owned by the Participant having a Fair Market Value that does not exceed the aggregate exercise price for the shares with respect to which the Option is exercised. A Stock Tender Exercise shall not be permitted if it would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. If required by the Company, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Participant for a period of time required by the Company (and not used for another option exercise by attestation during such period) or were not acquired, directly or indirectly, from the Company.

(iii) **Net Exercise.** A *"**Net Exercise**"* means the delivery of a properly executed exercise notice followed by a procedure pursuant to which (1) the Company will reduce the number of shares otherwise issuable to a Participant upon the exercise of an Option by the largest whole number of shares having a Fair Market Value that does not exceed the aggregate exercise price for the shares with respect to which the Option is exercised, and (2) the Participant shall pay to the Company in cash the remaining balance of such aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued.

6.4 **Effect of Termination of Service.**

(a) ***Option Exercisability.*** Subject to earlier termination of the Option as otherwise provided by this Plan and unless otherwise provided by the Committee, an Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period determined in accordance with this Section and thereafter shall terminate.

(i) **Disability.** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months (or such longer or shorter period provided by the Award Agreement) after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option (the *"**Option Expiration Date**"*).

(ii) **Death.** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the

Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of twelve (12) months (or such longer or shorter period provided by the Award Agreement) after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months (or such longer or shorter period provided by the Award Agreement) after the Participant's termination of Service.

(iii) **Termination for Cause.** Notwithstanding any other provision of the Plan to the contrary, if the Participant's Service is terminated for Cause or if, following the Participant's termination of Service and during any period in which the Option otherwise would remain exercisable, the Participant engages in any act that would constitute Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service or act.

(iv) **Other Termination of Service.** If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months (or such longer or shorter period provided by the Award Agreement) after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) ***Extension if Exercise Prevented by Law.*** Notwithstanding the foregoing, other than termination of Service for Cause, if the exercise of an Option within the applicable time periods set forth in Section 6.4(a) is prevented by the provisions of Section 14 below, the Option shall remain exercisable until the later of (i) thirty (30) days after the date such exercise first would no longer be prevented by such provisions or (ii) the end of the applicable time period under Section 6.4(a), but in any event no later than the Option Expiration Date.

6.5 **Transferability of Options.** During the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. An Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option, an Option shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act or, in the case of an Incentive Stock Option, only as permitted by applicable regulations under Section 421 of the Code in a manner that does not disqualify such Option as an Incentive Stock Option.

7. STOCK APPRECIATION RIGHTS.

Stock Appreciation Rights shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall

establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

7.1 **Types of SARs Authorized.** SARs may be granted in tandem with all or any portion of a related Option (a "***Tandem SAR***") or may be granted independently of any Option (a "***Freestanding SAR***"). A Tandem SAR may only be granted concurrently with the grant of the related Option.

7.2 **Exercise Price.** The exercise price for each SAR shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share subject to a Tandem SAR shall be the exercise price per share under the related Option and (b) the exercise price per share subject to a Freestanding SAR shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the SAR. Notwithstanding the foregoing, an SAR may be granted with an exercise price lower than the minimum exercise price set forth above if such SAR is granted pursuant to an assumption or substitution for another stock appreciation right in a manner that would qualify under the provisions of Section 409A of the Code.

7.3 **Exercisability and Term of SARs.**

(a) ***Tandem SARs.*** Tandem SARs shall be exercisable only at the time and to the extent, and only to the extent, that the related Option is exercisable, subject to such provisions as the Committee may specify where the Tandem SAR is granted with respect to less than the full number of shares of Stock subject to the related Option. The Committee may, in its discretion, provide in any Award Agreement evidencing a Tandem SAR that such SAR may not be exercised without the advance approval of the Company and, if such approval is not given, then the Option shall nevertheless remain exercisable in accordance with its terms. A Tandem SAR shall terminate and cease to be exercisable no later than the date on which the related Option expires or is terminated or canceled. Upon the exercise of a Tandem SAR with respect to some or all of the shares subject to such SAR, the related Option shall be canceled automatically as to the number of shares with respect to which the Tandem SAR was exercised. Upon the exercise of an Option related to a Tandem SAR as to some or all of the shares subject to such Option, the related Tandem SAR shall be canceled automatically as to the number of shares with respect to which the related Option was exercised.

(b) ***Freestanding SARs.*** Freestanding SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such SAR; provided, however, that (i) no Freestanding SAR shall be exercisable after the expiration of ten (10) years after the effective date of grant of such SAR and (ii) no Freestanding SAR granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable until at least six (6) months following the date of grant of such SAR (except in the event of such Employee's death, disability or retirement, upon a Change in Control, or as otherwise permitted by the Worker Economic Opportunity Act). Subject to the foregoing, unless otherwise specified by the Committee in the grant of a Freestanding SAR, each Freestanding SAR shall terminate ten

(10) years after the effective date of grant of the SAR, unless earlier terminated in accordance with its provisions.

7.4 **Exercise of SARs.** Upon the exercise (or deemed exercise pursuant to Section 7.5) of an SAR, the Participant (or the Participant's legal representative or other person who acquired the right to exercise the SAR by reason of the Participant's death) shall be entitled to receive payment of an amount for each share with respect to which the SAR is exercised equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the SAR over the exercise price. Payment of such amount shall be made (a) in the case of a Tandem SAR, solely in shares of Stock in a lump sum upon the date of exercise of the SAR and (b) in the case of a Freestanding SAR, in cash, shares of Stock, or any combination thereof as determined by the Committee, in a lump sum upon the date of exercise of the SAR. When payment is to be made in shares of Stock, the number of shares to be issued shall be determined on the basis of the Fair Market Value of a share of Stock on the date of exercise of the SAR. For purposes of Section 7, an SAR shall be deemed exercised on the date on which the Company receives notice of exercise from the Participant or as otherwise provided in Section 7.5.

7.5 **Deemed Exercise of SARs.** If, on the date on which an SAR would otherwise terminate or expire, the SAR by its terms remains exercisable immediately prior to such termination or expiration and, if so exercised, would result in a payment to the holder of such SAR, then any portion of such SAR which has not previously been exercised shall automatically be deemed to be exercised as of such date with respect to such portion.

7.6 **Effect of Termination of Service.** Subject to earlier termination of the SAR as otherwise provided herein and unless otherwise provided by the Committee, an SAR shall be exercisable after a Participant's termination of Service only to the extent and during the applicable time period determined in accordance with Section 6.4 (treating the SAR as if it were an Option) and thereafter shall terminate.

7.7 **Transferability of SARs.** During the lifetime of the Participant, an SAR shall be exercisable only by the Participant or the Participant's guardian or legal representative. An SAR shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Award, a Tandem SAR related to a Nonstatutory Stock Option or a Freestanding SAR shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act.

8. **RESTRICTED STOCK AWARDS.**

Restricted Stock Awards shall be evidenced by Award Agreements specifying whether the Award is a Restricted Stock Bonus or a Restricted Stock Purchase Right and the number of shares of Stock subject to the Award, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

8.1 **Types of Restricted Stock Awards Authorized.** Restricted Stock Awards may be granted in the form of either a Restricted Stock Bonus or a Restricted Stock Purchase Right. Restricted Stock Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of or satisfaction of Vesting Conditions applicable to a Restricted Stock Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

8.2 **Purchase Price.** The purchase price for shares of Stock issuable under each Restricted Stock Purchase Right shall be established by the Committee in its discretion. No monetary payment (other than applicable tax withholding) shall be required as a condition of receiving shares of Stock pursuant to a Restricted Stock Bonus, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock subject to a Restricted Stock Award.

8.3 **Purchase Period.** A Restricted Stock Purchase Right shall be exercisable within a period established by the Committee, which shall in no event exceed thirty (30) days from the effective date of the grant of the Restricted Stock Purchase Right.

8.4 **Payment of Purchase Price.** Except as otherwise provided below, payment of the purchase price for the number of shares of Stock being purchased pursuant to any Restricted Stock Purchase Right shall be made (a) in cash, by check or in cash equivalent, (b) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (c) by any combination thereof.

8.5 **Vesting and Restrictions on Transfer.** Shares issued pursuant to any Restricted Stock Award may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. During any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, such shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to an Ownership Change Event or as provided in Section 8.8. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to such Restricted Stock Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Trading Compliance Policy, then satisfaction of the Vesting Conditions automatically shall be determined on the next trading day on which the sale of such shares would not violate the Trading Compliance Policy. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

8.6 **Voting Rights; Dividends and Distributions.** Except as provided in this Section, Section 8.5 and any Award Agreement, during any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, the Participant shall have all of the rights of a stockholder of the Company holding shares of Stock, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares; provided, however, that if so determined by the Committee and provided by the Award Agreement, such dividends and distributions shall be subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid, and otherwise shall be paid no later than the end of the calendar year in which such dividends or distributions are paid to stockholders (or, if later, the 15th day of the third month following the date such dividends or distributions are paid to stockholders). In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.5, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant is entitled by reason of the Participant's Restricted Stock Award shall be immediately subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid or adjustments were made.

8.7 **Effect of Termination of Service.** Unless otherwise provided by the Committee in the Award Agreement evidencing a Restricted Stock Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then (a) the Company shall have the option to repurchase for the purchase price paid by the Participant any shares acquired by the Participant pursuant to a Restricted Stock Purchase Right which remain subject to Vesting Conditions as of the date of the Participant's termination of Service and (b) the Participant shall forfeit to the Company any shares acquired by the Participant pursuant to a Restricted Stock Bonus which remain subject to Vesting Conditions as of the date of the Participant's termination of Service. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

8.8 **Nontransferability of Restricted Stock Award Rights.** Rights to acquire shares of Stock pursuant to a Restricted Stock Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or the laws of descent and distribution. All rights with respect to a Restricted Stock Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

9. **RESTRICTED STOCK UNITS.**

Restricted Stock Unit Awards shall be evidenced by Award Agreements specifying the number of Restricted Stock Units subject to the Award, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

9.1 **Grant of Restricted Stock Unit Awards.** Restricted Stock Unit Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of a Restricted Stock Unit Award or the Vesting Conditions with respect to such Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

9.2 **Purchase Price.** No monetary payment (other than applicable tax withholding, if any) shall be required as a condition of receiving a Restricted Stock Unit Award, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Restricted Stock Unit Award.

9.3 **Vesting.** Restricted Stock Unit Awards may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award.

9.4 **Voting Rights, Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Restricted Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Restricted Stock Unit Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Dividend Equivalent Rights, if any, shall be paid by crediting the Participant with a cash amount or with additional whole Restricted Stock Units as of the date of payment of such cash dividends on Stock, as determined by the Committee. The number of additional Restricted Stock Units (rounded to the nearest whole number), if any, to be credited shall be determined by dividing (a) the amount of cash dividends paid on the dividend payment date with respect to the number of shares of Stock represented by the Restricted Stock Units previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Such cash amount or additional Restricted Stock Units shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time as the Restricted Stock Units originally subject to the Restricted Stock Unit Award. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.5, appropriate adjustments shall be made in the Participant's Restricted Stock Unit Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the

Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions as are applicable to the Award.

9.5 **Effect of Termination of Service.** Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Restricted Stock Unit Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then the Participant shall forfeit to the Company any Restricted Stock Units pursuant to the Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service.

9.6 **Settlement of Restricted Stock Unit Awards.** The Company shall issue to a Participant on the date on which Restricted Stock Units subject to the Participant's Restricted Stock Unit Award vest or on such other date determined by the Committee in compliance with Section 409A, if applicable, and set forth in the Award Agreement one (1) share of Stock (and/or any other new, substituted or additional securities or other property pursuant to an adjustment described in Section 9.4) for each Restricted Stock Unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes, if any. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Unit Award that if the settlement date with respect to any shares issuable upon vesting of Restricted Stock Units would otherwise occur on a day on which the sale of such shares would violate the provisions of the Trading Compliance Policy, then the settlement date shall be deferred until the next trading day on which the sale of such shares would not violate the Trading Compliance Policy but in any event no later than the 15th day of the third calendar month following the year in which such Restricted Stock Units vest. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section, and such deferred issuance date(s) and amount(s) elected by the Participant shall be set forth in the Award Agreement. Notwithstanding the foregoing, the Committee, in its discretion, may provide for settlement of any Restricted Stock Unit Award by payment to the Participant in cash of an amount equal to the Fair Market Value on the payment date of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section.

9.7 **Nontransferability of Restricted Stock Unit Awards.** The right to receive shares pursuant to a Restricted Stock Unit Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Restricted Stock Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

10. PERFORMANCE AWARDS.

Performance Awards shall be evidenced by Award Agreements in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

10.1 **Types of Performance Awards Authorized.** Performance Awards may be granted in the form of either Performance Shares or Performance Units. Each Award Agreement evidencing a Performance Award shall specify the number of Performance Shares or Performance Units subject thereto, the Performance Award Formula, the Performance Goal(s) and Performance Period applicable to the Award, and the other terms, conditions and restrictions of the Award.

10.2 **Initial Value of Performance Shares and Performance Units.** Unless otherwise provided by the Committee in granting a Performance Award, each Performance Share shall have an initial monetary value equal to the Fair Market Value of one (1) share of Stock, subject to adjustment as provided in Section 4.5, on the effective date of grant of the Performance Share, and each Performance Unit shall have an initial monetary value established by the Committee at the time of grant. The final value payable to the Participant in settlement of a Performance Award determined on the basis of the applicable Performance Award Formula will depend on the extent to which Performance Goals established by the Committee are attained within the applicable Performance Period established by the Committee.

10.3 **Establishment of Performance Period, Performance Goals and Performance Award Formula.** In granting each Performance Award, the Committee shall establish in writing the applicable Performance Period, Performance Award Formula and one or more Performance Goals which, when measured at the end of the Performance Period, shall determine on the basis of the Performance Award Formula the final value of the Performance Award to be paid to the Participant. The Company shall notify each Participant granted a Performance Award of the terms of such Award, including the Performance Period, Performance Goal(s) and Performance Award Formula.

10.4 **Measurement of Performance Goals.** Performance Goals shall be established by the Committee on the basis of targets to be attained ("***Performance Targets***") with respect to one or more measures of business or financial performance or other criteria established by the Committee (each, a "***Performance Measure***"), subject to the following:

(a) ***Performance Measures.*** Performance Measures based on objective criteria shall be calculated in accordance with the Company's financial statements, or, if such measures are not reported in the Company's financial statements, they shall be calculated in accordance with generally accepted accounting principles, a method used generally in the Company's industry, or in accordance with a methodology established by the Committee prior to the grant of the Performance Award. Performance Measures based on subjective criteria shall be determined on the basis established by the Committee in granting the Award. As specified by the Committee, Performance Measures may be calculated with respect to the Company and each Subsidiary Corporation consolidated therewith for financial reporting purposes, one or more Subsidiary Corporations or such division or other business unit of any of them selected by the Committee. Unless otherwise determined by the Committee prior to the grant of the Performance Award, the Performance Measures applicable to the Performance Award shall be calculated prior to the accrual of expense for any Performance Award for the same Performance Period and excluding the effect (whether positive or negative) on the Performance Measures of any change in accounting standards or any unusual or infrequently occurring event or transaction, as determined by the Committee, occurring after the establishment of the

Performance Goals applicable to the Performance Award. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Measures in order to prevent the dilution or enlargement of the Participant's rights with respect to a Performance Award. Performance Measures may be based upon one or more of the following, without limitation, as determined by the Committee:

(i) revenue;

(ii) sales;

(iii) expenses;

(iv) operating income;

(v) gross margin;

(vi) operating margin;

(vii) earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization;

(viii) pre-tax profit;

(ix) net operating income;

(x) net income;

(xi) economic value added;

(xii) free cash flow;

(xiii) operating cash flow;

(xiv) balance of cash, cash equivalents and marketable securities;

(xv) stock price;

(xvi) earnings per share;

(xvii) return on stockholder equity;

(xviii) return on capital;

(xix) return on assets;

(xx) return on investment;

(xxi) total stockholder return;

(xxii) employee satisfaction;

(xxiii) employee retention;

(xxiv) market share;

(xxv) customer satisfaction;

(xxvi) product development;

(xxvii) research and development expenses;

(xxviii) completion of an identified special project;

(xxix) completion of a joint venture or other corporate transaction; and

(xxx) personal performance objectives established for an individual Participant or group of Participants.

(b) ***Performance Targets.*** Performance Targets may include a minimum, maximum, target level and intermediate levels of performance, with the final value of a Performance Award determined under the applicable Performance Award Formula by the Performance Target level attained during the applicable Performance Period. A Performance Target may be stated as an absolute value, an increase or decrease in a value, or as a value determined relative to an index, budget or other standard selected by the Committee.

10.5 **Settlement of Performance Awards.**

(a) ***Determination of Final Value.*** As soon as practicable following the completion of the Performance Period applicable to a Performance Award, the Committee shall determine the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the Participant and to be paid upon its settlement in accordance with the applicable Performance Award Formula.

(b) ***Discretionary Adjustment of Award Formula.*** In its discretion, the Committee may, either at the time it grants a Performance Award or at any time thereafter, provide for the positive or negative adjustment of the Performance Award Formula applicable to a Performance Award to reflect such Participant's individual performance in his or her position with the Company or such other factors as the Committee may determine.

(c) ***Effect of Leaves of Absence.*** Unless otherwise required by law or a Participant's Award Agreement, payment of the final value, if any, of a Performance Award held by a Participant who has taken in excess of thirty (30) days in unpaid leaves of absence during a Performance Period shall be prorated on the basis of the number of days of the Participant's Service during the Performance Period during which the Participant was not on an unpaid leave of absence.

(d) ***Notice to Participants.*** As soon as practicable following the Committee's determination in accordance with Sections 10.5(a) and (b), the Company shall notify each Participant of the determination of the Committee.

(e) ***Payment in Settlement of Performance Awards.*** As soon as practicable following the Committee's determination in accordance with Sections 10.5(a) and (b), but in any event within the Short-Term Deferral Period described in Section 15.1 (except as otherwise provided below or consistent with the requirements of Section 409A), payment shall be made to each eligible Participant (or such Participant's legal representative or other person who acquired the right to receive such payment by reason of the Participant's death) of the final value of the Participant's Performance Award. Payment of such amount shall be made in cash, shares of Stock, or a combination thereof as determined by the Committee. Unless otherwise provided in the Award Agreement evidencing a Performance Award, payment shall be made in a lump sum. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the payment to be made to the Participant pursuant to this Section, and such deferred payment date(s) elected by the Participant shall be set forth in the Award Agreement. If any payment is to be made on a deferred basis, the Committee may, but shall not be obligated to, provide for the payment during the deferral period of Dividend Equivalent Rights or interest.

(f) ***Provisions Applicable to Payment in Shares.*** If payment is to be made in shares of Stock, the number of such shares shall be determined by dividing the final value of the Performance Award by the Fair Market Value of a share of Stock determined by the method specified in the Award Agreement. Shares of Stock issued in payment of any Performance Award may be fully vested and freely transferable shares or may be shares of Stock subject to Vesting Conditions as provided in Section 8.5. Any shares subject to Vesting Conditions shall be evidenced by an appropriate Award Agreement and shall be subject to the provisions of Sections 8.5 through 8.8 above.

10.6 **Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Performance Share Awards until the date of the issuance of such shares, if any (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Performance Share Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date the Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date on which the Performance Shares are settled or the date on which they are forfeited. Such Dividend Equivalent Rights, if any, shall be credited to the Participant either in cash or in the form of additional whole Performance Shares as of the date of payment of such cash dividends on Stock, as determined by the Committee. The number of additional Performance Shares (rounded to the nearest whole number), if any, to be so credited shall be determined by dividing (a) the amount of cash dividends paid on the dividend payment date with respect to the number of shares of Stock represented by the Performance Shares previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Dividend Equivalent Rights, if any, shall be accumulated and paid to the extent that the related Performance Shares become nonforfeitable. Settlement of Dividend Equivalent Rights

may be made in cash, shares of Stock, or a combination thereof as determined by the Committee, and may be paid on the same basis as settlement of the related Performance Share as provided in Section 10.5. Dividend Equivalent Rights shall not be paid with respect to Performance Units. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.5, appropriate adjustments shall be made in the Participant's Performance Share Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Performance Share Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Performance Goals as are applicable to the Award.

10.7 **Effect of Termination of Service.** Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Performance Award, the effect of a Participant's termination of Service on the Performance Award shall be as follows:

(a) ***Death or Disability.*** If the Participant's Service terminates because of the death or Disability of the Participant before the completion of the Performance Period applicable to the Performance Award, the final value of the Participant's Performance Award shall be determined by the extent to which the applicable Performance Goals have been attained with respect to the entire Performance Period and shall be prorated based on the number of months of the Participant's Service during the Performance Period. Payment shall be made following the end of the Performance Period in any manner permitted by Section 10.5.

(b) ***Other Termination of Service.*** If the Participant's Service terminates for any reason except death or Disability before the completion of the Performance Period applicable to the Performance Award, such Award shall be forfeited in its entirety; provided, however, that in the event of an involuntary termination of the Participant's Service, the Committee, in its discretion, may waive the automatic forfeiture of all or any portion of any such Award and determine the final value of the Performance Award in the manner provided by Section 10.7(a). Payment of any amount pursuant to this Section shall be made following the end of the Performance Period in any manner permitted by Section 10.5.

10.8 **Nontransferability of Performance Awards.** Prior to settlement in accordance with the provisions of the Plan, no Performance Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Performance Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

11. CASH-BASED AWARDS AND OTHER STOCK-BASED AWARDS.

Cash-Based Awards and Other Stock-Based Awards shall be evidenced by Award Agreements in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

11.1 **Grant of Cash-Based Awards**. Subject to the provisions of the Plan, the Committee, at any time and from time to time, may grant Cash-Based Awards to Participants in such amounts and upon such terms and conditions, including the achievement of performance criteria, as the Committee may determine.

11.2 **Grant of Other Stock-Based Awards**. The Committee may grant other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted securities, stock-equivalent units, stock appreciation units, securities or debentures convertible into common stock or other forms determined by the Committee) in such amounts and subject to such terms and conditions as the Committee shall determine. Other Stock-Based Awards may be made available as a form of payment in the settlement of other Awards or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may involve the transfer of actual shares of Stock to Participants, or payment in cash or otherwise of amounts based on the value of Stock and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

11.3 **Value of Cash-Based and Other Stock-Based Awards**. Each Cash-Based Award shall specify a monetary payment amount or payment range as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of shares of Stock or units based on such shares of Stock, as determined by the Committee. The Committee may require the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. If the Committee exercises its discretion to establish performance criteria, the final value of Cash-Based Awards or Other Stock-Based Awards that will be paid to the Participant will depend on the extent to which the performance criteria are met.

11.4 **Payment or Settlement of Cash-Based Awards and Other Stock-Based Awards**. Payment or settlement, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash, shares of Stock or other securities or any combination thereof as the Committee determines. To the extent applicable, payment or settlement with respect to each Cash-Based Award and Other Stock-Based Award shall be made in compliance with the requirements of Section 409A.

11.5 **Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Other Stock-Based Awards until the date of the issuance of such shares of Stock (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), if any, in settlement of such Award. However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Other Stock-Based Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid in accordance with the provisions set forth in Section 9.4. Dividend Equivalent Rights shall not be granted with respect to Cash-Based Awards. In the event of a dividend or distribution paid in shares of

Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.5, appropriate adjustments shall be made in the Participant's Other Stock-Based Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of such Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions and performance criteria, if any, as are applicable to the Award.

11.6 **Effect of Termination of Service**. Each Award Agreement evidencing a Cash-Based Award or Other Stock-Based Award shall set forth the extent to which the Participant shall have the right to retain such Award following termination of the Participant's Service. Such provisions shall be determined in the discretion of the Committee, need not be uniform among all Cash-Based Awards or Other Stock-Based Awards, and may reflect distinctions based on the reasons for termination, subject to the requirements of Section 409A, if applicable.

11.7 **Nontransferability of Cash-Based Awards and Other Stock-Based Awards.** Prior to the payment or settlement of a Cash-Based Award or Other Stock-Based Award, the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. The Committee may impose such additional restrictions on any shares of Stock issued in settlement of Cash-Based Awards and Other Stock-Based Awards as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such shares of Stock are then listed and/or traded, or under any state securities laws or foreign law applicable to such shares of Stock.

12. **STANDARD FORMS OF AWARD AGREEMENT.**

12.1 **Award Agreements.** Each Award shall comply with and be subject to the terms and conditions set forth in the appropriate form of Award Agreement approved by the Committee and as amended from time to time. No Award or purported Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement, which execution may be evidenced by electronic means.

12.2 **Authority to Vary Terms.** The Committee shall have the authority from time to time to vary the terms of any standard form of Award Agreement either in connection with the grant or amendment of an individual Award or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Award Agreement are not inconsistent with the terms of the Plan.

13. **CHANGE IN CONTROL.**

13.1 **Effect of Change in Control on Awards.** In the event of a Change in Control, outstanding Awards shall be subject to the definitive agreement entered into by the Company in connection with the Change in Control. Subject to the requirements and limitations of Section 409A, if applicable, the Committee may provide for any one or more of the following:

(a) ***Accelerated Vesting.*** In its discretion, the Committee may provide in the grant of any Award or at any other time may take such action as it deems appropriate to provide for acceleration of the exercisability, vesting and/or settlement in connection with a Change in Control of each or any outstanding Award or portion thereof and shares acquired pursuant thereto upon such conditions, including termination of the Participant's Service prior to, upon, or following the Change in Control, and to such extent as the Committee determines.

(b) ***Assumption, Continuation or Substitution.*** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "***Acquiror***"), may, without the consent of any Participant, assume or continue the Company's rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror's stock, as applicable. For purposes of this Section, if so determined by the Committee in its discretion, an Award denominated in shares of Stock shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each share of Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Award, for each share of Stock subject to the Award, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised or settled as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control.

(c) ***Cash-Out of Outstanding Stock-Based Awards.*** The Committee may, in its discretion and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award denominated in shares of Stock or portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested share (and each unvested share, if so determined by the Committee) of Stock subject to such canceled Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of

Stock in the Change in Control, reduced (but not below zero) by the exercise or purchase price per share, if any, under such Award. In the event such determination is made by the Committee, an Award having an exercise or purchase price per share equal to or greater than the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control may be canceled without payment of consideration to the holder thereof. Payment pursuant to this Section (reduced by applicable withholding taxes, if any) shall be made to Participants in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards.

13.2 **Effect of Change in Control on Nonemployee Director Awards.** Subject to the requirements and limitations of Section 409A, if applicable, including as provided by Section 15.4(f), in the event of a Change in Control, each outstanding Nonemployee Director Award shall become immediately exercisable and vested in full and, except to the extent assumed, continued or substituted for pursuant to Section 13.1(b), shall be settled effective immediately prior to the time of consummation of the Change in Control.

13.3 **Federal Excise Tax Under Section 4999 of the Code.**

(a) ***Excess Parachute Payment.*** If any acceleration of vesting pursuant to an Award and any other payment or benefit received or to be received by a Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an "excess parachute payment" under Section 280G of the Code, then, provided such election would not subject the Participant to taxation under Section 409A, the Participant may elect to reduce the amount of any acceleration of vesting called for under the Award in order to avoid such characterization.

(b) ***Determination by Tax Firm.*** To aid the Participant in making any election called for under Section 13.3(a), no later than the date of the occurrence of any event that might reasonably be anticipated to result in an "excess parachute payment" to the Participant as described in Section 13.3(a), the Company shall request a determination in writing by the professional firm engaged by the Company for general tax purposes, or, if the tax firm so engaged by the Company is serving as accountant or auditor for the Acquiror, the Company will appoint a nationally recognized tax firm to make the determinations required by this Section (the "***Tax Firm***"). As soon as practicable thereafter, the Tax Firm shall determine and report to the Company and the Participant the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Tax Firm may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Tax Firm such information and documents as the Tax Firm may reasonably request in order to make its required determination. The Company shall bear all fees and expenses the Tax Firm charges in connection with its services contemplated by this Section.

14. **COMPLIANCE WITH SECURITIES LAW.**

The grant of Awards and the issuance of shares of Stock pursuant to any Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities and the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised or shares issued pursuant to an Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the shares issuable pursuant to the Award, or (b) in the opinion of legal counsel to the Company, the shares issuable pursuant to the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to issuance of any Stock, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

15. **COMPLIANCE WITH SECTION 409A.**

15.1 **Awards Subject to Section 409A.** The Company intends that Awards granted pursuant to the Plan shall either be exempt from or comply with Section 409A, and the Plan shall be so construed. The provisions of this Section 15 shall apply to any Award or portion thereof that constitutes or provides for payment of Section 409A Deferred Compensation. Such Awards may include, without limitation:

(a) A Nonstatutory Stock Option or SAR that includes any feature for the deferral of compensation other than the deferral of recognition of income until the later of (i) the exercise or disposition of the Award or (ii) the time the stock acquired pursuant to the exercise of the Award first becomes substantially vested.

(b) Any Restricted Stock Unit Award, Performance Award, Cash-Based Award or Other Stock-Based Award that either (i) provides by its terms for settlement of all or any portion of the Award at a time or upon an event that will or may occur later than the end of the Short-Term Deferral Period (as defined below) or (ii) permits the Participant granted the Award to elect one or more dates or events upon which the Award will be settled after the end of the Short-Term Deferral Period.

Subject to the provisions of Section 409A, the term "***Short-Term Deferral Period***" means the 2½ month period ending on the later of (i) the 15th day of the third month following the end of the Participant's taxable year in which the right to payment under the applicable portion of the Award is no longer subject to a substantial risk of forfeiture or (ii) the 15th day of the third month following the end of the Company's taxable year in which the right to payment under the applicable portion of the Award is no longer subject to a substantial risk of forfeiture. For this purpose, the term "substantial risk of forfeiture" shall have the meaning provided by Section 409A.

15.2 **Deferral and/or Distribution Elections.** Except as otherwise permitted or required by Section 409A, the following rules shall apply to any compensation deferral and/or payment elections (each, an "***Election***") that may be permitted or required by the Committee pursuant to an Award providing Section 409A Deferred Compensation:

(a) Elections must be in writing and specify the amount of the payment in settlement of an Award being deferred, as well as the time and form of payment as permitted by this Plan.

(b) Elections shall be made by the end of the Participant's taxable year prior to the year in which services commence for which an Award may be granted to the Participant.

(c) Elections shall continue in effect until a written revocation or change in Election is received by the Company, except that a written revocation or change in Election must be received by the Company prior to the last day for making the Election determined in accordance with paragraph (b) above or as permitted by Section 15.3.

15.3 **Subsequent Elections.** Except as otherwise permitted or required by Section 409A, any Award providing Section 409A Deferred Compensation which permits a subsequent Election to delay the payment or change the form of payment in settlement of such Award shall comply with the following requirements:

(a) No subsequent Election may take effect until at least twelve (12) months after the date on which the subsequent Election is made.

(b) Each subsequent Election related to a payment in settlement of an Award not described in Section 15.4(a)(ii), 15.4(a)(iii) or 15.4(a)(vi) must result in a delay of the payment for a period of not less than five (5) years from the date on which such payment would otherwise have been made.

(c) No subsequent Election related to a payment pursuant to Section 15.4(a)(iv) shall be made less than twelve (12) months before the date on which such payment would otherwise have been made.

(d) Subsequent Elections shall continue in effect until a written revocation or change in the subsequent Election is received by the Company, except that a written revocation or change in a subsequent Election must be received by the Company prior to the last day for making the subsequent Election determined in accordance the preceding paragraphs of this Section 15.3.

15.4 **Payment of Section 409A Deferred Compensation.**

(a) ***Permissible Payments.*** Except as otherwise permitted or required by Section 409A, an Award providing Section 409A Deferred Compensation must provide for payment in settlement of the Award only upon one or more of the following:

(i) The Participant's "separation from service" (as defined by Section 409A);

(ii) The Participant's becoming "disabled" (as defined by Section 409A);

(iii) The Participant's death;

(iv) A time or fixed schedule that is either (i) specified by the Committee upon the grant of an Award and set forth in the Award Agreement evidencing such Award or (ii) specified by the Participant in an Election complying with the requirements of Section 15.2 or 15.3, as applicable;

(v) A change in the ownership or effective control or the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 409A; or

(vi) The occurrence of an "unforeseeable emergency" (as defined by Section 409A).

(b) ***Installment Payments***. It is the intent of this Plan that any right of a Participant to receive installment payments (within the meaning of Section 409A) shall, for all purposes of Section 409A, be treated as a right to a series of separate payments.

(c) ***Required Delay in Payment to Specified Employee Pursuant to Separation from Service.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, except as otherwise permitted by Section 409A, no payment pursuant to Section 15.4(a)(i) in settlement of an Award providing for Section 409A Deferred Compensation may be made to a Participant who is a "specified employee" (as defined by Section 409A) as of the date of the Participant's separation from service before the date (the "***Delayed Payment Date***") that is six (6) months after the date of such Participant's separation from service, or, if earlier, the date of the Participant's death. All such amounts that would, but for this paragraph, become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

(d) ***Payment Upon Disability.*** All distributions of Section 409A Deferred Compensation payable pursuant to Section 15.4(a)(ii) by reason of a Participant becoming disabled shall be paid in a lump sum or in periodic installments as established by the Participant's Election. If the Participant has made no Election with respect to distributions of Section 409A Deferred Compensation upon becoming disabled, all such distributions shall be paid in a lump sum upon the determination that the Participant has become disabled.

(e) ***Payment Upon Death.*** If a Participant dies before complete distribution of amounts payable upon settlement of an Award subject to Section 409A, such undistributed amounts shall be distributed to his or her beneficiary under the distribution method for death established by the Participant's Election upon receipt by the Committee of satisfactory notice and confirmation of the Participant's death. If the Participant has made no Election with respect to distributions of Section 409A Deferred Compensation upon death, all such

distributions shall be paid in a lump sum upon receipt by the Committee of satisfactory notice and confirmation of the Participant's death.

(f) ***Payment Upon Change in Control.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, to the extent that any amount constituting Section 409A Deferred Compensation would become payable under this Plan by reason of a Change in Control, such amount shall become payable only if the event constituting a Change in Control would also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A. Any Award which constitutes Section 409A Deferred Compensation and which would vest and otherwise become payable upon a Change in Control as a result of the failure of the Acquiror to assume, continue or substitute for such Award in accordance with Section 13.1(b) shall vest to the extent provided by such Award but shall be converted automatically at the effective time of such Change in Control into a right to receive, in cash on the date or dates such award would have been settled in accordance with its then existing settlement schedule (or as required by Section 15.4(c)), an amount or amounts equal in the aggregate to the intrinsic value of the Award at the time of the Change in Control.

(g) ***Payment Upon Unforeseeable Emergency.*** The Committee shall have the authority to provide in the Award Agreement evidencing any Award providing for Section 409A Deferred Compensation for payment pursuant to Section 15.4(a)(vi) in settlement of all or a portion of such Award in the event that a Participant establishes, to the satisfaction of the Committee, the occurrence of an unforeseeable emergency. In such event, the amount(s) distributed with respect to such unforeseeable emergency cannot exceed the amounts reasonably necessary to satisfy the emergency need plus amounts necessary to pay taxes reasonably anticipated as a result of such distribution(s), after taking into account the extent to which such emergency need is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Award. All distributions with respect to an unforeseeable emergency shall be made in a lump sum upon the Committee's determination that an unforeseeable emergency has occurred. The Committee's decision with respect to whether an unforeseeable emergency has occurred and the manner in which, if at all, the payment in settlement of an Award shall be altered or modified, shall be final, conclusive, and not subject to approval or appeal.

(h) ***Prohibition of Acceleration of Payments.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, this Plan does not permit the acceleration of the time or schedule of any payment under an Award providing Section 409A Deferred Compensation, except as permitted by Section 409A.

(i) ***No Representation Regarding Section 409A Compliance***. Notwithstanding any other provision of the Plan, the Company makes no representation that Awards shall be exempt from or comply with Section 409A. No Participating Company shall be liable for any tax, penalty or interest imposed on a Participant by Section 409A.

16. **TAX WITHHOLDING.**

16.1 **Tax Withholding in General.** The Company shall have the right to deduct from any and all payments made under the Plan, or to require the Participant, through payroll withholding, cash payment or otherwise, to make adequate provision for, the federal, state, local and foreign taxes (including social insurance), if any, required by law to be withheld by any Participating Company with respect to an Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Stock, to release shares of Stock from an escrow established pursuant to an Award Agreement, or to make any payment in cash under the Plan until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

16.2 **Withholding in or Directed Sale of Shares.** The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable to a Participant upon the exercise or settlement of an Award, or to accept from the Participant the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of any Participating Company. The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates (or the maximum individual statutory withholding rates for the applicable jurisdiction if use of such rates would not result in adverse accounting consequences or cost). The Company may require a Participant to direct a broker, upon the vesting, exercise or settlement of an Award, to sell a portion of the shares subject to the Award determined by the Company in its discretion to be sufficient to cover the tax withholding obligations of any Participating Company and to remit an amount equal to such tax withholding obligations to such Participating Company in cash.

17. **AMENDMENT, SUSPENSION OR TERMINATION OF PLAN.**

The Committee may amend, suspend or terminate the Plan at any time. However, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Sections 4.2, 4.3, 4.4 and 4.5), (b) no change in the class of persons eligible to receive Incentive Stock Options, and (c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule, including the rules of any stock exchange or quotation system upon which the Stock may then be listed or quoted. No amendment, suspension or termination of the Plan shall affect any then outstanding Award unless expressly provided by the Committee. Except as provided by the next sentence, no amendment, suspension or termination of the Plan may have a materially adverse effect on any then outstanding Award without the consent of the Participant. Notwithstanding any other provision of the Plan or any Award Agreement to the contrary, the Committee may, in its sole and absolute discretion and without the consent of any Participant, amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement to any present or future law, regulation or rule applicable to the Plan, including, but not limited to, Section 409A.

18. **MISCELLANEOUS PROVISIONS.**

18.1 **Repurchase Rights.** Shares issued under the Plan may be subject to one or more repurchase options, or other conditions and restrictions as determined by the Committee in its discretion at the time the Award is granted. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

18.2 **Forfeiture Events.**

(a) The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of Service for Cause or any act by a Participant, whether before or after termination of Service, that would constitute Cause for termination of Service, or any accounting restatement due to material noncompliance of the Company with any financial reporting requirements of securities laws as a result of which, and to the extent that, such reduction, cancellation, forfeiture, or recoupment is required by applicable securities laws. In addition, to the extent that claw-back or similar provisions applicable to Awards are required by applicable law, listing standards and/or policies adopted by the Company, Awards granted under the Plan shall be subject to such provisions.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, any Participant who knowingly or through gross negligence engaged in the misconduct, or who knowingly or through gross negligence failed to prevent the misconduct, and any Participant who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, shall reimburse the Company for (i) the amount of any payment in settlement of an Award received by such Participant during the twelve- (12-) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement, and (ii) any profits realized by such Participant from the sale of securities of the Company during such twelve- (12-) month period.

18.3 **Provision of Information.** Each Participant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

18.4 **Rights as Employee, Consultant or Director.** No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee, Consultant or Director or

interfere with or limit in any way any right of a Participating Company to terminate the Participant's Service at any time. To the extent that an Employee of a Participating Company other than the Company receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that the Company is the Employee's employer or that the Employee has an employment relationship with the Company.

18.5 **Rights as a Stockholder.** A Participant shall have no rights as a stockholder with respect to any shares covered by an Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.5 or another provision of the Plan.

18.6 **Delivery of Title to Shares.** Subject to any governing rules or regulations, the Company shall issue or cause to be issued the shares of Stock acquired pursuant to an Award and shall deliver such shares to or for the benefit of the Participant by means of one or more of the following: (a) by delivering to the Participant evidence of book entry shares of Stock credited to the account of the Participant, (b) by depositing such shares of Stock for the benefit of the Participant with any broker with which the Participant has an account relationship, or (c) by delivering such shares of Stock to the Participant in certificate form.

18.7 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the exercise or settlement of any Award.

18.8 **Retirement and Welfare Plans**. Neither Awards made under this Plan nor shares of Stock or cash paid pursuant to such Awards may be included as "compensation" for purposes of computing the benefits payable to any Participant under any Participating Company's retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant's benefit. In addition, unless a written employment agreement or other service agreement specifically references Awards, a general reference to "benefits" or a similar term in such agreement shall not be deemed to refer to Awards granted hereunder.

18.9 **Beneficiary Designation.** Subject to local laws and procedures, each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant's death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant's death, the Company will pay any remaining unpaid benefits to the Participant's legal representative.

18.10 **Severability**. If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be

modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

18.11 **No Constraint on Corporate Action.** Nothing in this Plan shall be construed to: (a) limit, impair, or otherwise affect the Company's or another Participating Company's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or (b) limit the right or power of the Company or another Participating Company to take any action which such entity deems to be necessary or appropriate.

18.12 **Unfunded Obligation.** Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be considered unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974. No Participating Company shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or any Participating Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of any Participating Company. The Participants shall have no claim against any Participating Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan.

18.13 **Choice of Law.** Except to the extent governed by applicable federal law, the validity, interpretation, construction and performance of the Plan and each Award Agreement shall be governed by the laws of the State of Delaware, without regard to its conflict of law rules.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the Palomar Holdings, Inc. 2019 Equity Incentive Plan as duly adopted by the Board on , 2019.

Secretary

Exhibit 10.2

PALOMAR HOLDINGS, INC.

2019 EMPLOYEE STOCK PURCHASE PLAN

TABLE OF CONTENTS

		Page
1.	Establishment, Purpose and Term of Plan	1
1.1	Establishment	1
1.2	Purpose	1
1.3	Term of Plan	1
2.	Definitions and Construction	1
2.1	Definitions	1
2.2	Construction	5
3.	Administration	5
3.1	Administration by the Committee	5
3.2	Authority of Officers	6
3.3	Power to Adopt Sub-Plans or Varying Terms with Respect to Non-U.S. Employees	6
3.4	Power to Establish Separate Offerings with Varying Terms	6
3.5	Policies and Procedures Established by the Company	6
3.6	Indemnification	7
4.	Shares Subject to Plan	7
4.1	Maximum Number of Shares Issuable	7
4.2	Annual Increase in Maximum Number of Shares Issuable	7
4.3	Adjustments for Changes in Capital Structure	7
5.	Eligibility	8
5.1	Employees Eligible to Participate	8
5.2	Exclusion of Certain Stockholders	8
5.3	Determination by Company	8
6.	Offerings	9
7.	Participation in the Plan	9
7.1	Initial Participation	9
7.2	Continued Participation	10
8.	Right to Purchase Shares	10
8.1	Grant of Purchase Right	10
8.2	Calendar Year Purchase Limitation	10

TABLE OF CONTENTS
(continued)

		Page
9.	Purchase Price	11
10.	Accumulation of Purchase Price through Payroll Deduction	11
10.1	Amount of Payroll Deductions	11
10.2	Commencement of Payroll Deductions	11
10.3	Election to Decrease or Stop Payroll Deductions	11
10.4	Administrative Suspension of Payroll Deductions	12
10.5	Participant Accounts	12
10.6	No Interest Paid	12
11.	Purchase of Shares	12
11.1	Exercise of Purchase Right	12
11.2	Pro Rata Allocation of Shares	13
11.3	Delivery of Title to Shares	13
11.4	Return of Plan Account Balance	13
11.5	Tax Withholding	13
11.6	Expiration of Purchase Right	14
11.7	Provision of Reports and Stockholder Information to Participants	14
12.	Withdrawal from Plan	14
12.1	Voluntary Withdrawal from the Plan	14
12.2	Return of Plan Account Balance	14
13.	Termination of Employment or Eligibility	14
14.	Effect of Change in Control on Purchase Rights	15
15.	Nontransferability of Purchase Rights	15
16.	Compliance with Securities Law	15
17.	Rights as a Stockholder and Employee	16
18.	Notification of Disposition of Shares	16
19.	Legends	16
20.	Designation of Beneficiary	17
20.1	Designation Procedure	17
20.2	Absence of Beneficiary Designation	17
21.	Notices	17

TABLE OF CONTENTS
(continued)

		Page
22.	Amendment or Termination of the Plan	17

Palomar Holdings, Inc.
2019 Employee Stock Purchase Plan

1. **ESTABLISHMENT, PURPOSE AND TERM OF PLAN.**

1.1 **Establishment.** The Palomar Holdings, Inc. 2019 Employee Stock Purchase Plan (the "***Plan***") is hereby established effective as of the effective date of the initial registration by the Company of its Stock under Section 12 of the Securities Exchange Act of 1934, as amended (the "***Effective Date***").

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward Eligible Employees of the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan provides such Eligible Employees with an opportunity to acquire a proprietary interest in the Company through the purchase of Stock. The Company intends that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments or replacements of such section), and the Plan shall be so construed.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee.

2. **DEFINITIONS AND CONSTRUCTION.**

2.1 **Definitions.** Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "***Board***" means the Board of Directors of the Company.

(b) "***Change in Control***" means the occurrence of any one or a combination of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total Fair Market Value or total combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that a Change in Control shall not be deemed to have occurred if such degree of beneficial ownership results from any of the following: (A) an acquisition by any person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (B) any acquisition directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition by the Company, (D) any acquisition by a trustee or other fiduciary under an employee benefit plan of a Participating Company or (E) any acquisition by an entity owned

directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) an Ownership Change Event or series of related Ownership Change Events (collectively, a "***Transaction***") in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(p)(iii), the entity to which the assets of the Company were transferred (the "***Transferee***"), as the case may be; or

(iii) a date specified by the Committee following approval by the stockholders of a plan of complete liquidation or dissolution of the Company;

provided, however, that a Change in Control shall be deemed not to include a transaction or series of transactions described in subsections (i) or (ii) of this Section 2.1(b) in which (A) securities of the Company are sold or disposed of by Genstar Capital Partners V AIV, L.P. and its Affiliates, except as otherwise specifically determined by the Board, or (B) a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple events described in subsections (i), (ii) and (iii) of this Section 2.1(b) are related and to be treated in the aggregate as a single Change in Control, and its determination shall be final, binding and conclusive.

(c) "***Code***" means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(d) "***Committee***" means the Compensation Committee and such other committee or subcommittee of the Board, if any, duly appointed to administer the Plan and having such powers in each instance as shall be specified by the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(e) "***Company***" means Palomar Holdings, Inc., a Delaware corporation, or any successor corporation thereto.

(f) "***Compensation***" means, with respect to any Offering Period, regular base wages or salary, overtime payments, shift premiums and payments for paid time off, calculated before deduction of (i) any income or employment tax withholdings or (ii) any amounts deferred pursuant to Section 401(k) or Section 125 of the Code. Compensation shall be limited to such amounts actually payable in cash or deferred during the Offering Period. Compensation shall not include (i) sign-on bonuses, annual or other incentive bonuses, commissions, profit-sharing distributions or other incentive-type payments, (ii) any contributions made by a Participating Company on the Participant's behalf to any employee benefit or welfare

plan now or hereafter established (other than amounts deferred pursuant to Section 401(k) or Section 125 of the Code), (iii) payments in lieu of notice, payments pursuant to a severance agreement, termination pay, moving allowances, relocation payments, or (iv) any amounts directly or indirectly paid pursuant to the Plan or any other stock purchase, stock option or other stock-based compensation plan, or any other compensation not expressly included by this Section.]

(g) "***Eligible Employee***" means an Employee who meets the requirements set forth in Section 5 for eligibility to participate in the Plan.

(h) "***Employee***" means a person treated as an employee of a Participating Company for purposes of Section 423 of the Code. A Participant shall be deemed to have ceased to be an Employee either upon an actual termination of employment or upon the corporation employing the Participant ceasing to be a Participating Company. For purposes of the Plan, an individual shall not be deemed to have ceased to be an Employee while on any military leave, sick leave, or other bona fide leave of absence approved by the Company of ninety (90) days or less. If an individual's leave of absence exceeds ninety (90) days, the individual shall be deemed to have ceased to be an Employee on the ninety-first (91st) day of such leave unless the individual's right to reemployment with the Participating Company Group is guaranteed either by statute or by contract.

(i) "***Fair Market Value***" means, as of any date:

(i) If, on such date, the Stock is listed or quoted on a national or regional securities exchange or quotation system, the closing price of a share of Stock as quoted on the national or regional securities exchange or quotation system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or quotation system, the date on which the Fair Market Value is established shall be the last day on which the Stock was so traded or quoted prior to the relevant date, or such other appropriate day as determined by the Committee, in its discretion.

(ii) If, on the relevant date, the Stock is not then listed on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be as determined in good faith by the Committee.

(j) "***Incumbent Director***" means a director who either (i) is a member of the Board as of the Effective Date or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but excluding a director who was elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company).

(k) "***Non-United States Offering***" means a separate Offering covering Eligible Employees of one or more Participating Companies whose Eligible Employees are

subject to a prohibition under applicable law on payroll deductions, as described in Section 11.1(b).

(l) "***Offering***" means an offering of Stock pursuant to the Plan, as provided in Section 6.

(m) "***Offering Date***" means, for any Offering Period, the first day of such Offering Period.

(n) "***Offering Period***" means a period, established by the Committee in accordance with Section 6, during which an Offering is outstanding.

(o) "***Officer***" means any person designated by the Board as an officer of the Company.

(p) "***Ownership Change Event***" means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of securities of the Company representing more than fifty percent (50%) of the total combined voting power of the Company's then outstanding securities entitled to vote generally in the election of Directors; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(q) "***Parent Corporation***" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(r) "***Participant***" means an Eligible Employee who has become a participant in an Offering Period in accordance with Section 7 and remains a participant in accordance with the Plan.

(s) "***Participating Company***" means the Company and any Parent Corporation or Subsidiary Corporation designated by the Committee as a corporation the Employees of which may, if Eligible Employees, participate in the Plan. The Committee shall have the discretion to determine from time to time which Parent Corporations or Subsidiary Corporations shall be Participating Companies. The Committee shall designate from time to time and set forth in Appendix A to this Plan those Participating Companies whose Eligible Employees may participate in the Plan.

(t) "***Participating Company Group***" means, at any point in time, the Company and all other corporations collectively which are then Participating Companies.

(u) "***Purchase Date***" means, for any Offering Period, the last day of such Offering Period, or, if so determined by the Committee, the last day of each Purchase Period occurring within such Offering Period.

(v) "***Purchase Period***" means a period, established by the Committee in accordance with Section 6, included within an Offering Period and on the final date of which outstanding Purchase Rights are exercised.

(w) "***Purchase Price***" means the price at which a share of Stock may be purchased under the Plan, as determined in accordance with Section 9.

(x) "***Purchase Right***" means an option granted to a Participant pursuant to the Plan to purchase such shares of Stock as provided in Section 8, which the Participant may or may not exercise during the Offering Period in which such option is outstanding. Such option arises from the right of a Participant to withdraw any payroll deductions or other funds accumulated on behalf of the Participant and not previously applied to the purchase of Stock under the Plan, and to terminate participation in the Plan at any time during an Offering Period.

(y) "***Registration Date***" means the effective date of the registration on Form S-8 of shares of Stock issuable pursuant to the Plan.

(z) "***Securities Act***" means the Securities Act of 1933, as amended.

(aa) "***Stock***" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.3.

(bb) "***Subscription Agreement***" means a written or electronic agreement, in such form as is specified by the Company, stating an Employee's election to participate in the Plan and authorizing payroll deductions under the Plan from the Employee's Compensation or other method of payment authorized by the Committee pursuant to Section 11.1(b).

(cc) "***Subscription Date***" means the last business day prior to the Offering Date of an Offering Period or such earlier date as the Company shall establish.

(dd) "***Subsidiary Corporation***" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. ADMINISTRATION.

3.1 **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan, of any form of agreement or other document employed by the Company in the administration of the Plan, or of any Purchase Right shall be determined by the Committee, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or the Purchase Right, unless

fraudulent or made in bad faith. Subject to the provisions of the Plan, the Committee shall determine all of the relevant terms and conditions of Purchase Rights; provided, however, that all Participants granted Purchase Rights pursuant to an Offering shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or any agreement thereunder (other than determining questions of interpretation pursuant to the second sentence of this Section 3.1) shall be final, binding and conclusive upon all persons having an interest therein. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

3.2 **Authority of Officers.** Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the Officer has apparent authority with respect to such matter, right, obligation, determination or election.

3.3 **Power to Adopt Sub-Plans or Varying Terms with Respect to Non-U.S. Employees.** The Committee shall have the power, in its discretion, to adopt one or more sub-plans of the Plan as the Committee deems necessary or desirable to comply with the laws or regulations, tax policy, accounting principles or custom of foreign jurisdictions applicable to employees of a subsidiary business entity of the Company, provided that any such sub-plan shall not be within the scope of an "employee stock purchase plan" within the meaning of Section 423 of the Code. Any of the provisions of any such sub-plan may supersede the provisions of this Plan, other than Section 4. Except as superseded by the provisions of a sub-plan, the provisions of this Plan shall govern such sub-plan. Alternatively and in order to comply with the laws of a foreign jurisdiction, the Committee shall have the power, in its discretion, to grant Purchase Rights in an Offering to citizens or residents of a non-U.S. jurisdiction (without regard to whether they are also citizens of the United States or resident aliens) that provide terms which are less favorable than the terms of Purchase Rights granted under the same Offering to Employees resident in the United States.

3.4 **Power to Establish Separate Offerings with Varying Terms.** The Committee shall have the power, in its discretion, to establish separate, simultaneous or overlapping Offerings having different terms and conditions and to designate the Participating Company or Companies that may participate in a particular Offering, provided that each Offering shall individually comply with the terms of the Plan and the requirements of Section 423(b)(5) of the Code that all Participants granted Purchase Rights pursuant to such Offering shall have the same rights and privileges within the meaning of such section.

3.5 **Policies and Procedures Established by the Company.** Without regard to whether any Participant's Purchase Right may be considered adversely affected, the Company may, from time to time, consistent with the Plan and the requirements of Section 423 of the Code, establish, change or terminate such rules, guidelines, policies, procedures, limitations, or adjustments as deemed advisable by the Company, in its discretion, for the proper administration of the Plan, including, without limitation, (a) a minimum payroll deduction amount required for participation in an Offering, (b) a limitation on the frequency or number of changes permitted in the rate of payroll deduction during an Offering, (c) an exchange ratio applicable to amounts withheld or paid in a currency other than United States dollars, (d) a payroll deduction greater

than or less than the amount designated by a Participant in order to adjust for the Company's delay or mistake in processing a Subscription Agreement or in otherwise effecting a Participant's election under the Plan or as advisable to comply with the requirements of Section 423 of the Code, and (e) determination of the date and manner by which the Fair Market Value of a share of Stock is determined for purposes of administration of the Plan. All such actions by the Company shall be taken consistent with the requirements under Section 423(b)(5) of the Code that all Participants granted Purchase Rights pursuant to an Offering shall have the same rights and privileges within the meaning of such section, except as otherwise permitted by Section 3.3 and the regulations under Section 423 of the Code.

3.6 **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, to the extent permitted by applicable law, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. **SHARES SUBJECT TO PLAN.**

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Sections 4.2 and 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be two-hundred forth thousand (240,000) and shall consist of authorized but unissued or reacquired shares of Stock, or any combination thereof. If an outstanding Purchase Right for any reason expires or is terminated or canceled, the shares of Stock allocable to the unexercised portion of that Purchase Right shall again be available for issuance under the Plan.

4.2 **Annual Increase in Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan as set forth in Section 4.1 shall be cumulatively increased automatically on January 1, 2020, and on each subsequent January 1, through and including January 1, 2029, by a number of shares (the "***Annual Increase***") equal to the smallest of (a) two-hundred forth thousand (240,000) shares, or (b) an amount determined by the Board.

4.3 **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company and the requirements of Section 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of

consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting regular, periodic cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and kind of shares subject to the Plan, the Annual Increase, the limit on the shares which may be purchased by any Participant during an Offering (as described in Sections 8.1 and 8.2) and each Purchase Right, and in the Purchase Price in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Purchase Rights are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the *"**New Shares**"*), the Committee may unilaterally amend the outstanding Purchase Rights to provide that such Purchase Rights are for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the outstanding Purchase Rights shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number, and in no event may the Purchase Price be decreased to an amount less than the par value, if any, of the stock subject to the Purchase Right. The adjustments determined by the Committee pursuant to this Section 4.3 shall be final, binding and conclusive.

5. **ELIGIBILITY.**

5.1 **Employees Eligible to Participate.** Each Employee of a Participating Company is eligible to participate in the Plan and shall be deemed an Eligible Employee, except the following:

(a) Any Employee who is customarily employed by the Participating Company Group for twenty (20) hours or less per week; or

(b) Any Employee who is customarily employed by the Participating Company Group for not more than five (5) months in any calendar year.

5.2 **Exclusion of Certain Stockholders.** Notwithstanding any provision of the Plan to the contrary, no Employee shall be treated as an Eligible Employee and granted a Purchase Right under the Plan if, immediately after such grant, the Employee would own, or hold options to purchase, stock of the Company or of any Parent Corporation or Subsidiary Corporation possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of such corporation, as determined in accordance with Section 423(b)(3) of the Code. For purposes of this Section 5.2, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of such Employee.

5.3 **Determination by Company.** The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an

Employee or an Eligible Employee and the effective date of such individual's attainment or termination of such status, as the case may be. For purposes of an individual's participation in or other rights, if any, under the Plan as of the time of the Company's determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee.

6. OFFERINGS.

The Plan shall be implemented by sequential Offerings of approximately six (6) months' duration or such other duration as the Committee shall determine. Offering Periods shall commence on or about the first trading days of February and August of each year and end on or about the last trading days of the next July and January, respectively, occurring thereafter. Notwithstanding the foregoing, the Committee may establish additional or alternative concurrent, sequential or overlapping Offering Periods, a different duration for one or more Offering Periods or different commencing or ending dates for such Offering Periods; provided, however, that no Offering Period may have a duration exceeding twenty-seven (27) months. If the Committee shall so determine in its discretion, each Offering Period may consist of two (2) or more consecutive Purchase Periods having such duration as the Committee shall specify, and the last day of each such Purchase Period shall be a Purchase Date. If the first or last day of an Offering Period or a Purchase Period is not a day on which the principal stock exchange or quotation system on which the Stock is then listed is open for trading, the Company shall specify the trading day that will be deemed the first or last day, as the case may be, of the Offering Period or Purchase Period.

7. PARTICIPATION IN THE PLAN.

7.1 Initial Participation.

An Eligible Employee may become a Participant in an Offering Period by delivering a properly completed written or electronic Subscription Agreement to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) not later than the close of business on the Subscription Date established by the Company for that Offering Period. An Eligible Employee who does not deliver a properly completed Subscription Agreement in the manner permitted or required on or before the Subscription Date for an Offering Period shall not participate in the Plan for that Offering Period or for any subsequent Offering Period unless the Eligible Employee subsequently delivers a properly completed Subscription Agreement to the appropriate Company office or representative on or before the Subscription Date for such subsequent Offering Period. An Employee who becomes an Eligible Employee after the Offering Date of an Offering Period shall not be eligible to participate in that Offering Period but may participate in any subsequent Offering Period provided the Employee is still an Eligible Employee as of the Offering Date of such subsequent Offering Period.

7.2 **Continued Participation.**

A Participant shall automatically participate in the next Offering Period commencing immediately after the final Purchase Date of each Offering Period in which the Participant participates provided that the Participant remains an Eligible Employee on the Offering Date of the new Offering Period and has not either (a) withdrawn from the Plan pursuant to Section 12.1, or (b) terminated employment or otherwise ceased to be an Eligible Employee as provided in Section 13. A Participant who may automatically participate in a subsequent Offering Period, as provided in this Section, is not required to deliver any additional Subscription Agreement for the subsequent Offering Period in order to continue participation in the Plan. However, a Participant may deliver a new Subscription Agreement for a subsequent Offering Period in accordance with the procedures set forth in Section 0 if the Participant desires to change any of the elections contained in the Participant's then effective Subscription Agreement.

8. **RIGHT TO PURCHASE SHARES.**

8.1 **Grant of Purchase Right.** Except as otherwise provided below, on the Offering Date of each Offering Period, each Participant in such Offering Period shall be granted automatically a Purchase Right consisting of an option to purchase the lesser of (a) that number of whole shares of Stock determined by dividing the Dollar Limit (determined as provided below) by the Fair Market Value of a share of Stock on such Offering Date or (b) the Share Limit (determined as provided below). The Committee may, in its discretion and prior to the Offering Date of any Offering Period, (i) change the method of, or any of the foregoing factors in, determining the number of shares of Stock subject to Purchase Rights to be granted on such Offering Date, or (ii) specify a maximum aggregate number of shares that may be purchased by all Participants in an Offering or on any Purchase Date within an Offering Period. No Purchase Right shall be granted on an Offering Date to any person who is not, on such Offering Date, an Eligible Employee. For the purposes of this Section, the "***Dollar Limit***" shall be determined by multiplying $2,083.33 by the number of months (rounded to the nearest whole month) in the Offering Period and rounding to the nearest whole dollar, and the "***Share Limit***" shall be determined by multiplying three hundred (300) shares by the number of months (rounded to the nearest whole month) in the Offering Period and rounding to the nearest whole share.

8.2 **Calendar Year Purchase Limitation.** Notwithstanding any provision of the Plan to the contrary, no Participant shall be granted a Purchase Right which permits his or her right to purchase shares of Stock under the Plan to accrue at a rate which, when aggregated with such Participant's rights to purchase shares under all other employee stock purchase plans of a Participating Company intended to meet the requirements of Section 423 of the Code, exceeds Twenty-Five Thousand Dollars ($25,000) in Fair Market Value (or such other limit, if any, as may be imposed by the Code) for each calendar year in which such Purchase Right is outstanding at any time. For purposes of the preceding sentence, the Fair Market Value of shares purchased during a given Offering Period shall be determined as of the Offering Date for such Offering Period. The limitation described in this Section shall be applied in conformance with Section 423(b)(8) of the Code and the regulations thereunder.

9. **PURCHASE PRICE.**

The Purchase Price at which each share of Stock may be acquired in an Offering Period upon the exercise of all or any portion of a Purchase Right shall be established by the Committee; provided, however, that the Purchase Price on each Purchase Date shall not be less than eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period or (b) the Fair Market Value of a share of Stock on the Purchase Date. Subject to adjustment as provided by the Plan and unless otherwise provided by the Committee, the Purchase Price for each Offering Period shall be eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period or (b) the Fair Market Value of a share of Stock on the Purchase Date.

10. **ACCUMULATION OF PURCHASE PRICE THROUGH PAYROLL DEDUCTION.**

Except as provided in Section 11.1(b) with respect to a Non-United States Offering, shares of Stock acquired pursuant to the exercise of all or any portion of a Purchase Right may be paid for only by means of payroll deductions from the Participant's Compensation accumulated during the Offering Period for which such Purchase Right was granted, subject to the following:

10.1 **Amount of Payroll Deductions.** Except as otherwise provided herein, the amount to be deducted under the Plan from a Participant's Compensation on each pay day during an Offering Period shall be determined by the Participant's Subscription Agreement. The Subscription Agreement shall set forth the percentage of the Participant's Compensation to be deducted on each pay day during an Offering Period in whole percentages of not less than one percent (1%) (except as a result of an election pursuant to Section 10.3 to stop payroll deductions effective following the first pay day during an Offering) or more than fifteen percent (15%). The Committee may change the foregoing limits on payroll deductions effective as of any Offering Date.

10.2 **Commencement of Payroll Deductions.** Payroll deductions shall commence on the first pay day following the Offering Date and shall continue to the end of the Offering Period unless sooner altered or terminated as provided herein.

10.3 **Election to Decrease or Stop Payroll Deductions.** During an Offering Period, a Participant may elect to decrease the rate of or to stop deductions from his or her Compensation by delivering to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) an amended Subscription Agreement authorizing such change on or before the "Change Notice Date." The *"**Change Notice Date**"* shall be a date prior to the beginning of the first pay period for which such election is to be effective as established by the Company from time to time and announced to the Participants. A Participant who elects, effective following the first pay day of an Offering Period, to decrease the rate of his or her payroll deductions to zero percent (0%) shall nevertheless remain a Participant in such Offering Period unless the Participant withdraws from the Plan as provided in Section 12.1.

10.4 **Administrative Suspension of Payroll Deductions.** The Company may, in its discretion, suspend a Participant's payroll deductions under the Plan as the Company deems advisable to avoid accumulating payroll deductions in excess of the amount that could reasonably be anticipated to purchase the maximum number of shares of Stock permitted (a) under the Participant's Purchase Right, or (b) during a calendar year under the limit set forth in Section 8.2. Unless the Participant has either withdrawn from the Plan as provided in Section 12.1 or has ceased to be an Eligible Employee, suspended payroll deductions shall be resumed at the rate specified in the Participant's then effective Subscription Agreement either (i) at the beginning of the next Offering Period if the reason for suspension was clause (a) in the preceding sentence, or (ii) at the beginning of the next Offering Period having a first Purchase Date that falls within the subsequent calendar year if the reason for suspension was clause (b) in the preceding sentence.

10.5 **Participant Accounts.** Individual bookkeeping accounts shall be maintained for each Participant. All payroll deductions from a Participant's Compensation (and other amounts received from a non-United States Participant pursuant to Section 11.1(b)) shall be credited to such Participant's Plan account and shall be deposited with the general funds of the Company. All such amounts received or held by the Company may be used by the Company for any corporate purpose.

10.6 **No Interest Paid.** Interest shall not be paid on sums deducted from a Participant's Compensation pursuant to the Plan or otherwise credited to the Participant's Plan account.

11. PURCHASE OF SHARES.

11.1 **Exercise of Purchase Right.**

(a) **Generally.** Except as provided in Section 11.1(b) and Section 11.1(b), on each Purchase Date of an Offering Period, each Participant who has not withdrawn from the Plan and whose participation in the Offering has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right the number of whole shares of Stock determined by dividing (a) the total amount of the Participant's payroll deductions accumulated in the Participant's Plan account during the Offering Period and not previously applied toward the purchase of Stock by (b) the Purchase Price. However, in no event shall the number of shares purchased by the Participant during an Offering Period exceed the number of shares subject to the Participant's Purchase Right. No shares of Stock shall be purchased on a Purchase Date on behalf of a Participant whose participation in the Offering or the Plan has terminated before such Purchase Date.

(b) **Purchase by Non-United States Participants for Whom Payroll Deductions Are Prohibited by Applicable Law.** Notwithstanding Section 11.1(a), where payroll deductions on behalf of Participants who are citizens or residents of countries other than the United States (without regard to whether they are also citizens of the United States or resident aliens) are prohibited by applicable law, the Committee may establish a separate Offering (a "***Non-United States Offering***") covering all Eligible Employees of one or more

Participating Companies subject to such prohibition on payroll deductions. The Non-United States Offering shall provide another method for payment of the Purchase Price with such terms and conditions as shall be administratively convenient and comply with applicable law. On each Purchase Date of the Offering Period applicable to a Non-United States Offering, each Participant who has not withdrawn from the Plan and whose participation in such Offering Period has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right a number of whole shares of Stock determined in accordance with Section 11.1(a) to the extent of the total amount of the Participant's Plan account balance accumulated during the Offering Period in accordance with the method established by the Committee and not previously applied toward the purchase of Stock. However, in no event shall the number of shares purchased by a Participant during such Offering Period exceed the number of shares subject to the Participant's Purchase Right. The Company shall refund to a Participant in a Non-United States Offering in accordance with Section 11.4 any excess Purchase Price payment received from such Participant.

11.2 **Pro Rata Allocation of Shares.** If the number of shares of Stock which might be purchased by all Participants on a Purchase Date exceeds the number of shares of Stock remaining available for issuance under the Plan or the maximum aggregate number of shares of Stock that may be purchased on such Purchase Date pursuant to a limit established by the Committee pursuant to Section 8.1, the Company shall make a pro rata allocation of the shares available in as uniform a manner as practicable and as the Company determines to be equitable. Any fractional share resulting from such pro rata allocation to any Participant shall be disregarded.

11.3 **Delivery of Title to Shares.** Subject to any governing rules or regulations, as soon as practicable after each Purchase Date, the Company shall issue or cause to be issued to or for the benefit of each Participant the shares of Stock acquired by the Participant on such Purchase Date by means of one or more of the following: (a) by delivering to the Participant evidence of book entry shares of Stock credited to the account of the Participant, (b) by depositing such shares of Stock for the benefit of the Participant with any broker with which the Participant has an account relationship, or (c) by delivering such shares of Stock to the Participant in certificate form.

11.4 **Return of Plan Account Balance.** Any cash balance remaining in a Participant's Plan account following any Purchase Date shall be refunded to the Participant as soon as practicable after such Purchase Date. However, if the cash balance to be returned to a Participant pursuant to the preceding sentence is less than the amount that would have been necessary to purchase an additional whole share of Stock on such Purchase Date, the Company may retain the cash balance in the Participant's Plan account to be applied toward the purchase of shares of Stock in the subsequent Purchase Period or Offering Period.

11.5 **Tax Withholding.** At the time a Participant's Purchase Right is exercised, in whole or in part, or at the time a Participant disposes of some or all of the shares of Stock he or she acquires under the Plan, the Participant shall make adequate provision for the federal, state, local and foreign taxes (including social insurance), if any, required to be withheld by any Participating Company upon exercise of the Purchase Right or upon such disposition of

shares, respectively. A Participating Company may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary to meet such withholding obligations.

11.6 **Expiration of Purchase Right.** Any portion of a Participant's Purchase Right remaining unexercised after the end of the Offering Period to which the Purchase Right relates shall expire immediately upon the end of the Offering Period.

11.7 **Provision of Reports and Stockholder Information to Participants.** Each Participant who has exercised all or part of his or her Purchase Right shall receive, as soon as practicable after the Purchase Date, a report of such Participant's Plan account setting forth the total amount credited to his or her Plan account prior to such exercise, the number of shares of Stock purchased, the Purchase Price for such shares, the date of purchase and the cash balance, if any, remaining immediately after such purchase that is to be refunded or retained in the Participant's Plan account pursuant to Section 11.4. The report required by this Section may be delivered in such form and by such means, including by electronic transmission, as the Company may determine. In addition, each Participant shall be provided information concerning the Company equivalent to that information provided generally to the Company's common stockholders.

12. **WITHDRAWAL FROM PLAN.**

12.1 **Voluntary Withdrawal from the Plan.** A Participant may withdraw from the Plan by signing and delivering to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) a written or electronic notice of withdrawal on a form provided by the Company for this purpose. Such withdrawal may be elected at any time prior to the end of an Offering Period; provided, however, that if a Participant withdraws from the Plan after a Purchase Date, the withdrawal shall not affect shares of Stock acquired by the Participant on such Purchase Date. A Participant who voluntarily withdraws from the Plan is prohibited from resuming participation in the Plan in the same Offering from which he or she withdrew, but may participate in any subsequent Offering by again satisfying the requirements of Sections 5 and 7.1. The Company may impose, from time to time, a requirement that the notice of withdrawal from the Plan be on file with the Company office or representative designated by the Company for a reasonable period prior to the effectiveness of the Participant's withdrawal.

12.2 **Return of Plan Account Balance.** Upon a Participant's voluntary withdrawal from the Plan pursuant to Section 12.1, the Participant's accumulated Plan account balance which has not been applied toward the purchase of shares of Stock shall be refunded to the Participant as soon as practicable after the withdrawal, without the payment of any interest, and the Participant's interest in the Plan and the Offering shall terminate. Such amounts to be refunded in accordance with this Section may not be applied to any other Offering under the Plan.

13. **TERMINATION OF EMPLOYMENT OR ELIGIBILITY.**

Upon a Participant's ceasing, prior to a Purchase Date, to be an Employee of the Participating Company Group for any reason, including retirement, disability or death, or upon

the failure of a Participant to remain an Eligible Employee, the Participant's participation in the Plan shall terminate immediately. In such event, the Participant's Plan account balance which has not been applied toward the purchase of shares of Stock shall, as soon as practicable, be returned to the Participant or, in the case of the Participant's death, to the Participant's beneficiary designated in accordance with Section 20, if any, or legal representative, and all of the Participant's rights under the Plan shall terminate. Interest shall not be paid on sums returned pursuant to this Section 13. A Participant whose participation has been so terminated may again become eligible to participate in the Plan by satisfying the requirements of Sections 5 and 7.1.

14. **EFFECT OF CHANGE IN CONTROL ON PURCHASE RIGHTS.**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or parent thereof, as the case may be (the "***Acquiring Corporation***"), may, without the consent of any Participant, assume or continue the Company's rights and obligations under outstanding Purchase Rights or substitute substantially equivalent purchase rights for the Acquiring Corporation's stock. If the Acquiring Corporation elects not to assume, continue or substitute for the outstanding Purchase Rights, the Purchase Date of the then current Offering Period shall be accelerated to a date before the date of the Change in Control specified by the Committee, but the number of shares of Stock subject to outstanding Purchase Rights shall not be adjusted. All Purchase Rights which are neither assumed or continued by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control.

15. **NONTRANSFERABILITY OF PURCHASE RIGHTS.**

Neither payroll deductions or other amounts credited to a Participant's Plan account nor a Participant's Purchase Right may be assigned, transferred, pledged or otherwise disposed of in any manner other than as provided by the Plan or by will or the laws of descent and distribution. (A beneficiary designation pursuant to Section 20 shall not be treated as a disposition for this purpose.) Any such attempted assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw from the Plan as provided in Section 12.1. A Purchase Right shall be exercisable during the lifetime of the Participant only by the Participant.

16. **COMPLIANCE WITH SECURITIES LAW.**

The issuance of shares under the Plan shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. A Purchase Right may not be exercised if the issuance of shares upon such exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any securities exchange or market system upon which the Stock may then be listed. In addition, no Purchase Right may be exercised unless (a) a registration statement under the Securities Act shall at the time of exercise of the Purchase Right be in effect with respect to the shares issuable upon exercise of the Purchase Right, or (b) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Purchase Right may be issued in accordance with the terms of an applicable exemption from the registration

requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of a Purchase Right, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

17. **RIGHTS AS A STOCKHOLDER AND EMPLOYEE.**

A Participant shall have no rights as a stockholder by virtue of the Participant's participation in the Plan until the date of the issuance of the shares of Stock purchased pursuant to the exercise of the Participant's Purchase Right (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.3. Nothing herein shall confer upon a Participant any right to continue in the employ of the Participating Company Group or interfere in any way with any right of the Participating Company Group to terminate the Participant's employment at any time.

18. **NOTIFICATION OF DISPOSITION OF SHARES.**

The Company may require the Participant to give the Company prompt notice of any disposition of shares of Stock acquired by exercise of a Purchase Right. The Company may require that until such time as a Participant disposes of shares of Stock acquired upon exercise of a Purchase Right, the Participant shall hold all such shares in the Participant's name until the later of two years after the date of grant of such Purchase Right or one year after the date of exercise of such Purchase Right. The Company may direct that the certificates evidencing shares of Stock acquired by exercise of a Purchase Right refer to such requirement to give prompt notice of disposition.

19. **LEGENDS.**

The Company may at any time place legends or other identifying symbols referencing any applicable federal, state or foreign securities law restrictions or any provision convenient in the administration of the Plan on some or all of the certificates representing shares of Stock issued under the Plan. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to a Purchase Right in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include but shall not be limited to the following:

"THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED BY THE CORPORATION TO THE REGISTERED HOLDER UPON THE PURCHASE OF SHARES UNDER AN EMPLOYEE STOCK PURCHASE PLAN AS DEFINED IN SECTION 423 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE TRANSFER AGENT

FOR THE SHARES EVIDENCED HEREBY SHALL NOTIFY THE CORPORATION IMMEDIATELY OF ANY TRANSFER OF THE SHARES BY THE REGISTERED HOLDER HEREOF. THE REGISTERED HOLDER SHALL HOLD ALL SHARES PURCHASED UNDER THE PLAN IN THE REGISTERED HOLDER'S NAME (AND NOT IN THE NAME OF ANY NOMINEE)."

20. **DESIGNATION OF BENEFICIARY.**

20.1 **Designation Procedure.** Subject to local laws and procedures, a Participant may file a written designation of a beneficiary who is to receive (a) shares and cash, if any, from the Participant's Plan account if the Participant dies subsequent to a Purchase Date but prior to delivery to the Participant of such shares and cash, or (b) cash, if any, from the Participant's Plan account if the Participant dies prior to the exercise of the Participant's Purchase Right. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. A Participant may change his or her beneficiary designation at any time by written notice to the Company.

20.2 **Absence of Beneficiary Designation.** If a Participant dies without an effective designation pursuant to Section 20.1 of a beneficiary who is living at the time of the Participant's death, the Company shall deliver any shares or cash credited to the Participant's Plan account to the Participant's legal representative or as otherwise required by applicable law.

21. **NOTICES.**

All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. **AMENDMENT OR TERMINATION OF THE PLAN.**

The Committee may at any time amend, suspend or terminate the Plan, except that (a) no such amendment, suspension or termination shall affect Purchase Rights previously granted under the Plan unless expressly provided by the Committee, and (b) no such amendment, suspension or termination may adversely affect a Purchase Right previously granted under the Plan without the consent of the Participant, except to the extent permitted by the Plan or as may be necessary to qualify the Plan as an employee stock purchase plan pursuant to Section 423 of the Code or to comply with any applicable law, regulation or rule. In addition, an amendment to the Plan must be approved by the stockholders of the Company within twelve (12) months of the adoption of such amendment if such amendment would authorize the sale of more shares than are then authorized for issuance under the Plan or would change the definition of the corporations that may be designated by the Committee as Participating Companies. Notwithstanding the foregoing, in the event that the Committee determines that continuation of the Plan or an Offering would result in unfavorable financial accounting consequences to the Company, the Committee may, in its discretion and without the consent of any Participant, including with respect to an Offering Period then in progress: (i) terminate the Plan or any

Offering Period, (ii) accelerate the Purchase Date of any Offering Period, (iii) reduce the discount or the method of determining the Purchase Price in any Offering Period (e.g., by determining the Purchase Price solely on the basis of the Fair Market Value on the Purchase Date), (iv) reduce the maximum number of shares of Stock that may be purchased in any Offering Period, or (v) take any combination of the foregoing actions.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the Palomar Holdings, Inc. 2019 Employee Stock Purchase Plan as duly adopted by the Board on , 2019.

Secretary

APPENDIX A

Participating Companies

Palomar Holdings, Inc.
Palomar Insurance Holdings, Inc.
Palomar Specialty Insurance Company
Prospect General Insurance Company

Exhibit 10.3

Palomar Insurance Holdings, Inc.
c/o Genstar Capital
Four Embarcadero Center
Suite 1900
San Francisco, CA 94111-4191

April 10, 2014

David "Mac" McDonald Armstrong
1431 Rodeo Drive
La Jolla CA 92037

Dear Mac:

This letter (the "Agreement") will confirm our offer to you of employment with Palomar Insurance Holdings, Inc. (the "Company"), under the terms and conditions that follow.

1. Position and Duties; Term.

(a) The initial term of this Agreement shall be four (4) years from the date hereof (the "Initial Term"), unless otherwise terminated pursuant to Section 4 hereof. This Agreement shall automatically renew for successive one (1) year terms (each such renewal term, a "Renewal Term") unless otherwise terminated pursuant to Section 4 hereof or either party hereto gives written notice of its or his intent not to renew this Agreement at least sixty (60) days prior to the expiration of the then-current term. The Executive's continued employment during any Renewal Term shall be in accordance with and governed by this Agreement, unless modified by the parties hereto in writing. The Initial Term and the Renewal Term are collectively referred to herein as the "Term."

(b) During the Term, you will be employed by the Company, on a full-time basis, as its Chief Executive Officer. In addition, you may be asked from time to time to serve as a director or officer of one or more of the Company's controlled Affiliates, without further compensation.

(c) During the Term, you agree to perform the duties of your position that may be lawfully and reasonably assigned to you from time to time by the Board of Directors of the Company (the "Board"). You will report to the Board. You also agree that, while employed by the Company, you will devote your full business time and your reasonable best efforts and business judgment exclusively to the advancement of the business interests of the Company and its Affiliates and to the discharge of your duties and responsibilities for them.

(d) Notwithstanding the restrictions set forth in Section 1(b), you shall be entitled to serve on non-for-profit boards and volunteer in various civic and charitable activities, so long as such activities do not interfere with the faithful performance of your

duties and obligations under this Agreement, including, for the avoidance of doubt, the restrictions set forth in Section 3 hereof.

2. Compensation and Benefits. During the Term, as compensation for all services performed by you for the Company and its Affiliates, the Company will provide you the following pay and benefits:

(a) Base Salary. The Company will pay you a base salary ("Base Salary") at the rate of $450,000 per year, payable in accordance with the regular payroll practices of the Company and subject to increase from time to time by the Board in its discretion.

(b) Bonus Compensation. Upon the Company attaining $50,000,000 in gross written premiums and for each fiscal year completed during your employment under this Agreement thereafter, you will be eligible to earn an annual bonus based upon your performance and that of the Company against goals established by the Board after consultation with you (the "Annual Bonus"). The amount of the Annual Bonus that you will be eligible to earn during each fiscal year during the Term and the criteria for the Annual Bonus will be established by the Board (or the Compensation Committee thereof). The bonus plan structure of the Company will offer the potential for an Annual Bonus in excess of the target amount based on the Company's achievement of financial performance above the annual budgeted target. The bonus plan structure of the Company will be established each year by the Board (or the Compensation Committee thereof) in conjunction with the annual budgeting process. You must be employed on December 31" of the fiscal year in which an Annual Bonus is earned in order to be eligible for payment of such Annual Bonus. The Annual Bonus shall be paid by the Company to you between January 1 and December 31 following the conclusion of the fiscal year for which the Annual Bonus is earned, and in no event later than thirty (30) days after the completion and delivery to the Company of the audited financial statements for the fiscal year in which the Annual Bonus was earned.

(c) Participation in Employee Benefit Plans. During the Term, you will be eligible to participate in all employee benefit plans from time to time in effect for employees of the Company generally, except to the extent such plans are duplicative of benefits otherwise provided you under this Agreement *(e.g.,* .a severance pay plan). Your participation 'will be subject to the terms of the applicable plan documents and generally applicable Company policies. You will have no recourse against either the Company or any. Affiliate under this Agreement in the event that the Company should alter, modify, add to or eliminate any employee benefit plans.

(d) Paid Time Off. During the Term, you will be entitled to four (4) weeks of vacation, in addition to holidays observed by the Company. Vacation may be taken at such times and intervals as you shall determine, subject to the business needs of the Company. Unused vacation may be accrued and carried over from one year to the next; provided that no more than ten (10) days may be carried over in any year. Vacation shall otherwise be subject to the policies of the Company, as in effect from time to time.

(e) Business Expenses. During the Term, the Company will pay or reimburse you promptly for all reasonable business expenses incurred or paid by you in the performance of your duties and responsibilities for the Company, including reimbursement of your YPO-annual membership fees up to a maximum of $10,000 annually, subject to any restrictions on such expenses set by the Company and to such reasonable substantiation and documentation as may be specified by the Company from time to time. Your right to reimbursement for business expenses shall be subject to the following additional rules: (i) the amount of expenses eligible for reimbursement during any calendar year shall not affect the expenses eligible for reimbursement in any other taxable year, (ii) reimbursement shall be made promptly, but in no event later than December 31 of the calendar year following the calendar year in which the expense was incurred, and (iii) the right to reimbursement is not subject to liquidation or exchange for any other benefit.

3. Confidential Information and Restricted Activities.

(a) Confidential Information. During the Term, you will learn of Confidential Information, as defined below, and you may develop Confidential Information on behalf of the Company and its Affiliates. You agree that you will not use or disclose to any Person (except as required by applicable law or for the good faith performance of your duties and responsibilities for the Company) any Confidential Information obtained by you incident to your employment with the Company or any of its Affiliates. You agree that this restriction shall continue to apply after your employment terminates, regardless of the reason for such termination.

(b) Protection of Documents. All documents, records and files, in any media of whatever kind and description, relating to the business, present or otherwise, of the Company or any of its Affiliates, and any copies, in whole or in part, thereof (the "Documents"), whether or not prepared by you, shall be the sole and exclusive property of the Company. You agree to use reasonable best efforts safeguard all Documents and to surrender to the Company, at the time your employment terminates or at such earlier time or times as the Board or its designee may specify, all Documents then in your possession or control.

(c) Assignment of Rights to Intellectual Property. You shall promptly and fully disclose all Intellectual Property to the Company. You hereby assign and agree to assign to the Company (or as otherwise directed by the Company) your full right, title and interest in and to all Intellectual Property. You agree to execute any and all applications for domestic and foreign patents, copyrights or other proprietary rights and to do such other acts (including without limitation the execution and delivery of instruments of further assurance or confirmation) requested by the Company to assign the Intellectual Property to the Company and to permit the Company to enforce any patents, copyrights or other proprietary rights to the Intellectual Property. You will not charge the Company for time spent in complying with these obligations. All copyrightable works that you create during the Term shall be considered "work made for hire" and shall, upon creation, be owned exclusively by the Company.

(d) Non-Solicitation. You acknowledge that, during the Term, you will have access to Confidential Information and trade secrets which, if disclosed, would assist in interference with the Company and its Affiliates, and that you will also generate good will for the Company and its Affiliates. Therefore, you agree that the following restrictions on your activities during and after the termination of your employment are necessary to protect the good will, Confidential Information and trade secrets of the Company and its Affiliates.

(i) You agree that during the Restricted Period you will not, directly or through any other Person, hire or solicit for hiring any employee of the Company or any of its Affiliates or seek to persuade any employee of the Company or any of its Affiliates to discontinue his/her employment.

(ii) You agree that, during the Restricted Period, you will not disparage or criticize the Company, its Affiliates, their business, their management or their products or services. Nothing in this paragraph shall preclude you from (a) giving truthful testimony under oath in response to a subpoena or other lawful process or in connection with enforcing any rights or defending any claims hereunder or (b) giving truthful answers in response to an order or directive of a governmental agency or regulatory organization.

(iii) You agree that during the Restricted Period you will not, directly or through any other Person, solicit or encourage any customer or prospective customer of the Company or any of its Affiliates or any independent contractor providing services to the Company or any of its Affiliates to terminate or diminish its relationship with them.

(iv) For purpose of your obligations hereunder after your employment terminates, an employee, independent contractor, customer, and/or prospective customer includes only those who are such on the date your employment terminates or at any time during the preceding six (6) months.

(v) The term "Restricted Period" means the period during which you are employed by the Company and the twenty-four (24) month period immediately following termination of your employment, regardless of the reason therefor.

(e) In signing this Agreement, you give the Company assurance that you have carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed on you under this Section 3. You agree without reservation that these restraints are necessary for the reasonable and proper protection of the Company and its Affiliates, and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. You further agree that, were you to breach any of the covenants contained in this Section 3, the damage to the Company and its Affiliates would be irreparable. You therefore agree that the Company, in addition to any other remedies available to it, shall be entitled to preliminary and permanent injunctive relief against any breach or threatened breach by you of any of those covenants without having to post bond and will additionally be entitled to an award of its attorney's fees. So that the

Company may enjoy the full benefit of the covenants contained in this Section 3, you further agree that the Restricted Period shall be tolled, and shall not run, during the period of any breach by you of any of the covenants contained in this Section 3. You and the Company further agree that, in the event that any provision of this Section 3 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, the court shall be authorized to delete overbroad language from, or otherwise modify the language of, such provision to permit its enforcement to the maximum extent permitted by law. It is also agreed that each of the Company's Affiliates shall have the right to enforce all of your obligations to that Affiliate under this Agreement, including without limitation pursuant to this Section 3. Finally, except as otherwise expressly set forth herein, no claimed breach of this Agreement or other violation of law attributed to the Company or change in the nature or scope of your employment shall operate to excuse you from the performance of your obligations under this Section 3.

4. Termination off Employment. Your employment hereunder shall terminate prior to the expiration of the Term under the following circumstances:

(a) The Company may terminate your employment for cause upon written notice to you setting forth in reasonable detail the nature of the cause. The following, as determined in good faith by the Board, shall constitute cause for termination: (i) your refusal or failure to perform (other than by reason of disability), or your material negligence in the performance of your duties and responsibilities to the Company or any of its Affiliates, or your refusal or failure to follow or carry out any reasonable direction of the Board, which refusal, failure or negligence, if susceptible of cure, remains uncured or continues or recurs ten (10) days after written notice from the Company specifying in reasonable detail the nature of such breach, (ii) your material breach of any policy of the Company or its Affiliates or any provision of any agreement to which you and the Company or any of its Affiliates are party, which breach, if susceptible of cure, remains uncured or continues or recurs ten (10) days after written notice from the Company specifying in reasonable detail the nature of such breach (provided that any material breach of any of the terms of Section 3 of this Agreement shall be deemed not susceptible of cure), (iii) commission by you of fraud, embezzlement or theft; (iv) commission by you of any felony or any other crime involving dishonesty or moral turpitude; and (v) any other conduct that involves a breach of fiduciary obligation or otherwise could reasonably be expected to have a material adverse effect upon the business, interests or reputation of the Company or any of its Affiliates, which breach, if susceptible of cure, remains uncured or continues or recurs ten (10) days after written notice from the Company specifying in reasonable detail the nature of such breach.

(b) The Company may terminate your employment at any time other than for cause upon written notice to you.

(c) You may terminate your employment at any time upon thirty (30) days' written notice to the Company. The Board may elect to waive such notice period or any

portion thereof; but in that event, the Company shall pay you your Base Salary (at the rate then in effect) for that portion of the notice period so waived.

(d) You may terminate your employment with the Company for Good Reason (as defined below) by (i) providing written notice thereof to the Company no later than (30) days following the occurrence of the condition giving rise to Good Reason, which notice shall set forth in reasonable detail the nature of the facts and circumstances which constitute Good Reason, (ii) providing the Company a period of thirty (30) days after receipt of such resignation notice to remedy the condition which constitutes Good Reason and (iii) terminating your employment for Good Reason within thirty (30) days following the expiration of the period to remedy if the Company fails to remedy the condition. For purposes of this Agreement, "Good Reason" shall mean, in each case without your consent, (i) a material diminution in your authority, duties or responsibilities, (iii) a material diminution in your Base Salary or target Annual Bonus opportunity, (iv) a requirement that you relocate your principal place of employment to a location more than twenty-five (25) miles from its location as of the date hereof or (v) a material breach of this Agreement by the Company.

(e) This Agreement shall automatically terminate in the event of your death during the Term. In the event you become disabled during the Term and, as a result, are unable to continue to perform substantially all of your duties and responsibilities under this Agreement, with reasonable accommodation, the Company will continue to pay you your Base Salary (at the rate then in effect) and to provide you benefits in accordance with Section 2(c) above, to the extent permitted by plan terms, for one-hundred and eighty (180) days of disability during any period of three hundred and sixty-five (365) consecutive calendar days. If you are unable to return to work after one-hundred and eighty (180) days of disability (whether consecutive or nonconsecutive), the Company may terminate your employment, upon written notice to you. If any question shall arise as to whether you are disabled to the extent that you are unable to perform substantially all of your duties and responsibilities for the Company and its Affiliates, you shall, at the Company's written request, submit to a medical examination by a physician selected by the Company to whom you or your guardian, if any, has no reasonable objection to determine whether you are so disabled, and such determination shall for purposes' of this Agreement be conclusive of the issue. If such a question arises and you fail to submit to the requested medical examination, the Company's determination of the issue shall be binding on you.

5. Severance Payments and Other Matters Related to Termination.

(a) In the event of termination of your employment with the Company, howsoever occurring, in addition to any amounts previously earned by you under any of the Company's retirement plans or expressly required to be paid by the Company under applicable law, the Company shall pay you (i) your Base Salary (at the rate then in effect) for the final payroll period of your employment, through the date your employment terminates at the time prescribe by applicable law for such payment; and (ii) reimbursement for business expenses incurred by you but not yet paid to you as of the date your employment terminates; provided you submit all expenses and supporting documentation

required within sixty (60) days of the date your employment terminates, and provided further that such expenses are reimburseable under Company policies as then in effect (all of the foregoing, "Final Compensation").

(b) In the event of your Separation from Service in connection with any termination of your employment pursuant to Section 4(b) or Section 4(d) hereof, the Company, in addition to Final Compensation, will pay you a sum (the "Severance Pay") equal to (x) twelve (12) months of your Base Salary (at the rate then in effect prior to taking in to account any reduction that triggers a termination of your employment pursuant to Section 4(d) hereof), payable in accordance, with the Company's prevailing payroll practices for a period of twelve (12) months from the date of termination (the "Severance Period"). Any obligation of the Company to you hereunder, other than for Final Compensation, is conditioned however, on your signing and returning to the Company a timely and effective release of claims in the form provided to you by the Company not later than five (5) business days following the date your employment is terminated (the "Employee Release"). You must sign and return (and not revoke) the Employee Release, if at all, by the deadline specified therein, which deadline shall in no event be later than the sixtieth (60th) calendar day following the date your employment is terminated. The first payment in respect of your Severance Pay will be made on the Company's next regular payroll date following the later of the effective date of the Employee Release or the date it is received by the Company; but that first payment shall be retroactive to the date of termination; provided, that if your Separation from Service occurs in one taxable year and the revocation period expires in the second taxable year, the payments in respect of your Severance Pay shall commence in the second taxable year. Notwithstanding anything to the contrary contained in this Agreement, however, in the event that at the time of your Separation from Service you are a "Specified Employee," any and all amounts payable under this Section 5 in connection with such separation from service that constitute deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), as determined by the Company in its sole discretion, and that would (but for this sentence) be payable within six (6) months following such separation from service, shall instead be paid on the date that follows the date of such separation from service by six (6) months. For purposes of this Section 5(b), "Separation from Service" shall be determined in a manner consistent with subsection (a)(2)(A)(i) of Section 409A, and the term "Specified Employee" shall mean an individual determined by the Company to be a specified employee as defined in subsection (a)(2)(B)(i) of Section 409A.

(c) Except for any right you may have under the federal law known as "COBRA" to continue participation in the Company's group health and dental plans at your cost, your participation in all employee benefits shall terminate in accordance with the terms of the applicable benefit plans based on the date of termination of your employment, without regard to any continuation of base salary or other payment to you following termination.

(d) This Agreement is intended to comply with Section 409A or, if applicable, an exemption thereto, and shall be construed and interpreted in a manner consistent with Section 409A or, if applicable, an exemption thereto; provided, however, that in no event

shall the Company have any liability relating to the failure of any payment or benefit under this Agreement to be exempt from the requirements of Section 409A.

(e) Provisions of this Agreement shall survive any termination of employment if so provided in this Agreement or if necessary or desirable to accomplish the purposes of other surviving provisions, including without limitation your obligations under Section 3 of this Agreement. The obligation of the Company to make payments to you under Section 5(b) are expressly conditioned upon your continued full performance of your obligations under Section 3 hereof. Upon termination of your employment by either you or the Company, all rights, duties and obligations of you and the Company to each other shall cease, except as otherwise expressly provided in this Agreement.

6. Definitions. For purposes of this Agreement, the following definitions apply:

(a) "Affiliates" means all persons and entities directly or indirectly controlling, controlled by or under common control with the Company, where control may be by management authority, equity interest or otherwise. For the avoidance of doubt, "Affiliates" do not include any portfolio company of any investment fund associated with Genstar Capital other than the Company and its direct and indirect parents and subsidiaries.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Confidential Information" means any and all information of the Company and its Affiliates that is not generally available to the public. Confidential Information also includes any information received by the Company or any of its Affiliates from any Person with any understanding, express or implied, that it will not be disclosed. Confidential Information does not include information that enters the public domain, other than through your breach of your obligations under this. Agreement or any other agreement with the Company or any of its Affiliates.

(d) "Person" means an individual, a corporation, a limited liability company, an association, a partnership, an estate, a trust or any other entity or organization, other than the Company or any of its Affiliates.

(e) "Intellectual Property" means inventions, discoveries, developments, methods, processes, compositions, works, concepts and ideas (whether or not patentable or copyrightable or constituting trade secrets) conceived, made, created, developed or reduced to practice by you (whether alone or with others, whether or not during normal business hours or on or off Company premises) during your employment that relate either to the business of the Company or to any prospective activity of the Company or any of its Affiliates or that result from any work performed by you for the Company or any of its Affiliates or that make use of Confidential Information or any of the equipment or facilities of the Company or any of its Affiliates. For the avoidance of doubt, Intellectual Property shall not include any invention that you develop entirely on your own time without using the equipment, supplies, facilities, or trade secrets of the Company or any of its Affiliates, except for those inventions that (a) relate at the time of conception or reduction to practice

to the business of the Company or any of its Affiliates or to actual or demonstrable anticipated research or development of the Company or any of its Affiliates, or (b) result from any work performed by you for the Company or any of its Affiliates.

7. Conflicting Agreements. You hereby represent and warrant that your signing of this Agreement and the performance of your obligations under it will not breach or be in conflict with any other agreement to which you are a party or are bound, and that you are not now subject to any covenants against competition or similar covenants or any court order that could affect the performance of your obligations under this Agreement. You agree that you will not disclose to or use on behalf of the Company any confidential or proprietary information of a third party without that party's consent.

8. Withholding. All payments made by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld by the Company under applicable law.

9. Assignment. Neither you nor the Company may make any assignment of this Agreement or any interest in it, by operation of law or otherwise, without the prior written consent of the other; provided, however, the Company may assign its rights and obligations under this Agreement without your consent to one of its Affiliates. This Agreement shall inure to the benefit of and be binding upon you and the Company, and each of our respective successors, executors, administrators, heirs and permitted assigns.

10. Severability. If any portion or provision of this' Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

11. Miscellaneous. This Agreement sets forth the entire agreement between you and the Company, and replaces all prior and contemporaneous communications, agreements and understandings, written or oral, with respect to the terms and conditions of your employment. This Agreement may not be modified or amended, and no breach shall be deemed to be waived, unless agreed to in writing by you and an expressly authorized representative of the Board. The headings and captions in this Agreement are for convenience only and in no way define or describe the scope or content of any provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument. This is a Washington contract and shall be governed and construed in accordance with the laws of the State of Washington, without regard to the conflict of laws principles thereof. Except as provided in Section 3(e) hereof, in any dispute arising under or in connection with this Agreement, the prevailing party shall be entitled to recovery from the other party its reasonable attorney's fees.

12. Notices. Any notices provided for in this Agreement shall be in writing' and shall be effective when delivered in person or deposited in the United States mail, postage prepaid, and addressed to you at your last known address on the books of the. Company or, in the case of the

Company, to it at its principal place of business, attention, of the Chair of the Board, or to such other address as either party may specify by notice to the other actually received.

If the foregoing is acceptable to you, please sign this letter in the space provided and return it to the Company no later than **April 17, 2014**. The enclosed copy is for your records.

{Remainder of Page Left Intentionally Blank; Signature Page Follows}

Sincerely yours,

PALOMAR INSURANCE HOLDINGS, INC.

By: /s/ James Ryan Clark
Name: James Ryan Clark
Title: Director

Accepted and Agreed:

/s/ David “Mac” McDonald Armstrong
Name: David “Mac” McDonald Armstrong

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to the Employment Agreement (“Amendment”) is by and between Palomar Insurance Holdings, Inc. (“Company”) and David “Mac” McDonald Armstrong, an individual (“Executive”), to be effective as of March 5, 2018 (“Effective Date”) and is intended to amend portions of the Employment Agreement between those parties entered on April 10, 2014, (“Employment Agreement”). Capitalized terms used in this Amendment and not defined have the meanings given them in the Agreement.

WHEREAS, Executive remains employed by Company pursuant to an Employment Agreement;

WHEREAS, Executive and Company desire to amend certain provisions of the Employment Agreement;

NOW THEREFORE, in consideration of the terms and agreements of Company and Executive as set forth in this Amendment, Company and Executive, intending to be legally bound, agree to modify the terms of the Employment Agreement as follows:

A. **Position and Duties; Term**. Paragraph 1(a) of the Employment Agreement is amended and restated to read as follows as of the Effective Date of this Agreement:

> “This Agreement shall automatically renew for successive one (1) year terms (each such renewal term, “Renewal Term”) unless otherwise terminated pursuant to Section 4 hereof or either party hereto gives written notice of its or his intent not to renew this Agreement at least sixty (60) days prior to the expiration of the then-current term. The Executive’s continued employment during any Renewal Term shall be in accordance with and governed by this Agreement, unless modified by the parties hereto in writing. Each successive Renewal Term shall collectively be referred to herein as the ‘Term.’”

B. **Base Salary**. Paragraph 2(a) of the Employment Agreement is amended and restated to read as follows as of the Effective Date of this Amendment:

> “Your annual Base Salary shall be five hundred thousand dollars ($500,000), less all applicable withholdings and deductions and payable in accordance with Company’s standard payroll procedures. The Base Salary shall be effective for each Renewal Term up to December 31, 2021. Thereafter, Base Salary may be revisited with the Board and determined in the Board’s sole and absolute discretion.”

C. **Bonus Compensation.** Paragraph 2(b) of the Employment Agreement is amended and restated to read as follows as of the Effective Date of this Amendment:

> “You will be eligible to earn an annual bonus in a target amount of 2.4% of the Company’s Bonus Pool (as defined below) (the “Annual Bonus”), less applicable withholdings and deductions. The Annual Bonus structure shall be effective for each Renewal Term up to December 31, 2021. Thereafter, the Bonus Pool

---

structure of the Company will be revisited by the Board (or the Compensation Committee thereof). For purposes of this Agreement, Bonus Pool is defined as the Company's Fiscal Year GAAP After-Tax Net Income (without any adjustments and before Bonus Pool expense) that exceeds 8% of Prior Year's Book Value (as those terms are defined and determined by the Board). The actual amount of the Annual Bonus you receive shall be determined by the Board, in its sole and absolute discretion, based upon your performance and that of the Company against goals established by the Board. You must be employed on December 31st of the fiscal year in which an Annual Bonus is earned in order to be eligible for payment of such Annual Bonus. The Annual Bonus shall be paid by the Company to you between January 1 and December 31 following the conclusion of the fiscal year for which the Annual Bonus is earned, and in no event later than thirty (30) days after the completion and delivery to the Company of the audited financial statements for the fiscal year in which the Annual Bonus was earned."

D. **Incentive Payment.** The following Paragraph 5(f) is added to the Employment Agreement as of the Effective Date of this Amendment:

"You will be eligible for an incentive payment of one million dollars ($1,000,000) if you remain employed on the first Determination Date as of which the GC Investor receives Cash Proceeds equal to two and one-half times (2.5x) the Investors' Equity Investment. The capitalized terms used herein shall have the meaning set forth in the GC Palomar Investor LP Amended and Restated 2014 Management Incentive Plan Unit Award Agreement and the Amended and the Amended and Restated Agreement of Exempted Limited Partnership of GC Palomar Investor LP, a Cayman Islands exempted limited partnership (the "Partnership") dated February 12, 2014."

E. **Tax Treatment.** Executive understands and agrees that Company is neither providing tax nor legal advice, nor is Company making representations regarding tax obligations or consequences, if any. Executive further agrees that Executive will assume any such tax obligations or consequences that may arise from this Amendment, and that Executive shall not seek any indemnification from Company in this regard.

F. **Other Provisions Remain In Full Force and Effect.** All other provisions of the Employment Agreement regarding Executive's employment shall remain in effect.

G. **Entire Agreement.** This Amendment, the Employment Agreement (other than the above Paragraphs superseded by this Amendment), the GC Palomar Investor LP Amended and Restated 2014 Management Incentive Plan Unit Award Agreement, and the Amended and the Amended and Restated Agreement of Exempted Limited Partnership of GC Palomar Investor LP dated February 12, 2014, constitute the entire agreement between the parties on the subject of Executive's employment.

H. **Severability.** If any provision of this Amendment, or its application to any person, place, or circumstance, is held by an arbitrator or a court of competent jurisdiction to be invalid,

unenforceable, or void, such provision shall be enforced (by blue-penciling or otherwise) to the greatest extent permitted by law, and the remainder of this Amendment and such provision as applied to other persons, places, and circumstances shall remain in full force and effect.

I. **Approval of Amendment**. By their signatures below, the Company and Employee hereby adopt this Amendment.

J. **Necessary Acts**. Each party to this Amendment hereby agrees to perform any further acts and to execute and deliver any further documents that may be necessary or required to carry out the intent and provisions of this Amendment and the transactions contemplated hereby.

K. **Governing Law**. This Amendment shall be governed in all respects by the internal laws of the State of Washington without reference to the conflict of laws principles thereof.

L. **Continued Validity**. Except as otherwise expressly provided herein, the Employment Agreement shall remain in full force and effect.

M. **Counterparts; Electronic Delivery**. This Amendment may be executed in any number of counterparts by the parties hereto all of which together shall constitute one instrument, and such counterparts may be delivered electronically by the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment effective as of the Effective Date.

EXECUTIVE

/s/ David Mac McDonald Armstrong
David “Mac” McDonald Armstrong

PALOMAR INSURANCE HOLDINGS, INC.

BY: /S/ CHRIS UCHIDA
NAME: CHRIS UCHIDA
TITLE: CFO

Exhibit 10.4

Palomar Insurance Holdings, Inc.
c/o Genstar Capital
Four Embarcadero Center
Suite 1900
San Francisco, CA 94111-4191

April 15, 2014

Heath Fisher
5 Karam Court
Coto de Caza CA 92679

Dear Heath:

This letter (the "Agreement") will confirm our offer to you of employment with Palomar Insurance Holdings, Inc. (the "Company"), under the terms and conditions that follow.

1. Position and Duties; Term.

(a) The initial term of this Agreement shall be four (4) years from the date hereof (the "Initial Term"), unless otherwise terminated pursuant to Section 4 hereof. This Agreement shall automatically renew for successive one (1) year terms (each such renewal term, a "Renewal Term") unless otherwise terminated pursuant to Section 4 hereof or either party hereto gives written notice of its or his intent not to renew this Agreement at least sixty (60) days prior to the expiration of the then-current term. The Executive's continued employment during any Renewal Term shall be in accordance with and governed by this Agreement, unless modified by the parties hereto in writing. The Initial Term and the Renewal Term are collectively referred to herein as the "Term."

(b) During the Term, you will be employed by the Company, on a full-time basis, as its President. In addition, you may be asked from time to time to serve as a director or officer of one or more of the Company's controlled Affiliates, without further compensation.

(c) During the Term, you agree to perform the duties of your position that may be lawfully and reasonably assigned to you from time to time by the Board of Directors of the Company (the "Board"). You will report to the Board. You also agree that, while employed by the Company, you will devote your full business time and your reasonable best efforts and business judgment exclusively to the advancement of the business interests of the Company and its Affiliates and to the discharge of your duties and responsibilities for them.

(d) Notwithstanding the restrictions set forth in Section 1(b), you shall be entitled to serve on non-for-profit boards and volunteer in various civic and charitable activities, so long as such activities do not interfere with the faithful performance of your duties and obligations under this Agreement, including, for the avoidance of doubt, the restrictions set forth in Section 3 hereof.

2. Compensation and Benefits. During the Term, as compensation for all services performed by you for the Company and its Affiliates, the Company will provide you the following pay and benefits:

(a) Base Salary. The Company will pay you a base salary ("Base Salary") at the rate of $350,000 per year, payable in accordance with the regular payroll practices of the Company and subject to increase from time to time by the Board in its discretion.

(b) Bonus Compensation. Upon the Company attaining $50,000,000 in gross written premiums and for each fiscal year completed during your employment under this Agreement thereafter, you will be eligible to earn an annual bonus based upon your performance and that of the Company against goals established by the Board after consultation with you (the "Annual Bonus"). The amount of the Annual Bonus that you will be eligible to earn during each fiscal year during the Term and the criteria for the Annual Bonus will be established by the Board (or the Compensation Committee thereof). The bonus plan structure of the Company will offer the potential for an Annual Bonus in excess of the target amount based on the Company's achievement of financial performance above the annual budgeted target. The bonus plan structure of the Company will be established each year by the Board (or the Compensation Committee thereof) in conjunction with the annual budgeting process. You must be employed on December 31st of the fiscal year in which an Annual Bonus is earned in order to be eligible for payment of such Annual Bonus. The Annual Bonus shall be paid by the Company to you between January 1 and December 31 following the conclusion of the fiscal year for which the Annual Bonus is earned, and in no event later than thirty (30) days after the completion and delivery to the Company of the audited financial statements for the fiscal year in which the Annual Bonus was earned.

(c) Participation in Employee Benefit Plans. During the Term, you will be eligible to participate in all employee benefit plans from time to time in effect for employees of the Company generally, except to the extent such plans are duplicative of benefits otherwise provided you under this Agreement (*e.g.*, a severance pay plan). Your participation will be subject to the terms of the applicable plan documents and generally applicable Company policies. You will have no recourse against either the Company or any Affiliate under this Agreement in the event that the Company should alter, modify, add to or eliminate any employee benefit plans.

(d) Paid Time Off. During the Term, you will be entitled to four (4) weeks of vacation, in addition to holidays observed by the Company. Vacation may be taken at such times and intervals as you shall determine, subject to the business needs of the Company. Unused vacation may be accrued and carried over from one year to the next; provided that no more than ten (10) days may be carried over in any year. Vacation shall otherwise be subject to the policies of the Company, as in effect from time to time.

(e) Business Expenses. During the Term, the Company will pay or reimburse you promptly for all reasonable business expenses incurred or paid by you in the performance of your duties and responsibilities for the Company, including reimbursement of your automobile expenses up to a maximum of $11,400 annually, subject to any restrictions on such expenses set by the Company and to such reasonable substantiation and documentation as may be specified by the Company from time to time. Your right to reimbursement for business expenses shall be subject to the following additional rules: (i) the amount of expenses eligible for reimbursement during any calendar year shall not affect the expenses eligible for reimbursement in any other

taxable year, (ii) reimbursement shall be made promptly, but in no event later than December 31 of the calendar year following the calendar year in which the expense was incurred, and (iii) the right to reimbursement is not subject to liquidation or exchange for any other benefit.

3. Confidential Information and Restricted Activities.

(a) Confidential Information. During the Term, you will learn of Confidential Information, as defined below, and you may develop Confidential Information on behalf of the Company and its Affiliates. You agree that you will not use or disclose to any Person (except as required by applicable law or for the good faith performance of your duties and responsibilities for the Company) any Confidential Information obtained by you incident to your employment with the Company or any of its Affiliates. You agree that this restriction shall continue to apply after your employment terminates, regardless of the reason for such termination.

(b) Protection of Documents. All documents, records and files, in any media of whatever kind and description, relating to the business, present or otherwise, of the Company or any of its Affiliates, and any copies, in whole or in part, thereof (the "Documents"), whether or not prepared by you, shall be the sole and exclusive property of the Company. You agree to use reasonable best efforts safeguard all Documents and to surrender to the Company, at the time your employment terminates or at such earlier time or times as the Board or its designee may specify, all Documents then in your possession or control.

(c) Assignment of Rights to Intellectual Property. You shall promptly and fully disclose all Intellectual Property to the Company. You hereby assign and agree to assign to the Company (or as otherwise directed by the Company) your full right, title and interest in and to all Intellectual Property. You agree to execute any and all applications for domestic and foreign patents, copyrights or other proprietary rights and to do such other acts (including without limitation the execution and delivery of instruments of further assurance or confirmation) requested by the Company to assign the Intellectual Property to the Company and to permit the Company to enforce any patents, copyrights or other proprietary rights to the Intellectual Property. You will not charge the Company for time spent in complying with these obligations. All copyrightable works that you create during the Term shall be considered "work made for hire" and shall, upon creation, be owned exclusively by the Company.

(d) Non-Solicitation. You acknowledge that, during the Term, you will have access to Confidential Information and trade secrets which, if disclosed, would assist in interference with the Company and its Affiliates, and that you will also generate good will for the Company and its Affiliates. Therefore, you agree that the following restrictions on your activities during and after the termination of your employment are necessary to protect the good will, Confidential Information and trade secrets of the Company and its Affiliates.

(i) You agree that during the Restricted Period you will not, directly or through any other Person, hire or solicit for hiring any employee of the Company or any of its Affiliates or seek to persuade any employee of the Company or any of its Affiliates to discontinue his/her employment.

(ii) You agree that, during the Restricted Period, you will not disparage or criticize the Company, its Affiliates, their business, their management or their products or services. Nothing in this paragraph shall preclude you from (a) giving truthful testimony under oath in response to a subpoena or other lawful process or in connection with

enforcing any rights or defending any claims hereunder or (b) giving truthful answers in response to an order or directive of a governmental agency or regulatory organization.

(iii) You agree that during the Restricted Period you will not, directly or through any other Person, solicit or encourage any customer or prospective customer of the Company or any of its Affiliates or any independent contractor providing services to the Company or any of its Affiliates to terminate or diminish its relationship with them.

(iv) For purpose of your obligations hereunder after your employment terminates, an employee, independent contractor, customer, and/or prospective customer includes only those who are such on the date your employment terminates or at any time during the preceding six (6) months.

(v) The term "Restricted Period" means the period during which you are employed by the Company and the twenty-four (24) month period immediately following termination of your employment, regardless of the reason therefor.

(e) In signing this Agreement, you give the Company assurance that you have carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed on you under this Section 3. You agree without reservation that these restraints are necessary for the reasonable and proper protection of the Company and its Affiliates, and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. You further agree that, were you to breach any of the covenants contained in this Section 3, the damage to the Company and its Affiliates would be irreparable. You therefore agree that the Company, in addition to any other remedies available to it, shall be entitled to preliminary and permanent injunctive relief against any breach or threatened breach by you of any of those covenants without having to post bond and will additionally be entitled to an award of its attorney's fees. So that the Company may enjoy the full benefit of the covenants contained in this Section 3, you further agree that the Restricted Period shall be tolled, and shall not run, during the period of any breach by you of any of the covenants contained in this Section 3. You and the Company further agree that, in the event that any provision of this Section 3 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, the court shall be authorized to delete overbroad language from, or otherwise modify the language of, such provision to permit its enforcement to the maximum extent permitted by law. It is also agreed that each of the Company's Affiliates shall have the right to enforce all of your obligations to that Affiliate under this Agreement, including without limitation pursuant to this Section 3. Finally, except as otherwise expressly set forth herein, no claimed breach of this Agreement or other violation of law attributed to the Company or change in the nature or scope of your employment shall operate to excuse you from the performance of your obligations under this Section 3.

4. Termination of Employment. Your employment hereunder shall terminate prior to the expiration of the Term under the following circumstances:

(a) The Company may terminate your employment for cause upon written notice to you setting forth in reasonable detail the nature of the cause. The following, as determined in good faith by the Board, shall constitute cause for termination: (i) your refusal or failure to perform (other than by reason of disability), or your material negligence in the performance of your duties and responsibilities to the Company or any of its Affiliates, or your refusal or failure

to follow or carry out any reasonable direction of the Board, which refusal, failure or negligence, if susceptible of cure, remains uncured or continues or recurs ten (10) days after written notice from the Company specifying in reasonable detail the nature of such breach, (ii) your material breach of any policy of the Company or its Affiliates or any provision of any agreement to which you and the Company or any of its Affiliates are party, which breach, if susceptible of cure, remains uncured or continues or recurs ten (10) days after written notice from the Company specifying in reasonable detail the nature of such breach (provided that any material breach of any of the terms of Section 3 of this Agreement shall be deemed not susceptible of cure), (iii) commission by you of fraud, embezzlement or theft; (iv) commission by you of any felony or any other crime involving dishonesty or moral turpitude; and (v) any other conduct that involves a breach of fiduciary obligation or otherwise could reasonably be expected to have a material adverse effect upon the business, interests or reputation of the Company or any of its Affiliates, which breach, if susceptible of cure, remains uncured or continues or recurs ten (10) days after written notice from the Company specifying in reasonable detail the nature of such breach.

(b) The Company may terminate your employment at any time other than for cause upon written notice to you.

(c) You may terminate your employment at any time upon thirty (30) days' written notice to the Company. The Board may elect to waive such notice period or any portion thereof; but in that event, the Company shall pay you your Base Salary (at the rate then in effect) for that portion of the notice period so waived.

(d) You may terminate your employment with the Company for Good Reason (as defined below) by (i) providing written notice thereof to the Company no later than (30) days following the occurrence of the condition giving rise to Good Reason, which notice shall set forth in reasonable detail the nature of the facts and circumstances which constitute Good Reason, (ii) providing the Company a period of thirty (30) days after receipt of such resignation notice to remedy the condition which constitutes Good Reason and (iii) terminating your employment for Good Reason within thirty (30) days following the expiration of the period to remedy if the Company fails to remedy the condition. For purposes of this Agreement, "Good Reason" shall mean, in each case without your consent, (i) a material diminution in your authority, duties or responsibilities, (iii) a material diminution in your Base Salary or target Annual Bonus opportunity, (iv) a requirement that you relocate your principal place of employment to a location more than twenty-five (25) miles from its location as of the date hereof or (v) a material breach of this Agreement by the Company.

(e) This Agreement shall automatically terminate in the event of your death during the Term. In the event you become disabled during the Term and, as a result, are unable to continue to perform substantially all of your duties and responsibilities under this Agreement, with reasonable accommodation, the Company will continue to pay you your Base Salary (at the rate then in effect) and to provide you benefits in accordance with Section 2(c) above, to the extent permitted by plan terms, for one hundred and eighty (180) days of disability during any period of three hundred and sixty-five (365) consecutive calendar days. If you are unable to return to work after one hundred and eighty (180) days of disability (whether consecutive or nonconsecutive), the Company may terminate your employment, upon written notice to you. If any question shall arise as to whether you are disabled to the extent that you are unable to perform substantially all of your duties and responsibilities for the Company and its Affiliates, you shall, at the Company's written request, submit to a medical examination by a physician selected by the Company to whom you or your guardian, if any, has no reasonable objection to

determine whether you are so disabled, and such determination shall for purposes of this Agreement be conclusive of the issue. If such a question arises and you fail to submit to the requested medical examination, the Company's determination of the issue shall be binding on you.

5. Severance Payments and Other Matters Related to Termination.

(a) In the event of termination of your employment with the Company, howsoever occurring, in addition to any amounts previously earned by you under any of the Company's retirement plans or expressly required to be paid by the Company under applicable law, the Company shall pay you (i) your Base Salary (at the rate then in effect) for the final payroll period of your employment, through the date your employment terminates at the time prescribed by applicable law for such payment; and (ii) reimbursement for business expenses incurred by you but not yet paid to you as of the date your employment terminates; provided you submit all expenses and supporting documentation required within sixty (60) days of the date your employment terminates, and provided further that such expenses are reimburseable under Company policies as then in effect (all of the foregoing, "Final Compensation").

(b) In the event of your Separation from Service in connection with any termination of your employment pursuant to Section 4(b) or Section 4(d) hereof, the Company, in addition to Final Compensation, will pay you a sum (the "Severance Pay") equal to (x) twelve (12) months of your Base Salary (at the rate then in effect prior to taking in to account any reduction that triggers a termination of your employment pursuant to Section 4(d) hereof), payable in accordance with the Company's prevailing payroll practices for a period of twelve (12) months from the date of termination (the "Severance Period"). Any obligation of the Company to you hereunder, other than for Final Compensation, is conditioned, however, on your signing and returning to the Company a timely and effective release of claims in the form provided to you by the Company not later than five (5) business days following the date your employment is terminated (the "Employee Release"). You must sign and return (and not revoke) the Employee Release, if at all, by the deadline specified therein, which deadline shall in no event be later than the sixtieth (60^{th}) calendar day following the date your employment is terminated. The first payment in respect of your Severance Pay will be made on the Company's next regular payroll date following the later of the effective date of the Employee Release or the date it is received by the Company; but that first payment shall be retroactive to the date of termination; provided, that if your Separation from Service occurs in one taxable year and the revocation period expires in the second taxable year, the payments in respect of your Severance Pay shall commence in the second taxable year. Notwithstanding anything to the contrary contained in this Agreement, however, in the event that at the time of your Separation from Service you are a "Specified Employee," any and all amounts payable under this Section 5 in connection with such separation from service that constitute deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), as determined by the Company in its sole discretion, and that would (but for this sentence) be payable within six (6) months following such separation from service, shall instead be paid on the date that follows the date of such separation from service by six (6) months. For purposes of this Section 5(b), "Separation from Service" shall be determined in a manner consistent with subsection (a)(2)(A)(i) of Section 409A, and the term "Specified Employee" shall mean an individual determined by the Company to be a specified employee as defined in subsection (a)(2)(B)(i) of Section 409A.

(c) Except for any right you may have under the federal law known as "COBRA" to continue participation in the Company's group health and dental plans at your cost, your participation in all employee benefits shall terminate in accordance with the terms of the applicable benefit plans based on the date of termination of your employment, without regard to any continuation of base salary or other payment to you following termination.

(d) This Agreement is intended to comply with Section 409A or, if applicable, an exemption thereto, and shall be construed and interpreted in a manner consistent with Section 409A or, if applicable, an exemption thereto; provided, however, that in no event shall the Company have any liability relating to the failure of any payment or benefit under this Agreement to be exempt from the requirements of Section 409A.

(e) Provisions of this Agreement shall survive any termination of employment if so provided in this Agreement or if necessary or desirable to accomplish the purposes of other surviving provisions, including without limitation your obligations under Section 3 of this Agreement. The obligation of the Company to make payments to you under Section 5(b) are expressly conditioned upon your continued full performance of your obligations under Section 3 hereof. Upon termination of your employment by either you or the Company, all rights, duties and obligations of you and the Company to each other shall cease, except as otherwise expressly provided in this Agreement.

6. Definitions. For purposes of this Agreement, the following definitions apply:

(a) "Affiliates" means all persons and entities directly or indirectly controlling, controlled by or under common control with the Company, where control may be by management authority, equity interest or otherwise. For the avoidance of doubt, "Affiliates" do not include any portfolio company of any investment fund associated with Genstar Capital other than the Company and its direct and indirect parents and subsidiaries.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Confidential Information" means any and all information of the Company and its Affiliates that is not generally available to the public. Confidential Information also includes any information received by the Company or any of its Affiliates from any Person with any understanding, express or implied, that it will not be disclosed. Confidential Information does not include information that enters the public domain, other than through your breach of your obligations under this Agreement or any other agreement with the Company or any of its Affiliates.

(d) "Person" means an individual, a corporation, a limited liability company, an association, a partnership, an estate, a trust or any other entity or organization, other than the Company or any of its Affiliates.

(e) "Intellectual Property" means inventions, discoveries, developments, methods, processes, compositions, works, concepts and ideas (whether or not patentable or copyrightable or constituting trade secrets) conceived, made, created, developed or reduced to practice by you (whether alone or with others, whether or not during normal business hours or on or off Company premises) during your employment that relate either to the business of the Company or to any prospective activity of the Company or any of its Affiliates or that result from any work performed by you for the Company or any of its Affiliates or that make use of Confidential

Information or any of the equipment or facilities of the Company or any of its Affiliates. For the avoidance of doubt, Intellectual Property shall not include any invention that you develop entirely on your own time without using the equipment, supplies, facilities, or trade secrets of the Company or any of its Affiliates, except for those inventions that (a) relate at the time of conception or reduction to practice to the business of the Company or any of its Affiliates or to actual or demonstrable anticipated research or development of the Company or any of its Affiliates, or (b) result from any work performed by you for the Company or any of its Affiliates.

7. Conflicting Agreements. You hereby represent and warrant that your signing of this Agreement and the performance of your obligations under it will not breach or be in conflict with any other agreement to which you are a party or are bound, and that you are not now subject to any covenants against competition or similar covenants or any court order that could affect the performance of your obligations under this Agreement. You agree that you will not disclose to or use on behalf of the Company any confidential or proprietary information of a third party without that party's consent.

8. Withholding. All payments made by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld by the Company under applicable law.

9. Assignment. Neither you nor the Company may make any assignment of this Agreement or any interest in it, by operation of law or otherwise, without the prior written consent of the other; provided, however, the Company may assign its rights and obligations under this Agreement without your consent to one of its Affiliates. This Agreement shall inure to the benefit of and be binding upon you and the Company, and each of our respective successors, executors, administrators, heirs and permitted assigns.

10. Severability. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

11. Miscellaneous. This Agreement sets forth the entire agreement between you and the Company, and replaces all prior and contemporaneous communications, agreements and understandings, written or oral, with respect to the terms and conditions of your employment. This Agreement may not be modified or amended, and no breach shall be deemed to be waived, unless agreed to in writing by you and an expressly authorized representative of the Board. The headings and captions in this Agreement are for convenience only and in no way define or describe the scope or content of any provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument. This is a Washington contract and shall be governed and construed in accordance with the laws of the State of Washington, without regard to the conflict of laws principles thereof. Except as provided in Section 3(e) hereof, in any dispute arising under or in connection with this Agreement, the prevailing party shall be entitled to recovery from the other party its reasonable attorney's fees.

12. Notices. Any notices provided for in this Agreement shall be in writing and shall be effective when delivered in person or deposited in the United States mail, postage prepaid, and addressed to you at your last known address on the books of the Company or, in the case of the Company, to it at its principal place of business, attention of the Chair of the Board, or to such other address as either party may specify by notice to the other actually received.

If the foregoing is acceptable to you, please sign this letter in the space provided and return it to the Company no later than **April 17, 2014**. The enclosed copy is for your records.

{Remainder of Page Left Intentionally Blank; Signature Page Follows}

Sincerely yours,

PALOMAR INSURANCE HOLDINGS, INC.

By: /s/ Mac Armstrong
Name: Mac Armstrong
Title: CEO

Accepted and Agreed:

/s/ Heath Fisher
Name: Heath Fisher

{Fisher - Employment Agreement}

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to the Employment Agreement ("Amendment") is by and between Palomar Insurance Holdings, Inc. ("Company") and Heath Fisher, an individual ("Executive"), to be effective as of March 1, 2018 ("Effective Date") and is intended to amend portions of the Employment Agreement between those parties entered on April 15, 2014, ("Employment Agreement"). Capitalized terms used in this Amendment and not defined have the meanings given them in the Agreement.

WHEREAS, Executive remains employed by Company pursuant to an Employment Agreement;

WHEREAS, Executive and Company desire to amend certain provisions of the Employment Agreement;

NOW THEREFORE, in consideration of the terms and agreements of Company and Executive as set forth in this Amendment, Company and Executive, intending to be legally bound, agree to modify the terms of the Employment Agreement as follows:

A. **Position and Duties; Term**. Paragraph 1(a) of the Employment Agreement is amended and restated to read as follows as of the Effective Date of this Agreement:

> "This Agreement shall automatically renew for successive one (1) year terms (each such renewal term, "Renewal Term") unless otherwise terminated pursuant to Section 4 hereof or either party hereto gives written notice of its or his intent not to renew this Agreement at least sixty (60) days prior to the expiration of the then-current term. The Executive's continued employment during any Renewal Term shall be in accordance with and governed by this Agreement, unless modified by the parties hereto in writing. Each successive Renewal Term shall collectively be referred to herein as the 'Term.'"

B. **Base Salary**. Paragraph 2(a) of the Employment Agreement is amended and restated to read as follows as of the Effective Date of this Amendment:

> "Your annual Base Salary shall be four hundred fifteen thousand dollars ($415,000), less all applicable withholdings and deductions and payable in accordance with Company's standard payroll procedures. The Base Salary shall be effective for each Renewal Term up to December 31, 2021. Thereafter, Base Salary may be revisited with the Board and determined in the Board's sole and absolute discretion."

C. **Bonus Compensation.** Paragraph 2(b) of the Employment Agreement is amended and restated to read as follows as of the Effective Date of this Amendment:

> "You will be eligible to earn an annual bonus in a target amount, less applicable withholdings and deductions, determined as a percentage of the Company's Bonus Pool (as defined below) in accordance with the below schedule, or as otherwise modified in writing by Company and you (the "Annual Bonus"):

Fiscal Year	Target Bonus
2018	1.3% of Bonus Pool
2019	1.2% of Bonus Pool
2020	1.1% of Bonus Pool
2021	1.0% of Bonus Pool

The Annual Bonus structure shall be effective for each Renewal Term up to December 31, 2021. Thereafter, the Annual Bonus structure will be revisited by the Board (or the Compensation Committee thereof). For purposes of this Agreement, Bonus Pool is defined as the Company's Fiscal Year GAAP After-Tax Net Income (without any adjustments and before Bonus Pool expense) that exceeds 8% of Prior Year's Book Value (as those terms are defined and determined by Company). The actual amount of the Annual Bonus you receive shall be determined by the Board, in its sole and absolute discretion, based upon your performance and that of the Company against goals established by the Board. The Bonus Pool structure of the Company may be modified by the Board (or the Compensation Committee thereof) in conjunction with the annual budgeting process. You must be employed on December 31st of the fiscal year in which an Annual Bonus is earned in order to be eligible for payment of such Annual Bonus. The Annual Bonus shall be paid by the Company to you between January 1 and December 31 following the conclusion of the fiscal year for which the Annual Bonus is earned, and in no event later than thirty (30) days after the completion and delivery to the Company of the audited financial statements for the fiscal year in which the Annual Bonus was earned."

D. **Incentive Payment.** The following Paragraph 5(f) is added to the Employment Agreement as of the Effective Date of this Amendment:

"You will be eligible for an incentive payment of five hundred thousand dollars ($500,000) if you remain employed on the first Determination Date as of which the GC Investor receives Cash Proceeds equal to two and one-half times (2.5x) the Investors' Equity Investment. The capitalized terms used herein shall have the meaning set forth in the GC Palomar Investor LP Amended and Restated 2014 Management Incentive Plan Unit Award Agreement and the Amended and the Amended and Restated Agreement of Exempted Limited Partnership of GC Palomar Investor LP, a Cayman Islands exempted limited partnership (the "Partnership") dated February 12, 2014."

E. **Tax Treatment.** Executive understands and agrees that Company is neither providing tax nor legal advice, nor is Company making representations regarding tax obligations or consequences, if any. Executive further agrees that Executive will assume any such tax obligations or consequences that may arise from this Amendment, and that Executive shall not seek any indemnification from Company in this regard.

F. **Other Provisions Remain In Full Force and Effect.** All other provisions of the Employment Agreement regarding Executive's employment shall remain in effect.

G. **Entire Agreement.** This Amendment, the Employment Agreement (other than the above Paragraphs superseded by this Amendment), the GC Palomar Investor LP Amended and Restated 2014 Management Incentive Plan Unit Award Agreement, and the Amended and the Amended and Restated Agreement of Exempted Limited Partnership of GC Palomar Investor LP dated February 12, 2014, constitute the entire agreement between the parties on the subject of Executive's employment.

H. **Severability.** If any provision of this Amendment, or its application to any person, place, or circumstance, is held by an arbitrator or a court of competent jurisdiction to be invalid, unenforceable, or void, such provision shall be enforced (by blue-penciling or otherwise) to the greatest extent permitted by law, and the remainder of this Amendment and such provision as applied to other persons, places, and circumstances shall remain in full force and effect.

I. **Approval of Amendment**. By their signatures below, the Company and Employee hereby adopt this Amendment.

J. **Necessary Acts**. Each party to this Amendment hereby agrees to perform any further acts and to execute and deliver any further documents that may be necessary or required to carry out the intent and provisions of this Amendment and the transactions contemplated hereby.

K. **Governing Law**. This Amendment shall be governed in all respects by the internal laws of the State of Washington without reference to the conflict of laws principles thereof.

L. **Continued Validity**. Except as otherwise expressly provided herein, the Employment Agreement shall remain in full force and effect.

M. **Counterparts; Electronic Delivery**. This Amendment may be executed in any number of counterparts by the parties hereto all of which together shall constitute one instrument, and such counterparts may be delivered electronically by the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment effective as of the Effective Date.

EXECUTIVE

/s/ Heath Fisher
Heath Fisher

PALOMAR INSURANCE HOLDINGS, INC.

BY: /S/ MAC ARMSTRONG
NAME: MAC ARMSTRONG
TITLE: CEO

Exhibit 10.5

Palomar Insurance Holdings, Inc.
c/o Genstar Capital
Four Embarcadero Center
Suite 1900
San Francisco, CA 94111-4191

April 15, 2014

Jon M. Christianson
7575 Eads Avenue, Unit 207
La Jolla, CA 92037

Dear Jon:

This letter (the "Agreement") will confirm our offer to you of employment with Palomar Insurance Holdings, Inc. (the "Company"), under the terms and conditions that follow.

1. Position and Duties; Term.

(a) The initial term of this Agreement shall be four (4) years from the date hereof (the "Initial Term"), unless otherwise terminated pursuant to Section 4 hereof. This Agreement shall automatically renew for successive one (1) year terms (each such renewal term, a "Renewal Term") unless otherwise terminated pursuant to Section 4 hereof or either party hereto gives written notice of its or his intent not to renew this Agreement at least sixty (60) days prior to the expiration of the then-current term. The Executive's continued employment during any Renewal Term shall be in accordance with and governed by this Agreement, unless modified by the parties hereto in writing. The Initial Term and the Renewal Term are collectively referred to herein as the "Term."

(b) During the Term, you will be employed by the Company, on a full-time basis, as its Chief Operating Officer. In addition, you may be asked from time to time to serve as a director or officer of one or more of the Company's controlled Affiliates, without further compensation.

(c) During the Term, you agree to perform the duties of your position that may be lawfully and reasonably assigned to you from time to time by the Chief Executive Officer. You will report to the Chief Executive Officer. You also agree that, while employed by the Company, you will devote your full business time and your reasonable best efforts and business judgment exclusively to the advancement of the business interests of the Company and its Affiliates and to the discharge of your duties and responsibilities for them.

(d) Notwithstanding the restrictions set forth in Section 1(b), you shall be entitled to serve on non-for-profit boards and volunteer in various civic and charitable activities, so long as such activities do not interfere with the faithful performance of your duties and obligations under this Agreement, including, for the avoidance of doubt, the restrictions set forth in Section 3 hereof.

2. Compensation and Benefits. During the Term, as compensation for all services performed by you for the Company and its Affiliates, the Company will provide you the following pay and benefits:

(a) Base Salary. The Company will pay you a base salary ("Base Salary") at the rate of $260,000 per year, payable in accordance with the regular payroll practices of the Company and subject to increase from time to time by the Board of Directors of the Company (the "Board") in its discretion.

(b) Bonus Compensation. Upon the Company attaining $50,000,000 in gross written premiums and for each fiscal year completed during your employment under this Agreement thereafter, you will be eligible to earn an annual bonus based upon your performance and that of the Company against goals established by the Board after consultation with you (the "Annual Bonus"). The amount of the Annual Bonus that you will be eligible to earn during each fiscal year during the Term and the criteria for the Annual Bonus will be established by the Board (or the Compensation Committee thereof). The bonus plan structure of the Company will offer the potential for an Annual Bonus in excess of the target amount based on the Company's achievement of financial performance above the annual budgeted target. The bonus plan structure of the Company will be established each year by the Board (or the Compensation Committee thereof) in conjunction with the annual budgeting process. You must be employed on December 31st of the fiscal year in which an Annual Bonus is earned in order to be eligible for payment of such Annual Bonus. The Annual Bonus shall be paid by the Company to you between January 1 and December 31 following the conclusion of the fiscal year for which the Annual Bonus is earned, and in no event later than thirty (30) days after the completion and delivery to the Company of the audited financial statements for the fiscal year in which the Annual Bonus was earned.

(c) Participation in Employee Benefit Plans. During the Term, you will be eligible to participate in all employee benefit plans from time to time in effect for employees of the Company generally, except to the extent such plans are duplicative of benefits otherwise provided you under this Agreement (e.g., a severance pay plan). Your participation will be subject to the terms of the applicable plan documents and generally applicable Company policies. You will have no recourse against either the Company or any Affiliate under this Agreement in the event that the Company should alter, modify, add to or eliminate any employee benefit plans.

(d) Paid Time Off. During the Term, you will be entitled to four (4) weeks of vacation, in addition to holidays observed by the Company. Vacation may be taken at such times and intervals as you shall determine, subject to the business needs of the Company.

Unused vacation may be accrued and carried over from one year to the next; provided that no more than ten (10) days may be carried over in any year. Vacation shall otherwise be subject to the policies of the Company, as in effect from time to time.

(e) Business Expenses. During the Term, the Company will pay or reimburse you promptly for all reasonable business expenses incurred or paid by you in the performance of your duties and responsibilities for the Company subject to any restrictions on such expenses set by the Company and to such reasonable substantiation and documentation as may be specified by the Company from time to time. Your right to reimbursement for business expenses shall be subject to the following additional rules: (i) the amount of expenses eligible for reimbursement during any calendar year shall not affect the expenses eligible for reimbursement in any other taxable year, (ii) reimbursement shall be made promptly, but in no event later than December 31 of the calendar year following the calendar year in which the expense was incurred, and (iii) the right to reimbursement is not subject to liquidation or exchange for any other benefit.

3. Confidential Information and Restricted Activities.

(a) Confidential Information. During the Term, you will learn of Confidential Information, as defined below, and you may develop Confidential Information on behalf of the Company and its Affiliates. You agree that you will not use or disclose to any Person (except as required by applicable law or for the good faith performance of your duties and responsibilities for the Company) any Confidential Information obtained by you incident to your employment with the Company or any of its Affiliates. You agree that this restriction shall continue to apply after your employment terminates, regardless of the reason for such termination.

(b) Protection of Documents. All documents, records and files, in any media of whatever kind and description, relating to the business, present or otherwise, of the Company or any of its Affiliates, and any copies, in whole or in part, thereof (the "Documents"), whether or not prepared by you, shall be the sole and exclusive property of the Company. You agree to use reasonable best efforts safeguard all Documents and to surrender to the Company, at the time your employment terminates or at such earlier time or times as the Board or its designee may specify, all Documents then in your possession or control.

(c) Assignment of Rights to Intellectual Property. You shall promptly and fully disclose all Intellectual Property to the Company. You hereby assign and agree to assign to the Company (or as otherwise directed by the Company) your full right, title and interest in and to all Intellectual Property. You agree to execute any and all applications for domestic and foreign patents, copyrights or other proprietary rights and to do such other acts (including without limitation the execution and delivery of instruments of further assurance or confirmation) requested by the Company to assign the Intellectual Property to the Company and to permit the Company to enforce any patents, copyrights or other proprietary rights to the Intellectual Property. You will not charge the Company for time spent in complying with these obligations. All copyrightable works that you create during

the Term shall be considered "work made for hire" and shall, upon creation, be owned exclusively by the Company.

(d) Non-Solicitation. You acknowledge that, during the Term, you will have access to Confidential Information and trade secrets which, if disclosed, would assist in interference with the Company and its Affiliates, and that you will also generate good will for the Company and its Affiliates. Therefore, you agree that the following restrictions on your activities during and after the termination of your employment are necessary to protect the good will, Confidential Information and trade secrets of the Company and its Affiliates.

(i) You agree that during the Restricted Period you will not, directly or through any other Person, hire or solicit for hiring any employee of the Company or any of its Affiliates or seek to persuade any employee of the Company or any of its Affiliates to discontinue his/her employment.

(ii) You agree that, during the Restricted Period, you will not disparage or criticize the Company, its Affiliates, their business, their management or their products or services. Nothing in this paragraph shall preclude you from (a) giving truthful testimony under oath in response to a subpoena or other lawful process or in connection with enforcing any rights or defending any claims hereunder or (b) giving truthful answers in response to an order or directive of a governmental agency or regulatory organization.

(iii) You agree that during the Restricted Period you will not, directly or through any other Person, solicit or encourage any customer or prospective customer of the Company or any of its Affiliates or any independent contractor providing services to the Company or any of its Affiliates to terminate or diminish its relationship with them.

(iv) For purpose of your obligations hereunder after your employment terminates, an employee, independent contractor, customer, and/or prospective customer includes only those who are such on the date your employment terminates or at any time during the preceding six (6) months.

(v) The term "Restricted Period" means the period during which you are employed by the Company and the twenty-four (24) month period immediately following termination of your employment, regardless of the reason therefor.

(e) In signing this Agreement, you give the Company assurance that you have carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed on you under this Section 3. You agree without reservation that these restraints are necessary for the reasonable and proper protection of the Company and its Affiliates, and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. You further agree that, were you to breach any of the covenants contained in this Section 3, the damage to the Company and its Affiliates would be irreparable. You therefore agree that the Company, in addition to any other

remedies available to it, shall be entitled to preliminary and permanent injunctive relief against any breach or threatened breach by you of any of those covenants without having to post bond and will additionally be entitled to an award of its attorney's fees. So that the Company may enjoy the full benefit of the covenants contained in this Section 3, you further agree that the Restricted Period shall be told, and shall not run, during the period of any breach by you of any of the covenants contained in this Section 3. You and the Company further agree that, in the event that any provision of this Section 3 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, the court shall be authorized to delete overbroad language from, or otherwise modify the language of, such provision to permit its enforcement to the maximum extent permitted by law. It is also agreed that each of the Company's Affiliates shall have the right to enforce all of your obligations to that Affiliate under this Agreement, including without limitation pursuant to this Section 3. Finally, except as otherwise expressly set forth herein, no claimed breach of this Agreement or other violation of law attributed to the Company or change in the nature or scope of your employment shall operate to excuse you from the performance of your obligations under this Section 3.

4. Termination of Employment. Your employment hereunder shall terminate prior to the expiration of the Term under the following circumstances:

(a) The Company may terminate your employment for cause upon written notice to you setting forth in reasonable detail the nature of the cause. The following, as determined in good faith by the Board, shall constitute cause for termination: (i) your refusal or failure to perform (other than by reason of disability), or your material negligence in the performance of your duties and responsibilities to the Company or any of its Affiliates, or your refusal or failure to follow or carry out any reasonable direction of the Board, which refusal, failure or negligence, if susceptible of cure, remains uncured or continues or recurs ten (10) days after written notice from the Company specifying in reasonable detail the nature of such breach, (ii) your material breach of any policy of the Company or its Affiliates or any provision of any agreement to which you and the Company or any of its Affiliates are party, which breach, if susceptible of cure, remains uncured or continues or recurs ten (10) days after written notice from the Company specifying in reasonable detail the nature of such breach (provided that any material breach of any of the terms of Section 3 of this Agreement shall be deemed not susceptible of cure), (iii) commission by you of fraud, embezzlement or theft; (iv) commission by you of any felony or any other crime involving dishonesty or moral turpitude; and (v) any other conduct that involves a breach of fiduciary obligation or otherwise could reasonably be expected to have a material adverse effect upon the business, interests or reputation of the Company or any of its Affiliates, which breach, if susceptible of cure, remains uncured or continues or recurs ten (10) days after written notice from the Company specifying in reasonable detail the nature of such breach.

(b) The Company may terminate your employment at any time other than for cause upon written notice to you.

(c) You may terminate your employment at any time upon thirty (30) days' written notice to the Company. The Board may elect to waive such notice period or any portion thereof; but in that event, the Company shall pay you your Base Salary (at the rate then in effect) for that portion of the notice period so waived.

(d) You may terminate your employment with the Company for Good Reason (as defined below) by (i) providing written notice thereof to the Company no later than (30) days following the occurrence of the condition giving rise to Good Reason, which notice shall set forth in reasonable detail the nature of the facts and circumstances which constitute Good Reason, (ii) providing the Company a period of thirty (30) days after receipt of such resignation notice to remedy the condition which constitutes Good Reason and (iii) terminating your employment for Good Reason within thirty (30) days following the expiration of the period to remedy if the Company fails to remedy the condition. For purposes of this Agreement, "Good Reason" shall mean, in each case without your consent, (i) a material diminution in your authority, duties or responsibilities, (iii) a material diminution in your Base Salary or target Annual Bonus opportunity, (iv) a requirement that you relocate your principal place of employment to a location more than twenty-five (25) miles from its location as of the date hereof or (v) a material breach of this Agreement by the Company.

(e) This Agreement shall automatically terminate in the event of your death during the Term. In the event you become disabled during the Term and, as a result, are unable to continue to perform substantially all of your duties and responsibilities under this Agreement, with reasonable accommodation, the Company will continue to pay you your Base Salary (at the rate then in effect) and to provide you benefits in accordance with Section 2(c) above, to the extent permitted by plan terms, for one-hundred and eighty (180) days of disability during any period of three hundred and sixty-five (365) consecutive calendar days. If you are unable to return to work after one-hundred and eighty (180) days of disability (whether consecutive or nonconsecutive), the Company may terminate your employment, upon written notice to you. If any question shall arise as to whether you are disabled to the extent that you are unable to perform substantially all of your duties and responsibilities for the Company and its Affiliates, you shall, at the Company's written request, submit to a medical examination by a physician selected by the Company to whom you or your guardian, if any, has no reasonable objection to determine whether you are so disabled, and such determination shall for purposes of this Agreement be conclusive of the issue. If such a question arises and you fail to submit to the requested medical examination, the Company's determination of the issue shall be binding on you.

5. Severance Payments and Other Matters Related to Termination.

(a) In the event of termination of your employment with the Company, howsoever occurring, in addition to any amounts previously earned by you under any of the Company's retirement plans or expressly required to be paid by the Company under applicable law, the Company shall pay you (i) your Base Salary (at the rate then in effect) for the final payroll period of your employment, through the date your employment terminates at the time prescribed by applicable law for such payment; and (ii)

reimbursement for business expenses incurred by you but not yet paid to you as of the date your employment terminates; provided you submit all expenses and supporting documentation required within sixty (60) days of the date your employment terminates, and provided further that such expenses are reimbursable under Company policies as then in effect (all of the foregoing, "Final Compensation").

(b) In the event of your Separation from Service in connection with any termination of your employment pursuant to Section 4(b) or Section 4(d) hereof, the Company, in addition to Final Compensation, will pay you a sum (the "Severance Pay") equal to (x) six (6) months of your Base Salary (at the rate then in effect prior to taking in to account any reduction that triggers a termination of your employment pursuant to Section 4(d) hereof), payable in accordance with the Company's prevailing payroll practices for a period of six (6) months from the date of termination (the "Severance Period"). Any obligation of the Company to you hereunder, other than for Final Compensation, is conditioned, however, on your signing and returning to the Company a timely and effective release of claims in the form provided to you by the Company not later than five (5) business days following the date your employment is terminated (the "Employee Release"). You must sign and return (and not revoke) the Employee Release, if at all, by the deadline specified therein, which deadline shall in no event be later than the sixtieth (60th) calendar day following the date your employment is terminated. The first payment in respect of your Severance Pay will be made on the Company's next regular payroll date following the later of the effective date of the Employee Release or the date it is received by the Company; but that first payment shall be retroactive to the date of termination; provided, that if your Separation from Service occurs in one taxable year and the revocation period expires in the second taxable year, the payments in respect of your Severance Pay shall commence in the second taxable year. Notwithstanding anything to the contrary contained in this Agreement, however, in the event that at the time of your Separation from Service you are a "Specified Employee," any and all amounts payable under this Section 5 in connection with such separation from service that constitute deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), as determined by the Company in its sole discretion, and that would (but for this sentence) be payable within six (6) months following such separation from service, shall instead be paid on the date that follows the date of such separation from service by six (6) months. For purposes of this Section 5(b), "Separation from Service" shall be determined in a manner consistent with subsection (a)(2)(A)(i) of Section 409A, and the term "Specified Employee" shall mean an individual determined by the Company to be a specified employee as defined in subsection (a)(2)(B)(i) of Section 409A.

(c) Except for any right you may have under the federal law known as "COBRA" to continue participation in the Company's group health and dental plans at your cost, your participation in all employee benefits shall terminate in accordance with the terms of the applicable benefit plans based on the date of termination of your employment, without regard to any continuation of base salary or other payment to you following termination.

(d) This Agreement is intended to comply with Section 409A or, if applicable, an exemption thereto, and shall be construed and interpreted in a manner consistent with Section 409A or, if applicable, an exemption thereto; provided, however, that in no event shall the Company have any liability relating to the failure of any payment or benefit under this Agreement to be exempt from the requirements of Section 409A.

(e) Provisions of this Agreement shall survive any termination of employment if so provided in this Agreement or if necessary or desirable to accomplish the purposes of other surviving provisions, including without limitation your obligations under Section 3 of this Agreement. The obligation of the Company to make payments to you under Section 5(b) are expressly conditioned upon your continued full performance of your obligations under Section 3 hereof. Upon termination of your employment by either you or the Company, all rights, duties and obligations of you and the Company to each other shall cease, except as otherwise expressly provided in this Agreement.

6. Definitions. For purposes of this Agreement, the following definitions apply:

(a) "Affiliates" means all persons and entities directly or indirectly controlling, controlled by or under common control with the Company, where control may be by management authority, equity interest or otherwise. For the avoidance of doubt, "Affiliates" do not include any portfolio company of any investment fund associated with Genstar Capital other than the Company and its direct and indirect parents and subsidiaries.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Confidential Information" means any and all information of the Company and its Affiliates that is not generally available to the public. Confidential Information also includes any information received by the Company or any of its Affiliates from any Person with any understanding, express or implied, that it will not be disclosed. Confidential Information does not include information that enters the public domain, other than through your breach of your obligations under this Agreement or any other agreement with the Company or any of its Affiliates.

(d) "Person" means an individual, a corporation, a limited liability company, an association, a partnership, an estate, a trust or any other entity or organization, other than the Company or any of its Affiliates.

(e) "Intellectual Property" means inventions, discoveries, developments, methods, processes, compositions, works, concepts and ideas (whether or not patentable or copyrightable or constituting trade secrets) conceived, made, created, developed or reduced to practice by you (whether alone or with others, whether or not during normal business hours or on or off Company premises) during your employment that relate either to the business of the Company or to any prospective activity of the Company or any of its Affiliates or that result from any work performed by you for the Company or any of its Affiliates or that make use of Confidential Information or any of the equipment or facilities of the Company or any of its Affiliates. For the avoidance of doubt, Intellectual Property

shall not include any invention that you develop entirely on your own time without using the equipment, supplies, facilities, or trade secrets of the Company or any of its Affiliates, except for those inventions that (a) relate at the time of conception or reduction to practice to the business of the Company or any of its Affiliates or to actual or demonstrable anticipated research or development of the Company or any of its Affiliates, or (b) result from any work performed by you for the Company or any of its Affiliates.

7. Conflicting Agreements. You hereby represent and warrant that your signing of this Agreement and the performance of your obligations under it will not breach or be in conflict with any other agreement to which you are a party or are bound, and that you are not now subject to any covenants against competition or similar covenants or any court order that could affect the performance of your obligations under this Agreement. You agree that you will not disclose to or use on behalf of the Company any confidential or proprietary information of a third party without that party's consent.

8. Withholding. All payments made by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld by the Company under applicable law.

9. Assignment. Neither you nor the Company may make any assignment of this Agreement or any interest in it, by operation of law or otherwise, without the prior written consent of the other; provided, however, the Company may assign its rights and obligations under this Agreement without your consent to one of its Affiliates. This Agreement shall inure to the benefit of and be binding upon you and the Company, and each of our respective successors, executors, administrators, heirs and permitted assigns.

10. Severability. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

11. Miscellaneous. This Agreement sets forth the entire agreement between you and the Company, and replaces all prior and contemporaneous communications, agreements and understandings, written or oral, with respect to the terms and conditions of your employment. This Agreement may not be modified or amended, and no breach shall be deemed to be waived, unless agreed to in writing by you and an expressly authorized representative of the Board. The headings and captions in this Agreement are for convenience only and in no way define or describe the scope or content of any provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument. This is a Washington contract and shall be governed and construed in accordance with the laws of the State of Washington, without regard to the conflict of laws principles thereof. Except as provided in Section 3(e) hereof, in any dispute arising under or in connection with this Agreement, the prevailing party shall be entitled to recovery from the other party its reasonable attorney's fees.

12. **Notices**. Any notices provided for in this Agreement shall be in writing and shall be effective when delivered in person or deposited in the United States mail, postage prepaid, and addressed to you at your last known address on the books of the Company or, in the case of the Company, to it at its principal place of business, attention of the Chair of the Board, or to such other address as either party may specify by notice to the other actually received.

If the foregoing is acceptable to you, please sign this letter in the space provided and return it to the Company no later than **April 17, 2014**. The enclosed copy is for your records.

{Remainder of Page Left Intentionally Blank; Signature Page Follows}

Sincerely yours,

PALOMAR INSURANCE HOLDINGS, INC.

By: /s/ Mac Armstrong
Name: Mac Armstrong
Title: CEO

Accepted and Agreed:

/s/ Jon M. Christianson
Name: Jon M. Christianson

{Christianson - Employment Agreement}

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to the Employment Agreement ("Amendment") is by and between Palomar Insurance Holdings, Inc. ("Company") and Jon M. Christianson, an individual ("Executive"), to be effective as of March 1, 2018 ("Effective Date") and is intended to amend portions of the Employment Agreement between those parties entered on or around April 15, 2014, ("Employment Agreement"). Capitalized terms used in this Amendment and not defined have the meanings given them in the Agreement.

WHEREAS, Executive remains employed by Company pursuant to the Employment Agreement;

WHEREAS, Executive and Company desire to amend certain provisions of the Employment Agreement;

NOW THEREFORE, in consideration of the terms and agreements of Company and Executive as set forth in this Amendment, Company and Executive, intending to be legally bound, agree to modify the terms of the Employment Agreement as follows:

A. **Position and Duties; Term**. Paragraph 1(a) of the Employment Agreement is amended and restated to read as follows as of the Effective Date of this Agreement:

> "This Agreement shall automatically renew for successive one (1) year terms (each such renewal term, "Renewal Term") unless otherwise terminated pursuant to Section 4 hereof or either party hereto gives written notice of its or his intent not to renew this Agreement at least sixty (60) days prior to the expiration of the then-current term. The Executive's continued employment during any Renewal Term shall be in accordance with and governed by this Agreement, unless modified by the parties hereto in writing. Each successive Renewal Term shall collectively be referred to herein as the 'Term.'"

B. **Base Salary**. Paragraph 2(a) of the Employment Agreement is amended and restated to read as follows as of the Effective Date of this Amendment:

> "Your annual Base Salary shall be three hundred and fifty five thousand dollars ($355,000), less all applicable withholdings and deductions and payable in accordance with Company's standard payroll procedures. The Base Salary shall be effective for each Renewal Term up to December 31, 2021. Thereafter, Base Salary may be revisited with the Board and determined in the Board's sole and absolute discretion."

C. **Bonus Compensation.** Paragraph 2(b) of the Employment Agreement is amended and restated to read as follows effective as of the Effective Date of this Amendment:

> "You will be eligible to earn an annual incentive bonus (the "Annual Bonus") in a target amount (the "Target Bonus") up to forty percent (40%) of your then-current Base Salary, less applicable withholdings and deductions. The Annual Bonus structure shall be effective for each Renewal Term up to December 31, 2021.

Thereafter, the Annual Bonus structure will be revisited by the Board (or the Compensation Committee thereof). The actual amount of the Annual Bonus you receive shall be determined by the Board, in its sole and absolute discretion, based upon your performance and that of the Company against goals established by the Board. The amount of the Annual Bonus that you will be eligible to earn during each fiscal year during the Term and the criteria for the Annual Bonus will be established by the Board (or the Compensation Committee thereof). You must be employed on December 31st of the fiscal year in which an Annual Bonus is earned in order to be eligible for payment of such Annual Bonus. The Annual Bonus shall be paid by the Company to you between January 1 and December 31 following the conclusion of the fiscal year for which the Annual Bonus is earned, and in no event later than thirty (30) days after the completion and delivery to the Company of the audited financial statements for the fiscal year in which the Annual Bonus was earned."

D. **Tax Treatment.** Executive understands and agrees that Company is neither providing tax nor legal advice, nor is Company making representations regarding tax obligations or consequences, if any. Executive further agrees that Executive will assume any such tax obligations or consequences that may arise from this Amendment, and that Executive shall not seek any indemnification from Company in this regard.

E. **Other Provisions Remain In Full Force and Effect.** All other provisions of the Employment Agreement regarding Executive's employment shall remain in effect.

F. **Entire Agreement.** This Amendment and the Employment Agreement (other than the above Paragraphs superseded by this Amendment) constitute the entire agreement between the parties on the subject of Executive's employment.

G. **Severability.** If any provision of this Amendment, or its application to any person, place, or circumstance, is held by an arbitrator or a court of competent jurisdiction to be invalid, unenforceable, or void, such provision shall be enforced (by blue-penciling or otherwise) to the greatest extent permitted by law, and the remainder of this Amendment and such provision as applied to other persons, places, and circumstances shall remain in full force and effect.

H. **Approval of Amendment**. By their signatures below, the Company and Employee hereby adopt this Amendment.

I. **Necessary Acts**. Each party to this Amendment hereby agrees to perform any further acts and to execute and deliver any further documents that may be necessary or required to carry out the intent and provisions of this Amendment and the transactions contemplated hereby.

J. **Governing Law**. This Amendment shall be governed in all respects by the internal laws of the State of Washington without reference to the conflict of laws principles thereof.

K. **Continued Validity**. Except as otherwise expressly provided herein, the Employment

Agreement shall remain in full force and effect.

L. **Counterparts; Electronic Delivery**. This Amendment may be executed in any number of counterparts by the parties hereto all of which together shall constitute one instrument, and such counterparts may be delivered electronically by the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment effective as of the Effective Date.

EXECUTIVE

/s/ Jon Christianson
Jon Christianson

PALOMAR INSURANCE HOLDINGS, INC.

BY: /S/ MAC ARMSTRONG
NAME: MAC ARMSTRONG
TITLE: CEO

Exhibit 10.6

INDEMNIFICATION AGREEMENT

This Indemnification Agreement, dated , is made between Palomar Holdings, Inc., a Delaware corporation (the "Company"), and (the "Indemnitee").

RECITALS

A. The Company desires to attract and retain the services of talented and experienced individuals, such as Indemnitee, to serve as directors and officers of the Company and its subsidiaries and wishes to indemnify its directors and officers to the maximum extent permitted by law;

B. The Company and Indemnitee recognize that corporate litigation in general has subjected directors and officers to expensive litigation risks;

C. Section 145 of the General Corporation Law of Delaware, under which the Company is organized ("Section 145"), empowers the Company to indemnify its directors and officers by agreement and to indemnify persons who serve, at the request of the Company, as the directors and officers of other corporations or enterprises, and expressly provides that the indemnification provided by Section 145 is not exclusive;

D. Section 145(g) allows for the purchase of management liability ("D&O") insurance by the Company, which in theory can cover asserted liabilities without regard to whether they are indemnifiable by the Company or not;

E. Individuals considering service or presently serving expect to be extended market terms of indemnification commensurate with their position, and that entities such as Company will endeavor to maintain appropriate D&O insurance; and

F. In order to induce Indemnitee to serve or continue to serve as a director or officer of the Company and/or one or more subsidiaries of the Company, or otherwise serve the Company in an indemnifiable capacity as set forth below, the Company and Indemnitee enter into this Agreement.

AGREEMENT

NOW, THEREFORE, Indemnitee and the Company hereby agree as follows:

1. Definitions. As used in this Agreement:

(a) "Agent" means any person who is or was a director, officer, employee or other agent of the Company or a subsidiary of the Company; or is or was serving at the request of, for the convenience of, or to represent the interests of the Company or a subsidiary of the Company as a director, officer, employee or agent of another foreign or domestic corporation, limited liability company, employee benefit plan, nonprofit entity, partnership, joint venture, trust or other enterprise; or was a director, officer, employee or agent of a foreign or domestic

corporation which was a predecessor corporation of the Company or a subsidiary of the Company, or was a director, officer, employee or agent of another enterprise at the request of, for the convenience of, or to represent the interests of such predecessor corporation.

(b) "Board" means the Board of Directors of the Company.

(c) A "Change in Control" shall be deemed to have occurred if (i) any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing a majority of the total voting power represented by the Company's then outstanding voting securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board, together with any new directors whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination was previously so approved, cease for any reason to constitute a majority of the Board, (iii) the stockholders of the Company approve a merger or consolidation or a sale of all or substantially all of the Company's assets with or to another entity, other than a merger, consolidation or asset sale that would result in the holders of the Company's outstanding voting securities immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least a majority of the total voting power represented by the voting securities of the Company or such surviving or successor entity outstanding immediately thereafter, or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company.

(d) "Expenses" shall include all out-of-pocket costs of any type or nature whatsoever (including, without limitation, all attorneys' fees and related disbursements), actually and reasonably incurred by Indemnitee in connection with either the investigation, defense, or appeal of a Proceeding, or establishing or enforcing a right to indemnification under this Agreement, or Section 145 or otherwise; provided, however, that "Expenses" shall not include any judgments, fines, ERISA excise taxes or penalties, or amounts paid in settlement of a Proceeding.

(e) "Independent Counsel" means a law firm, or a partner (or, if applicable, member) of such a law firm, that is experienced in relevant matters of corporation law and neither currently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party or (ii) any other party to or witness in the proceeding giving rise to a claim for indemnification hereunder. But "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. Where required by this Agreement, Independent Counsel shall be retained at the Company's sole expense.

(f) "Proceeding" means any threatened, pending, or completed action, claim, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing, or any other proceeding whether formal or informal, civil, criminal, administrative, or investigative, including any such investigation or proceeding instituted by or on behalf of the Company or its Board of Directors, in which Indemnitee is or reasonably may be involved as a party or target, that is associated with Indemnitee's being an Agent of the Company.

(g) "Subsidiary" means any corporation of which more than 50% of the outstanding voting securities is owned directly or indirectly by the Company, by the Company and/or one or more other subsidiaries.

2. Agreement to Serve. Indemnitee agrees to serve and/or continue to serve as an Agent of the Company, at its will (or under separate agreement, if such agreement exists), in the capacity Indemnitee currently serves as an Agent of the Company, so long as Indemnitee is duly appointed or elected and qualified in accordance with the applicable provisions of the Bylaws of the Company or any subsidiary of the Company or until such time as Indemnitee tenders his or her resignation in writing; provided, however, that nothing contained in this Agreement is intended to create any right to continued employment or other service by Indemnitee.

3. Liability Insurance.

(a) Maintenance of D&O Insurance. The Company hereby covenants and agrees that, so long as Indemnitee shall continue to serve as an Agent of the Company and thereafter so long as Indemnitee shall be subject to any possible Proceeding by reason of the fact that Indemnitee was an Agent of the Company, the Company, subject to Section 3(c), shall promptly obtain and maintain in full force and effect directors' and officers' liability insurance ("D&O Insurance") in reasonable amounts from established and reputable insurers of a minimum A.M. Best rating of A- VII, and as more fully described below. In the event of a Change in Control, the Company shall, as set forth in Section (c) below, either: i) maintain such D&O Insurance for six years; or ii) purchase a six year tail for such D&O Insurance.

(b) Rights and Benefits. In all policies of D&O Insurance, Indemnitee shall qualify as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's Agents of the same standing as Indemnitee.

(c) Limitation on Required Maintenance of D&O Insurance. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain D&O Insurance at all, or of any type, terms, or amount, if the Company determines in good faith and after using commercially reasonable efforts that: such insurance is not reasonably available; the premium costs for such insurance are disproportionate to the amount of coverage provided; the coverage provided by such insurance is limited so as to provide an insufficient or unreasonable benefit; Indemnitee is covered by similar insurance maintained by a subsidiary of the Company; or the Company is to be acquired and a tail policy of reasonable terms and duration can be purchased for pre-closing acts or omissions by Indemnitee.

4. Mandatory Indemnification. Subject to the terms of this Agreement:

(a) Third Party Actions. If Indemnitee is a person who was or is a party or is threatened to be made a party to any Proceeding (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was an Agent of the Company, or by reason of anything done or not done by Indemnitee in any such capacity, the Company shall indemnify Indemnitee against all Expenses and liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of such Proceeding, provided Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or Proceeding, had no reasonable cause to believe his or her conduct was unlawful.

(b) Derivative Actions. If Indemnitee is a person who was or is a party or is threatened to be made a party to any Proceeding by or in the right of the Company by reason of the fact that Indemnitee is or was an Agent of the Company, or by reason of anything done or not done by Indemnitee in any such capacity, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of such Proceeding, provided Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; except that no indemnification under this Section 4(b) shall be made in respect to any claim, issue or matter as to which Indemnitee shall have been finally adjudged to be liable to the Company by a court of competent jurisdiction unless and only to the extent that the Delaware Court of Chancery or the court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such amounts which the Delaware Court of Chancery or such other court shall deem proper.

(c) Actions where Indemnitee is Deceased. If Indemnitee is a person who was or is a party or is threatened to be made a party to any Proceeding by reason of the fact that Indemnitee is or was an Agent of the Company, or by reason of anything done or not done by Indemnitee in any such capacity, and if, prior to, during the pendency of or after completion of such Proceeding Indemnitee is deceased, the Company shall indemnify Indemnitee's heirs, executors and administrators against all Expenses and liabilities of any type whatsoever to the extent Indemnitee would have been entitled to indemnification pursuant to this Agreement were Indemnitee still alive.

(d) Certain Terminations. The termination of any Proceeding or of any claim, issue, or matter therein by judgment, order, settlement, or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action or Proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

(e) Limitations. Notwithstanding the foregoing provisions of Sections 4(a), 4(b), 4(c) and 4(d) hereof, but subject to the exception set forth in Section 13 which shall control, the Company shall not be obligated to indemnify the Indemnitee for Expenses or liabilities of any type whatsoever for which payment (and the Company's indemnification obligations under this Agreement shall be reduced by such payment) is actually made to or on behalf of Indemnitee, by the Company or otherwise, under a corporate insurance policy, or under a valid and enforceable indemnity clause, right, by-law, or agreement; and, in the event the Company has previously made a payment to Indemnitee for an Expense or liability of any type whatsoever for which payment is actually made to or on behalf of the Indemnitee from any such source, Indemnitee shall return to the Company the amounts subsequently received by the Indemnitee that source.

(f) Witness. In the event that Indemnitee is not a party or threatened to be made a party to a Proceeding, but is subpoenaed (or given a written request to be interviewed by or provide documents or information to a government authority) in such a Proceeding by reason of the fact that the Indemnitee is or was an Agent of the Company, or by reason of anything witnessed or allegedly witnessed by the Indemnitee in that capacity, the Company shall indemnify the Indemnitee against all actually and reasonably incurred out of pocket costs (including without limitation legal fees) incurred by the Indemnitee in responding to such subpoena or written request for an interview. As a condition to this right, Indemnitee must provide notice of such subpoena or request to the Company within 14 days, otherwise the Company's obligation to pay such costs shall only attach for costs incurred from the date of notice.

5. Indemnification for Expenses in a Proceeding in Which Indemnitee is Wholly or Partly Successful.

(a) Successful Defense. Notwithstanding any other provisions of this Agreement, to the extent Indemnitee has been successful, on the merits or otherwise, in defense of any Proceeding (including, without limitation, an action by or in the right of the Company) in which Indemnitee was a party by reason of the fact that Indemnitee is or was an Agent of the Company at any time, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by or on behalf of Indemnitee in connection with the investigation, defense or appeal of such Proceeding.

(b) Partially Successful Defense. Notwithstanding any other provisions of this Agreement, to the extent that Indemnitee is a party to any Proceeding (including, without limitation, an action by or in the right of the Company) in which Indemnitee was a party by reason of the fact that Indemnitee is or was an Agent of the Company at any time and is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by or on behalf of Indemnitee in connection with each successfully resolved claim, issue or matter.

(c) Dismissal. For purposes of this section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

(d) Contribution. If the indemnification provided in this Agreement is unavailable and may not be paid to Indemnitee, then to the extent allowed by law, in respect of any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall contribute to the amount of expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in such proportion as is appropriate to reflect (i) the relative benefits received by the Company on the one hand and Indemnitee on the other hand from the transaction from which such action, suit or proceeding arose, and (ii) the relative fault of Company on the one hand and of Indemnitee on the other in connection with the events which resulted in such expenses, judgments, fines or settlement amounts, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of Indemnitee on the other shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information, active or passive conduct, and opportunity to correct or prevent the circumstances resulting in such expenses, judgments, fines or settlement amounts. The Company agrees that it would not be just and equitable if contribution pursuant to this section were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

(e) Settlements by Company. The Company may not settle any claim held by Indemnitee without express written consent of Indemnitee, which may be given or withheld in Indemnitee's sole discretion.

6. Mandatory Advancement of Expenses.

(a) Subject to the terms of this Agreement and following notice pursuant to Section 7(a) below, the Company shall advance, interest free, all Expenses reasonably incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any Proceeding to which Indemnitee is a party or is threatened to be made a party by reason of the fact that Indemnitee is or was an Agent of the Company (unless there has been a final determination such that Indemnitee is not entitled to indemnification for such Expenses) upon receipt satisfactory documentation supporting such Expenses. Such advances are intended to be an obligation of the Company to Indemnitee hereunder and shall in no event be deemed to be a personal loan. Such advancement of Expenses shall otherwise be unsecured and without regard to Indemnitee's ability to repay. The advances to be made hereunder shall be paid by the Company to Indemnitee within 30 days following delivery of a written request therefore by Indemnitee to the Company, along with such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the claimant is entitled to advancement (which shall include without limitation reasonably detailed invoices for legal services, but with disclosure of confidential work product not required if that would work a waiver of privilege as to an adverse party). The Company shall discharge its advancement duty by, at its option, (a) paying such Expenses on behalf of Indemnitee, (b) advancing to Indemnitee funds in an amount sufficient to pay such Expenses, or (c) reimbursing Indemnitee for Expenses already paid by Indemnitee. In the event that the Company fails to pay Expenses as incurred by Indemnitee as required by this paragraph, Indemnitee may seek mandatory injunctive relief (including without limitation specific performance) from any court having jurisdiction to require the Company to pay Expenses as set forth in this paragraph. If Indemnitee seeks mandatory

injunctive relief pursuant to this paragraph, it shall not be a defense to enforcement of the Company's obligations set forth in this paragraph that Indemnitee has an adequate remedy at law for damages.

(b) Undertakings. Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which constitutes an undertaking whereby Indemnitee promises to repay any amounts advanced if and to the extent that it shall ultimately be determined that Indemnitee is not entitled to indemnification by the Company.

7. Notice and Other Indemnification Procedures.

(a) Notice by Indemnitee. Promptly after receipt by Indemnitee of notice of the commencement of or the threat of commencement of any Proceeding, Indemnitee shall, if Indemnitee believes that indemnification with respect thereto may be sought from the Company under this Agreement, notify the Company in writing of the commencement or threat of commencement thereof *provided*, *however*, that a delay in giving such notice will not deprive Indemnitee of any right to be indemnified under this Agreement unless, and then only to the extent that, the Company did not otherwise learn of the Proceeding and such delay is materially prejudicial to the Company; and, *provided*, *further*, that notice will be deemed to have been given without any action on the part of Indemnitee in the event the Company is a party to the same Proceeding and already has notice of all the matters for which Indemnitee is demanding indemnification and advancement.

(b) Insurance. If the Company receives notice pursuant to Section 7(a) hereof of the commencement of a Proceeding that may be covered under D&O Insurance then in effect, the Company shall give prompt notice of the commencement of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies.

(c) Defense. In the event the Company shall be obligated to pay the Expenses of any Proceeding against Indemnitee, the Company shall be entitled to assume the defense of such Proceeding, with counsel selected by the Company and approved by Indemnitee (which approval shall not be unreasonably withheld), upon the delivery to Indemnitee of written notice of the Company's election so to do. After delivery of such notice, and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Proceeding, provided that (i) Indemnitee shall have the right to employ his or her own counsel in any such Proceeding at Indemnitee's expense; and (ii) Indemnitee shall have the right to employ his or her own counsel in any such Proceeding at the Company's expense if (A) the Company has authorized the employment of counsel by Indemnitee at the expense of the Company; (B) Indemnitee shall have reasonably concluded based on the written advice of Indemnitee's legal counsel that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense; or (C) the Company shall not, in fact, have employed counsel to assume the defense of such Proceeding. In addition to all the requirements above, if the Company has D&O Insurance, or other insurance, with a panel counsel requirement that may cover the matter for which indemnity is claimed by Indemnitee, then Indemnitee shall use such panel counsel or other counsel approved by the insurers, unless there is an actual conflict of interest posed by representation by all such counsel, or unless and to the extent Company waives

such requirement in writing. Indemnitee and his counsel shall provide reasonable cooperation with such insurer on request of the Company.

8. Right to Indemnification.

(a) Right to Indemnification. In the event that Section 5(a) is inapplicable, the Company shall indemnify Indemnitee pursuant to this Agreement unless, and except to the extent that, it shall have been determined by one of the methods listed in Section 8(b) that Indemnitee has not met the applicable standard of conduct required to entitle Indemnitee to such indemnification.

(b) Determination of Right to Indemnification. A determination of Indemnitee's right to indemnification under this Section 8 shall be made at the election of the Board by (i) a majority vote of directors who are not parties to the Proceeding for which indemnification is being sought, even though less than a quorum, or by a committee consisting of directors who are not parties to the Proceeding for which indemnification is being sought, who, even though less than a quorum, have been designated by a majority vote of the disinterested directors, (ii) if there are no such disinterested directors or if the disinterested directors so direct, by Independent Counsel chosen by the Company in a written opinion to the Board, a copy of which shall be delivered to Indemnitee, or (iii) by vote of the stockholders. However, in the event there has been a Change in Control, then the determination shall, at Indemnitee's sole option, be made by Independent Counsel as in (b)(ii), above, with Company choosing the Independent Counsel subject to Indemnitee's consent, such consent not to be unreasonably withheld.

(c) Submission for Decision. As soon as practicable, and in no event later than 30 days after Indemnitee's written request for indemnification, the Board shall select the method for determining Indemnitee's right to indemnification. Indemnitee shall cooperate with the person or persons or entity making such determination with respect to Indemnitee's right to indemnification, including providing to such person, persons or entity, upon reasonable advance request, any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel or member of the Board shall act reasonably and in good faith in making a determination regarding Indemnitee's entitlement to indemnification under this Agreement.

(d) Application to Court. If (i) a claim for indemnification or advancement of Expenses is denied, in whole or in part, (ii) no disposition of such claim is made by the Company within 60 days after the request therefore, (iii) the advancement of Expenses is not timely made pursuant to Section 6 of this Agreement or (iv) payment of indemnification is not made pursuant to Section 5 of this Agreement, Indemnitee shall have the right at his option to apply to the Delaware Court of Chancery, a California state or federal court, the court in which the Proceeding is or was pending, or any other court of competent jurisdiction, for the purpose of enforcing Indemnitee's right to indemnification (including the advancement of Expenses) pursuant to this Agreement. Upon written request by Indemnitee, the Company shall consent to service of process.

(e) Expenses Related to the Enforcement or Interpretation of this Agreement. The Company shall indemnify Indemnitee against all reasonable Expenses incurred by Indemnitee in connection with any hearing or proceeding under this Section 8 involving Indemnitee, and against all reasonable Expenses incurred by Indemnitee in connection with any other proceeding between the Company and Indemnitee to the extent involving the interpretation or enforcement of the rights of Indemnitee under this Agreement, if and to the extent Indemnitee is successful.

(f) In no event shall Indemnitee's right to indemnification (apart from advancement of Expenses) be determined prior to a final adjudication in a Proceeding at issue if the Proceeding is both ongoing, and of the nature to have a final adjudication.

(g) In any proceeding to determine Indemnitee's right to indemnification or advancement, Indemnitee shall be presumed to be entitled to indemnification or advancement, with the burden of proof on the Company to prove, by a preponderance of the evidence (or higher standard if required by relevant law) that Indemnitee is not so entitled.

(h) Indemnitee shall be fully indemnified for those matters where, in the performance of his duties for the Company, he relied in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any of the Company's officers or employees, or committees of the board of directors, or by any other person as to matters Indemnitee reasonably believed were within such other person's professional or expert competence and who was selected with reasonable care by or on behalf of the Company.

9. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated:

(a) Claims Initiated by Indemnitee. To indemnify or advance Expenses to Indemnitee with respect to Proceedings or claims initiated or brought voluntarily by Indemnitee (including cross actions), with a reasonable allocation where appropriate, unless (i) such indemnification is expressly required to be made by law, (ii) the Proceeding was authorized by the Board, (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under the General Corporation Law of Delaware or (iv) the Proceeding is brought pursuant to Section 8 specifically to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 145 in advance of a final determination, in which case 8(e)'s fees-on-fees provision shall control. For clarity, the raising of defenses by the Company by way of argument or affirmative defense in such an Indemnitee-initiated Proceeding or claim against the Company, shall not themselves be deemed to be a Proceeding.

(b) Fees on Fees. To indemnify Indemnitee for any Expenses incurred by Indemnitee with respect to any Proceeding instituted by Indemnitee to enforce or interpret this Agreement, to the extent Indemnitee is not successful in such a Proceeding.

(c) Unauthorized Settlements. To indemnify Indemnitee under this Agreement for any amounts paid in settlement of a Proceeding unless the Company consents to such settlement, which consent shall not be unreasonably withheld.

(d) Claims Under Section 16(b). To indemnify Indemnitee for Expenses associated with any Proceeding related to, or the payment of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of state statutory law or common law (provided, however, that the Company must advance Expenses for such matters as otherwise permissible under this Agreement).

(e) Payments Contrary to Law. To indemnify or advance Expenses to Indemnitee for which payment is prohibited by applicable law.

(f) Required Reimbursement. To indemnify Indemnitee for any reimbursement of the Company by Indemnitee of any compensation, including bonus or other incentive-based or equity-based compensation or of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the '33 or '34 Acts (including without limitation reimbursements that (i) arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act of 2002, or (ii) arise pursuant to regulations or policies adopted in compliance with Section 954 of the Investor Protection and Securities Reform Act of 2010).

10. Non-Exclusivity. The provisions for indemnification and advancement of Expenses set forth in this Agreement shall not be deemed exclusive of any other rights which Indemnitee may have under any provision of law, the Company's Certificate of Incorporation or Bylaws, the vote of the Company's stockholders or disinterested directors, other agreements, or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity while occupying Indemnitee's position as an Agent of the Company. Indemnitee's rights hereunder shall continue after Indemnitee has ceased acting as an Agent of the Company and shall inure to the benefit of the heirs, executors and administrators of Indemnitee.

11. Permitted Defenses. It shall be a defense to any action for which a claim for indemnification is made under this Agreement (other than an action brought to enforce a claim for Expenses pursuant to Section 6 hereof, provided that the required documents have been tendered to the Company) that Indemnitee is not entitled to indemnification because of the limitations set forth in Sections 4 and 9 hereof. Neither the failure of the Company or an Independent Counsel to have made a determination prior to the commencement of such enforcement action that indemnification of Indemnitee is proper in the circumstances, nor an actual determination by the Company or an Independent Counsel that such indemnification is improper, shall be a defense to the action or create a presumption that Indemnitee is not entitled to indemnification under this Agreement or otherwise. In making any determination concerning Indemnitee's right to indemnification, there shall be a presumption that Indemnitee has satisfied the applicable standard of conduct. Any determination by the Company concerning Indemnitee's right to indemnification that is adverse to Indemnitee may be challenged by the Indemnitee in the Court of Chancery of the State of Delaware.

12. Subrogation. Subject to the limitations of Section 13, in the event the Company is obligated to make a payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents reasonably required and take all action that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights (provided that the Company pays Indemnitee's costs and expenses of doing so), including without limitation by assigning all such rights to the Company or its designee to the extent of such indemnification or advancement of Expenses. The Company's obligation to indemnify or advance expenses under this Agreement shall be reduced by any amount Indemnitee has collected from such other source, and in the event that Company has fully paid such indemnity or expenses, Indemnitee shall return to the Company any amounts subsequently received from such other source of indemnification.

13. Primacy of Indemnification. The Company hereby acknowledges that Indemnitee may have certain rights to indemnification, advancement of expenses, or liability insurance, neither procured or provided by the Company (including any affiliate, subsidiary, investment vehicle, or joint venture of the Company) nor any entity Indemnitee served or is serving at the direction of the Company, from a third party (collectively, the "Third Party Indemnitors"). The Company hereby agrees that (i) it is the indemnitor of first resort, *i.e.*, its obligations to Indemnitee under this Agreement and any indemnity provisions set forth in its Certificate of Incorporation, Bylaws or elsewhere (collectively, "Indemnity Arrangements") are primary, and any obligation of the Third Party Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnitee is secondary and excess, (ii) it shall advance the full amount of expenses incurred by Indemnitee and shall be liable for the full amount of all expenses, judgments, penalties, fines and amounts paid in settlement by or on behalf of Indemnitee, to the extent legally permitted and as required by any Indemnity Arrangement, without regard to any rights Indemnitee may have against the Third Party Indemnitors, and (iii) it irrevocably waives, relinquishes and releases the Third Party Indemnitors from any claims against the Third Party Indemnitors for contribution, subrogation or any other recovery of any kind arising out of or relating to any Indemnity Arrangement. The Company further agrees that no advancement or indemnification payment by any Third Party Indemnitor on behalf of Indemnitee shall affect the foregoing, and the Third Party Indemnitors shall be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company. The Company and Indemnitee agree that the Third Party Indemnitors are express third party beneficiaries of the terms of this Section 13. The Company, on its own behalf and on behalf of its insurers to the extent allowed by its insurance policies, waives subrogation rights against Indemnitee and Third Party Indemnitors.

14. No Imputation. The knowledge or actions, or failure to act, of any director, officer, employee, or agent of the Company, or the Company itself shall not be imputed to Indemnitee for the purpose of determining Indemnitee's rights hereunder.

15. Survival of Rights.

(a) All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is an Agent of the Company and shall continue thereafter

so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed Proceeding by reason of the fact that Indemnitee was serving in the capacity referred to herein.

(b) The Company shall require any successor to the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (i) the validity, legality and enforceability of the remaining provisions of the Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, such remaining provisions shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

17. Modification and Waiver. No supplement, modification, or amendment of this Agreement shall be binding unless it is in a writing signed by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions (even if similar) nor shall such waiver constitute a continuing waiver.

18. Notice. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) upon delivery if delivered by hand to the party to whom such notice or other communication shall have been directed, (b) if mailed by certified or registered mail with postage prepaid, return receipt requested, on the third business day after the date on which it is so mailed, (c) one business day after the business day of deposit with a nationally recognized overnight delivery service, specifying next day delivery, with written verification of receipt, or (d) on the same day as delivered by confirmed facsimile transmission if delivered during business hours or on the next successive business day if delivered by confirmed facsimile transmission after business hours. Addresses for notice to either party shall be as shown on the signature page of this Agreement, or to such other address as may have been furnished by either party in the manner set forth above.

19. Governing Law. This Agreement shall be governed exclusively by and construed according to the laws of the State of Delaware as applied to contracts between Delaware residents entered into and to be performed entirely within Delaware. This Agreement is intended to be an agreement of the type contemplated by Section 145(f) of the General Corporation Law of Delaware.

20. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement, and electronically transmitted signatures shall be valid.

The parties hereto have entered into this Indemnification Agreement, including the undertaking contained herein, effective as of the date first above written.

Indemnitee:

The Company:

PALOMAR HOLDINGS, INC.

_____

Address:

By: _____

Name: _____

Title: _____

Exhibit 10.7

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "***" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Palomar Specialty Insurance Company

PROGRAM ADMINISTRATOR AGREEMENT

This Program Administrator Agreement (hereinafter referred to as the "Agreement") effective February 19th 2014, between Palomar Specialty Insurance Company, an Oregon Corporation (hereinafter "Palomar" and the "Company"), and Arrowhead General Insurance Agency, Inc. a Minnesota Corporation (hereinafter the "Administrator"), shall upon execution of the parties, grant the Administrator the authority to exercise the powers stated in this Agreement, any schedule attached hereto and any other instruction which may be issued from time to time by Palomar to the Administrator, including but not limited to written instructions revising the provisions of the Schedules to this Agreement.

NOW THEREFORE, Palomar and the Administrator agree as follows:

1. **Warranties, Representations and Covenants**

The Administrator warrants, represents and covenants:

A. that: (i) the Administrator and the "Authorized Representatives" identified in Schedule B of this Agreement have all licenses necessary to conduct the business described in this Agreement, and (ii) the Administrator and the "Authorized Representatives" will maintain during the term of this Agreement and for the period of time during which it has continuing obligations under this Agreement all licenses necessary to conduct the business described in this Agreement. In the event that Administrator's license expires or terminates, the Administrator shall immediately notify Palomar and this Agreement shall be immediately suspended in the applicable state or states as of the date of such license(s) expiration or termination, unless within one week from the date Palomar receives notice of the license expiration or termination from the Administrator, Palomar agrees, in writing, to modify the provisions set forth herein. However, nothing in this section shall affect the Administrator's obligation to perform any duty under this Agreement for which a license is not required;

B. that the Administrator shall operate at all times in compliance with this Agreement and the Schedules attached hereto and with all applicable laws and regulations. The Administrator agrees that it is its responsibility to know and comply with the laws and regulations applicable to this Agreement and the business contemplated hereunder, including, but not limited to: (i) laws and regulations concerning admitted lines insurance placements, tax collection and the unauthorized activities of admitted lines producers and insurers; (ii) laws and regulations regarding notices to insureds and prospective insureds; (iii) applicable unfair trade and claim practices; and (iv) record retention laws and regulations;

C. that the Administrator shall maintain a policy of errors and omissions insurance in the amount of $5,000,000 and a policy of crime insurance in the amount of $5,000,000 with an insurer acceptable to Palomar which policy has been approved by Palomar prior to initiation of this Agreement and obtain from the policy issuing insurer an original certificate of insurance addressed to Palomar. Subject to the provisions of sub-paragraph 7(C) of this Agreement, Palomar may immediately terminate or suspend this Agreement at any time, if, in its reasonable judgment, the Administrator has failed to procure sufficient errors and omissions and crime insurance coverage applicable to the business contemplated under this Agreement.

D. the Administrator is an independent contractor, not an employee of the Company, and has exclusive control over its time, the conduct of its operations and the selection of the companies with which it does business. Neither the term

"Administrator" nor anything contained in this Agreement shall be construed as creating an employer/employee relationship between the Company and the Administrator, nor shall the Administrator be authorized to act on behalf of the Company except as expressly authorized in this Agreement. Neither party to this Agreement shall employ an individual while such individual is employed with the other party

2. **Authority**

In carrying out the business contemplated under this Agreement, the Administrator agrees and is hereby authorized:

A. to procure and evaluate applications for admitted lines insurance of the type set forth in Schedule A to this Agreement;

B. to underwrite risks and determine appropriate premiums for admitted lines insurance policies of the type set forth in Schedule A in accordance with: (i) the underwriting guidelines established by Palomar and provided to the Administrator in writing from time to time in the Underwriting Guidelines in Schedule G and (ii) applicable laws and regulations;

C. to negotiate, quote, bind, arrange for countersignature of (if required by law) and deliver such policies, endorsements, certificates, binders, and related financial responsibility filings, if any, pursuant to this Agreement, the Underwriting Guidelines in Schedule G and applicable laws and regulations;

D. where required by law, to have the "Authorized Representatives" identified in Schedule B to this Agreement sign policies, endorsements, certificates, binders, and related financial responsibility filings, if any, for insurance coverage issued pursuant to this Agreement; said Authorized Representatives shall not be authorized to exercise any authority granted herein until Palomar has advised in writing. Schedule B may be amended or supplemented with Palomar's expressed permission, which shall not be unreasonably withheld;

E. to effect cancellation and non-renewal of policies in accordance with applicable laws, regulations and the Underwriting Guidelines;

In addition, and subject to the restrictions on authority contained elsewhere in this Agreement, the Administrator shall have the required incidental authority necessary to fulfill its obligations hereunder, and such additional authority that may be extended by Palomar in writing.

3. **Restrictions on Authority**

The Administrator agrees that:

A. It shall not underwrite risks and/or determine appropriate premium for insurance policies other than as prescribed in Schedule A and the Underwriting Guidelines in Schedule G, unless the Administrator requests and receives prior written approval from Palomar for such risks. Any approval granted by Palomar is limited to the specific risks for which approval has been sought unless expressly noted otherwise by Palomar;

B. the Administrator shall not waive any condition or make any change to the Company's insurance policies, endorsements or applications without Palomar's prior written consent;

C. the Administrator shall not, without Palomar's prior written consent, (i) appoint insurance agents or producers, or sub-insurance agents or producers, to bind

insurance coverage or countersign policies on behalf of Palomar, or (ii) make any other agreement rendering Palomar liable for the payment or repayment of expenses, commissions or other sums;

D. the Administrator shall not negotiate, solicit, quote, bind, arrange for countersignature of or deliver on behalf of Palomar policies, endorsements, certificates or binders in any jurisdiction or territory except those listed in Schedule E to this Agreement, unless otherwise authorized in writing to do so by Palomar;

E. the Administrator shall not affect any flat cancellations of policies issued pursuant to this Agreement, unless the flat cancellation is within the first forty-five (45) days after the effective date of the policy and is in compliance with applicable law;

F. the Administrator shall not bind coverage after the effective date of the policy without prior written approval of Palomar, except during the fifteen (15) day period after the coverage effective date if the insured has warranted in writing that it is not aware of any losses;

G. the Administrator shall not negotiate or bind ceded or assumed reinsurance or retrocessions on behalf of Palomar or commit Palomar to participate in insurance or reinsurance syndicates, pools, agency reinsurance arrangements or joint ventures of any nature. This sub-paragraph shall not preclude the Administrator from consulting with Palomar regarding reinsurance for coverage issued pursuant to this Agreement;

H. the Administrator shall not charge any broker fees, policy fees, or service fees without express written authorization from Palomar.

4. **Obligations of Administrator**

The Administrator agrees

A. To collect, receive and account for premiums on insurance policies issued pursuant to this Agreement;

B. that the Administrator shall be responsible to ensure that its operations and the business produced complies with all applicable laws and regulations. In the event the performance of any duty or obligation of the Administrator herein would constitute the unauthorized practice of insurance by the Company in an applicable jurisdiction, the Administrator shall immediately notify Palomar and this Agreement shall be immediately suspended in such jurisdiction;

C. when the Administrator accepts business from sub-insurance producers, that the Administrator shall verify, according to applicable law, that the sub-insurance producer is properly licensed and shall not permit any such sub-insurance producer or any of its officers or directors to serve on Palomar's board of directors. Further, where any such sub-insurance producer is appointed in any state other than the Administrator's state of domicile, the Administrator shall ensure that policies issued through the sub-insurance producer are properly countersigned, if applicable;

D. except as otherwise expressly noted herein or as agreed to by Palomar in writing, that the Administrator shall be responsible for all costs, fees and expenses incurred in connection with the production of business hereunder, including but not limited to, background investigations and reports on sub-producers and countersignature agents. The Administrator shall also be responsible for the actions of any sub-producers authorized at its behest or pursuant to its recommendation;

E. if the Administrator cancels or non-renews policies in accordance with applicable laws, regulations and the Underwriting Guidelines in Schedule G, that the Administrator shall retain copies of any notices (and original proofs of mailing of same) sent to policyholders to effect such cancellation or non-renewal and shall

make copies of the notices and the original proofs of mailing available to Palomar upon request;

F. with regard to claims against the Company under policies written pursuant to this Agreement, that the Administrator shall report such claims to Palomar and/or the Claim Administrator selected by Palomar as the Claim Administrator for the business produced under this Agreement. The Administrator shall assist and cooperate with Palomar or its designee in the investigation and handling of claims as Palomar may from time to time request; and with regard to any other claims against Palomar of which the Administrator receives written notice or otherwise becomes aware, to promptly report such claims to Palomar;

G. to keep accurate, complete and separate, written records of all transactions affecting business written on behalf of Palomar under this Agreement and to file all necessary affidavits and reports as may be required by applicable laws and regulations. The Administrator shall also maintain a policy register and shall account for all policies furnished or supplied to Palomar. The underwriting files to be maintained by the Administrator shall be detailed in the Underwriting Guidelines in Schedule G;

H. that the separate records (whether in paper or electronic form) of business for Palomar must be maintained by the Administrator for the greater of: (i) seven (7) years from the termination of the policy to which the record relates; or (ii) the length of time required by applicable law or regulation. In the event this Agreement is terminated by either party, the Administrator shall provide Palomar with exact copies of all original files relating to business transacted pursuant to this Agreement by sending or delivering such files to the location directed by Palomar. The cost of duplicating the files and delivering the duplicate set of files to the Company shall be borne by the party terminating this Agreement, unless the termination is pursuant to sub paragraphs 7(B), 7(C), or 7(D) hereof. In the event of a termination pursuant to sub paragraphs 7(B), 7(C), or 7(D), the cost of duplicating and delivering the duplicate files to the Company shall be borne by the party whose acts or omissions triggered the provisions of the aforementioned sub-paragraphs. Should this Agreement be terminated by mutual consent by both parties, the Administrator and the Company shall, equally, bear the cost of duplicating the files and delivering the duplicate set of the files to Palomar. Also, in the event of an examination by any authority which regulates Palomar, Administrator agrees to cooperate with Palomar during any such examination, inspection and/or audit and agrees that it shall make any and all files available to such regulatory authority at the time and place Palomar specifies. In the event duplicate files need to be shipped, the Administrator and Palomar shall, equally, bear the cost of duplicating and shipping such files. The Administrator shall certify that the duplicate files provided for review by the regulatory authority are true and complete copies of the original files;

I. that the records maintained relating to business produced under this Agreement are jointly owned by Palomar and the Administrator. Accordingly, all books, papers and records relating to the business of Palomar under this Agreement or any other agreement related thereto, shall be open for inspection or copying by duly authorized representatives of Palomar at all times during the continuance of this Agreement and any policies issued hereunder, and for the duration of the records retention requirements hereunder and shall survive the suspension or termination of this Agreement;

J. the Administrator shall issue all policies within the following time frames: (1) all primary policies and endorsements shall be issued within the time period prescribed by law, but in no event shall any such primary policy/endorsement be issued more than thirty (30) days after its effective date; and (2) all excess policies and endorsements shall be issued within the time period prescribed by law, but in no

event shall any such excess policy/endorsement be issued more than ninety (90) days after its effective date;

K. that the Administrator shall provide, where permitted by law, written notice to Palomar, of any proposed or completed sale, transfer, merger, consolidation or reorganization involving the Administrator, a controlling interest in the Administrator or any company that has a controlling interest in the Administrator, or a involving majority of its assets. However, in no event shall such notice be given later than the date of any public announcement of: (a) the proposed transaction or change, or (b) the execution of an agreement concerning the proposed transaction or change;

L. the Administrator shall perform all duties imposed upon it under any reinsurance agreement applicable to the business authorized herein, copies of which shall be provided to the Administrator. Company agrees to advise the Administrator of any such duties prior to the effective date of any proposed reinsurance, and to advise the Administrator of any changes to its duties/obligations under any reinsurance agreement prior to the effective date of any such change;

M. that, to the extent the Administrator engages in any premium finance transactions, the Administrator (i) shall do so in accordance with all applicable laws and regulations and (ii) does so solely on its own account and at its own risk. The Administrator shall be solely liable for any extensions of credit or premium financing to policyholders or sub-producers and for the full amount of any premiums due to the Company on policies written under this Agreement regardless of whether the Administrator has collected the premium due from the policyholder or the sub-producer;

N. that, unless otherwise required by law or regulations, the Administrator shall refer State Insurance Department contacts, requests or inquiries regarding matters relating to business subject to this Agreement, including requests for access to or copying of records, to Palomar. In the event of any such contacts, requests or inquires, the Administrator shall notify Palomar immediately of the contact. In addition to the obligations specified above, unless prohibited by law or regulation, the Administrator shall immediately notify Palomar of any contact, request or inquiry by any other governmental official or agency regarding matters relating to business subject to this Agreement;

O. The Administrator shall establish and maintain a disaster recovery plan, and shall provide Palomar with a copy of the plan and any amendments thereto;

P. The Administrator shall provide Palomar with an annual audited financial statement of Administrator's ultimate parent, Brown & Brown, Inc., no later than 120 days after the end of the applicable financial year;

Q. The Administrator shall provide an organizational chart to Palomar listing all subsidiaries, affiliates and the entity that ultimately controls the Administrator. Amendments shall be provided to Palomar in a timely manner.

5. **Payments Accounting Obligations of Administrator**

A. Payment and Accounting Responsibilities

1. The Administrator shall be liable for and shall pay to Palomar net written premiums and any applicable surcharges attributable to the business produced by the Administrator hereunder (collectively, for the purposes of this Agreement "net premiums"), whether the Administrator has collected such sums or not. Net written premiums shall be gross written premiums on such business produced by the Administrator, less return premiums and applicable commissions as set forth in Article 6 and Schedules C and D to this

Agreement. However, not withstanding its ultimate liability to Palomar for net premiums, Administrator shall remit monthly premium to Palomar based on the collected premium actually received by Administrator during a month. An accounting statement of both net premiums and collected premiums due Palomar for business produced by the Administrator each month shall be rendered to Palomar by the Administrator no later than the fifteenth (15th) day of the following month. Unless otherwise agreed to by Palomar in writing, the accounting statement, and the payment of collected premiums due, may not be reduced by any deduction other than applicable commissions, return premiums, and net audit premium payment obligations relieved pursuant to sub paragraph (C). The collected premiums shown to be due Palomar shall be paid no later than 45 days after the end of the month to which the accounting statement relates, but with the uncollected amount on any policy due and payable to Palomar by Administrator no later than forty-five (45) days after the end of the month a policy expires with uncollected premium due. Unless otherwise agreed to by Palomar in writing, payment of any premium due to Palomar shall be via electronic funds transfer in accordance with instructions mutually agreed to between the parties.

2. In addition to, and without limiting, any other rights Palomar may have, should the Administrator default in any such payment, all gross premiums on the unpaid business produced by the Administrator under this Agreement shall be due and payable immediately. Palomar may further withhold or offset payment of any amounts due the Administrator until all **collected** premiums or other money due from the Administrator is received by Palomar.

3. Notwithstanding the foregoing, if at any time the aggregate amount of funds held in one or more accounts by the Administrator pursuant to this Agreement or an agreement with an affiliate of Palomar exceeds $1.0 million, the Administrator agrees to transfer the balance that exceeds $1.0 million.

B. The Administrator agrees to pay all costs and expenses of collections from insureds, including reasonable attorneys' fees, where premiums to be received by the Administrator pursuant to this Agreement are not paid in full by an insured.

C. Unless otherwise specified in writing, all premiums related to the business produced under this Agreement, net of the commissions specified in this Agreement, received by the Administrator shall be held by it in a fiduciary capacity as trustee for Palomar until delivered to Palomar. Such premiums received by the Administrator, net of such commissions, shall be kept in a separate fiduciary bank account in a financial institution selected by the Administrator, provided, however, that: (i) said institution must be a member of the Federal Reserve System; and (ii) the Administrator's fiduciary account therein must be insured by the Federal Deposit Insurance Corporation . The Administrator may retain the interest income earned on the premiums held by the Administrator prior to their payment to Palomar. Further, the Administrator shall provide Palomar with all bank statements applicable to such fiduciary funds and shall prepare and provide Palomar with statements reconciling each such bank statement to the Administrator's accounting records. To facilitate the collection of premium, the Administrator may temporarily commingle premiums collected on behalf of the Company with other fiduciary funds received by the Administrator in the operation of its business, provided that: such commingling is permitted by law and (ii) the amount of the Company's premiums so commingled reasonably ascertained at all times from the books, bank accounts and records of the Administrator.

D. The Administrator shall not be required to return, as commission or return commission, moneys greater than the total commission paid or otherwise payable to the Administrator.

6. **Commission**

The Company and Administrator agree:

A. The commission to be paid by Palomar to the Administrator for business produced by the Administrator under this Agreement shall be as set forth in C and D of this Agreement. For purposes of computing those commissions, the rates set forth in Schedules C and D shall be applied to the relevant final gross written premium excluding premium taxes and fees. The Administrator may withhold its commission from the premium payments due to the Company; however Administrator will not withhold more than its pro rata portion of the premium paid to Palomar.

B. The commission paid to the Administrator set forth in Schedules C and D is the maximum commission and shall include sub-producer commissions, which payments are the sole responsibility of the Administrator.

7. **Termination and Suspension**

The Company and Administrator agree:

A. Administrator's authority under this agreement may be terminated: (i) by mutual consent of the parties to this Agreement at any time; or (ii) by either party giving written notice to the other party, which notice must be received at least 180 days prior to the effective date of termination; (iii) by Palomar upon 30 day notice to the Administrator in the event that any legislation, regulation, or judicial or administrative decision adversely affects the ability of Palomar and the Administrator (as determined by Palomar in its sole discretion) to carry out the purposes of this Agreement or (iv) as otherwise required by law or regulation;

B. this Agreement shall terminate immediately if: (i) an event described in sub-paragraph 4(K) has occurred or is expected to occur, unless Palomar consents in writing to the proposed transaction or change; (ii) there has been an event of fraud, abandonment, insolvency or gross and willful misconduct on the part of the Administrator; (iii) the Administrator has undergone an assignment for the benefit of creditors, has had a receiver appointed or has had a petition in bankruptcy filed by or against it; (iv) the representations, warranties and covenants contained in this Agreement shall prove false or misleading in any way; (v) individuals identified in Schedule F as "Key Men" cease to be employed by the Administrator; or (vi) for any other cause as provided for in this Agreement;

C. notwithstanding sub-paragraph (A) above, if the Administrator shall commit any material breach of this Agreement Palomar may, in its sole discretion, suspend or terminate the authority of the Administrator under this Agreement, and Palomar will be entitled to all legal rights of recovery from the Administrator, including but not limited to, recovery of all or any part of the commission payments as set out in Schedules C and D to this Agreement. Palomar shall notify the Administrator in writing of any suspension or termination effected pursuant to this sub-paragraph. Such suspension or termination shall be effective on the 10th business day following receipt of the written notice unless before such effective date the Administrator notifies Palomar that it has cured the breach or failure or Palomar and Administrator agree otherwise in writing;

D. Notwithstanding any other provision herein, in the event of suspension or termination of this Agreement for the Administrator's failure to pay net premiums when due, the Administrator agrees to pay Palomar interest (compounded daily) on all premium funds held by the Administrator. The interest rate shall be the prime rate of interest (as published in the Wall Street Journal) plus 3%;

---

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "***" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Palomar Specialty Insurance Company

E. Should the Administrator fail to comply with any suspension or termination notice, the Administrator agrees to indemnify and reimburse Palomar for any loss or expense or for any damages caused to Palomar as a consequence thereof;

F. Administrator may terminate this Agreement on thirty (30) days' written notice in the event that Palomar's A.M. Best Company financial strength rating falls below A-.

8. **Continuing Obligation After Termination and During Suspension**

Upon Administrator's termination or suspension, the Administrator shall:

A. continue to pay the Company all sums due Palomar in the manner described in paragraph 6 above;

B. continue to perform all customary and necessary services regarding all policies issued by the Administrator on behalf of Palomar until all such policies have been completely canceled, non-renewed or otherwise terminated;

C. continue to perform all services and pay all expenses incurred in fulfillment of its obligation to collect premium;

D. issue all applicable cancellation and/or non-renewal notices in full and complete compliance with this Agreement and applicable laws and regulations;

E. continue to be paid for its services, during the run-off following the termination or suspension, pursuant to the terms of this Agreement;

immediately stop binding coverage and issuing insurance and stop submitting or renewing business on behalf of Palomar or extending the term of any existing business, except as may otherwise be required by law or regulation or as may otherwise be authorized in writing by Palomar.If the Administrator fails in any respect to fulfill these continuing obligations, in addition to any other rights and remedies that Palomar may have herein or under applicable law, then any reasonable expense incurred by Palomar (i) for the servicing of policies issued by the Administrator; (ii) to fulfill the Administrator's unfulfilled obligations; or (iii) to enforce its rights under this Agreement will be fully reimbursed to Palomar by the Administrator and/or may be offset against any funds owed the Administrator by Palomar under this or any other agreement.

9. **Indemnification**

A. The Administrator, its successors and assigns agree to indemnify and hold Palomar harmless against all liability including but not limited to damages, losses, fines, penalties (including, but not limited to, market conduct fines, penalties or assessments), and reasonable costs and expenses of whatsoever kind, including but not limited to fees and disbursements of counsel, which Palomar is or may be held liable to pay arising out of: (i) the Administrator's failure to comply with the terms of this Agreement; and/or (ii) the willful or negligent acts or omissions of the Administrator, its employees and/or its agents or assigns. The Administrator shall also indemnify Palomar against all such liability occasioned by the actions of any of the Authorized Representatives or any countersignature agents appointed at its behest or pursuant to its recommendation.

B. Palomar agrees to indemnify and hold the Administrator harmless against all liability including but not limited to damages, losses, fines, penalties and reasonable costs and expenses of whatsoever kind including but not limited to fees and disbursements of counsel, which the Administrator is or may be held liable to pay arising out of: (i) the acts or omissions of Palomar; and/or (ii) any act or omission of the Administrator based solely or in substantial part upon procedures prescribed by Palomar pursuant to this Agreement or upon direction or instruction by Palomar during the period that this Agreement shall be

in force or effect, including the period in which that Administrator may have continuing obligations hereunder.

10. **Ownership of Expirations**

Palomar and Administrator agree that:

A. at the time of cancellation or termination of this Agreement, Palomar will not make claim to any expirations owned by the Administrator. The Administrator agrees that it shall not make a claim of ownership to any expirations of business produced through the efforts of Palomar by way of alternative marketing and distribution sources, such as affinity groups and on-line aggregators or other similar alternative sources, subject to the mutual written agreement of Palomar and Administrator;

B. notwithstanding the foregoing, without incurring commission obligations to the Administrator, Palomar may issue policies to insureds that seek (without solicitation by or on behalf of Palomar utilizing expirations of business produced by the Administrator) insurance from Palomar through other agents, brokers, or producers;

C. in the event the Administrator owes Palomar premium or other funds at the time of the termination of this Agreement, including but not limited to those that arise under paragraph 15, Palomar shall be deemed to be the owner of the expiration until such time as the Administrator has satisfied in full its premium and other payment obligations hereunder. Palomar may sell the expiration rights, on notice to the Administrator, in an effort to recover amounts owed by the Administrator. Any amounts received on the sale of the expirations in excess of the amounts owed to the Palomar, interest on said amounts and Palomar's costs incurred in connection with the sale shall be paid over to the Administrator.

11. **Other Remedies**

In addition to, and without in any way limiting, any remedy or remedies that Palomar may have under this Agreement or applicable law or regulation, in the event that the Administrator fails to fulfill any of its obligations hereunder, Palomar may, after notifying the Administrator, fulfill such obligations itself or engage a third party to fulfill such obligations. The costs and expenses incurred by Palomar to fulfill such obligations shall be reimbursed by the Administrator to Palomar. Interest on amounts expended by Palomar in fulfilling, directly or through others, the Administrator's obligations shall accrue at the rate set forth in sub-paragraph 7(C).

12. **Exclusivity**

The Company and Administrator agree that:

A. Administrator will serve as the exclusive Program Administrator for the line of business authorized in Schedule A and in the states authorized in Schedule E of the Agreement subject to the conditions outlined in Schedule H;

B. If Administrator fails to adhere to the conditions outlined in Schedule H, Administrator has the right to cure the non-compliance of the conditions over a 120 day period. If Administrator fails to cure the non-compliance within the aforementioned 120 day period, Administrator will lose its right to be the exclusive Program Administrator for the line of the business authorized in Schedule A and in the states authorized in Schedule E of the Agreement;

C. Notwithstanding if Administrator is terminated under the provisions of section 7 of the Agreement, Administrator will lose its right to be the exclusive Program Administrator for the

line of the business authorized in Schedule A and in the states authorized in Schedule E of the Agreement;

13. **Modification and Enforcement of this Agreement**

Except as expressly noted herein, this Agreement and the Schedules hereto may not be changed or amended unless in writing signed by both parties. In the event a Court of competent jurisdiction modifies or invalidates any provision of this Agreement, all other provisions of this Agreement shall remain in full force and effect.

14. **Reinsurance Availability**

The Administrator's authority under this Agreement is subject to the Company's ability, on behalf of itself and its affiliates, to obtain and maintain in force at all times satisfactory reinsurance protection on reasonable terms and conditions. If the Company, acting reasonably, determines that it is not able to obtain and/or maintain satisfactory reinsurance protection on reasonable terms and conditions for the business authorized hereunder, Palomar may immediately suspend the authority of the Administrator as it relates to the business authorized under this Agreement. Such a suspension shall take effect immediately and shall remain in effect until further notice.

15. **Applicable Law**

This Agreement will be construed and enforced in accordance with and governed by the laws of the State of California.

16. **Waiver**

A waiver by a party of any breach or default by the other party under this Agreement shall not constitute a continuing waiver or a waiver of any subsequent act in breach or in default hereunder.

17. **Comprehension and Non-Reliance**

This Agreement is the product of arm's length negotiations and the terms of this Agreement have been completely read, fully understood and voluntarily accepted by both the Administrator and Palomar. The Parties represent that each has had full opportunity to consult its own attorney in connection with the preparation and review of this Agreement, that each understands the meaning and effect of this Agreement, that each has carefully read and understands the scope and effect of each provision contained in this Agreement, and that each is not relying upon any representations made by any other party, its attorneys or other representatives. Further, all parties agree that, for purposes of interpretation, this Agreement shall not be deemed to have been drafted by one party or the other.

18. **Notices**

Except as otherwise provided herein or except as may be mutually agreed upon in writing during the normal course of business or in written administrative procedures, notices, requests or reports hereunder must be in writing, mailed by first class registered or certified mail (postage prepaid), overnight mail, hand-delivered or fax to the address below

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "***" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Palomar Specialty Insurance Company

If to the Administrator

Attn:

A. If to Palomar:

Palomar Specialty Insurance Company

888 Prospect Ave, Ste 105

La Jolla CA 92037

Attention: Mac Armstrong

Electronic Mail: dma@palomarspecialty.com

19. **Non-Assignability**

Except as required by law, the rights and obligations set forth in this Agreement may not be assigned, in whole or in part without prior written approval of the parties.

20. **Privacy**

The Company and the Administrator acknowledge that insurance is a highly regulated industry and that

Administrator's performance of its obligations under this Agreement may give rise to certain duties imposed under laws, rules and regulations that govern insurance companies, agents and suppliers of insurance services. The Company and the Administrator further acknowledge that nonpublic personally identifiable personal, financial and medical information about the Company's customers, former customers, applicants and claimants may be disclosed to the Administrator during the course of, and as necessary for, the performance of this Agreement. The Administrator agrees that it will maintain the confidentiality and privacy of such information and comply with all applicable laws, rules and regulations concerning the maintenance of the privacy of such information. The Administrator will limit access to such information to only those individuals that require access to such information for performance of this Agreement, and will not disclose such information to a third party unless otherwise permitted by law and only after requiring the third party to execute a similar confidentiality and privacy clause and with prior written consent of the Company. The Administrator shall take reasonable precautions to safeguard its computer systems and offices in order to comply with the provisions of this paragraph and to prevent unauthorized access to nonpublic personally identifiable personal, financial and medical information whether in physical, electronic or other medium. Administrator is familiar with the California Financial Information Privacy Act (Cal. Fin. Code § 4050, et seq.), the Notification of Risk to Personal Data Act (S.B. 1326, 109'h Cong. (2005)), and other similar laws and regulations, and to the extent improper access to, or unauthorized disclosures of Palomar's data occurs through no fault of Palomar, such data shall be deemed owned and controlled by Administrator for purposes of complying with, to the extent applicable, California Financial Information Privacy Act, or any similar law rule or regulation. Administrator shall immediately notify Palomar and will fully cooperate with Palomar and comply with Palomar's reasonable instructions and shall reimburse Palomar for all penalties, fines, damages fees and costs related to such compliance in the event of improper access to data.

Palomar Specialty Insurance Company

21. **Required Contract Provisions**

If any statute, regulation or other law governing the business of the Administrator and its affiliates (if any) and the Company requires certain contract provisions to be included in this Agreement, those required contract provisions are deemed to be included in this Agreement.

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "***" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Palomar Specialty Insurance Company

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized representatives as of the dates recorded below:

This 19th day of Feburary, 2014

Administrator

By: /s/ Stephen F. Bouker

Name: Stephen F. Bouker

Title: Executive Vice President

Palomar Specialty Insurance Company

By: /s/ D.M. Armstrong

Name: D.M. Armstrong

Title: Chief Executive Officer

---

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "***" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Palomar Specialty Insurance Company

Schedule A - Authorized Line of Business

- Residential Earthquake

---

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "***" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Palomar Specialty Insurance Company

Schedule B — Licensed Employees

- See attached list

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "***" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Palomar Specialty Insurance Company

Schedule C — Base Commission & Fees

Palomar will pay Administrator ***% of written premium which includes all commission paid to sub-producers.

Administrator will be entitled to all policy fees up to $*** per policy; all policy fee income above $*** per policy will go to Palomar.

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "***" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Palomar Specialty Insurance Company

Schedule D — Production Override Commission

The Company will pay Administrator a production override commission of ***% of *** (calculated in accordance with GAAP) attributable to each year of the Program (the twelve month period following the date that Palomar is approved by the California Department of Insurance to write business in California for the line of business set forth in Schedule A and the subsequent twelve month periods thereafter).

The profit sharing commission is subject to a minimum amount of gross written premium in an Underwriting Year. The minimum amounts are as follows:

- Underwriting Year 1: $*** million
- Underwriting Year 2: $*** million
- Underwriting Year 3 and thereafter: $*** million

The production override commission will be due 60 days after the closing of an Underwriting Year.

No production override commission will be due and payable to Administrator for any year where the paid losses are equal to or greater than *** percent (***%) of the net premium written by Palomar for that year.

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "***" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Palomar Specialty Insurance Company

Schedule E — States authorized for business

California

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "***" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Palomar Specialty Insurance Company

Schedule F — Key Men

- ***

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "***" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Palomar Specialty Insurance Company

Schedule G — Underwriting Guidelines

Detailed underwriting manual is included as a separate file.

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "***" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Palomar Specialty Insurance Company

Schedule H — Exclusivity Conditions

The Company agrees to grant Administrator as the exclusive Program Administrator for the line of business authorized in Schedule A and in the states authorized in Schedule E of the Agreement subject to the following conditions:

Administrator generates the following minimum amount of gross written premium:

- Underwriting Year 1: $*** million
- Underwriting Year 2: $*** million
- Underwriting Year 3 and thereafter: $*** million

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission

---

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "***" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Second Amendment to Program Administrator Agreement

THIS SECOND AMENDMENT ("Amendment") dated March 21, 2016, to the Program Administrator Agreement" (Agreement") effective on February 19, 2014, is by and between **Palomar Specialty Insurance Company,** an Oregon Corporation (hereinafter "Palomar" and the "Company"), and **Arrowhead General Insurance Agency, Inc.** a Minnesota Corporation (herein the "Administrator"). This Amendment is effective February 19, 2014.

The parties hereto hereby agree to amend, revise, and change the Agreement as follows:

Section 7. A. (ii) is replaced with:

(ii) by either party giving written notice to the other party, which notice must be received at least 365 days prior to the effective date of the termination;

Schedule A is replaced with:

Schedule A — Authorized Line of Business

- Residential Earthquake: the Company's current residential filed products as of May 1, 2014 (The "Legacy" Residential EQ Products).
- Residential Earthquake: the "Value Select" Products which were subject to the Mutual Confidentiality Agreement executed on 6/2/2014. "Value Select" Products were previously referred to as Arrowhead / TriCoast new Residential Earthquake Products.

Schedule C is replaced with:

Schedule C — Base Commissions and Fees

Palomar will pay Administrator the following percentages of written premium based on the state location of the policy which includes all commission paid to sub-producers:

- California — ***%
- Oregon — ***%
- Washington — ***%

Administrator will be entitled to all policy fees collected up to $150 per policy; Palomar will be entitled to all policy fees for any amount in excess of $150 per policy. Administrator will be entitled to all other fee type income collected.

Schedule D is replaced with:

Schedule D — Production override Commission

The Company will pay the Administrator production overrides based on the Earned Premium (calculated in accordance with GAAP) attributable to each corresponding Underwriting Year of the program. The first Underwriting Year will begin on the effective date of the agreement and will end on March 31, 2015, each subsequent Underwriting Year will begin immediately following the end of the previous Underwriting Year and end March 31 of the following year.

No production overrides will be due and payable to the Administrator for any year where the incurred losses are equal to or greater than *** percent (***%) of the earned premium.

The production overrides will only be paid if the minimum gross written premium thresholds are met in an Underwriting Year. The minimum gross written premium amounts are:

- Underwriting Year 1, ending March 31, 2015: $*** million
- Underwriting Year 2, ending March 31, 2016: $*** million
- Underwriting Year 3, ending March 31, 2017, and thereafter: $*** million

The production overrides will be due 60 days after the closing of an Underwriting Year.

Production override for Underwriting Year 1 and Year 2: The Company will pay the Administrator a production override of ***% of *** (calculated in accordance with GAAP) attributable to each corresponding Underwriting Year of the program.

Production override Underwriting Year 3 and thereafter (***):

- The Company will pay the Administrator a production override of ***% of *** attributable to the corresponding Underwriting Year of the program if the new business PIF in CRESTA zone B is less than ***% of the total new business PIF.
- The Company will pay the Administrator a production override of ***% of *** attributable to the corresponding Underwriting Year of the program if the total PIF in CRESTA zone B is less than ***% of the total PIF.

Schedule E is replaced with:

Schedule E — States Authorized for Business

California
Oregon
Washington

***Portions of this page have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

Schedule H is replaced with:

Schedule H — Exclusivity Conditions

The Company agrees to grant Administrator and TriCoast as the exclusive Program Administrator for the "Value Select" line of business, authorized in Schedule A, and in the states authorized in Schedule E of the Agreement through 12/31/2020. The Administrator and TriCoast will be the Company's exclusive distribution source and managing general agent, handling all aspects of policy processing for the "Value Select" Products in the authorized states. The exclusivity granted to the Administrator and TriCoast is subject to the following condition:

Administrator generates the following minimum amount of gross written premium:

- Underwriting Year 2, ending March 31, 2016: $*** million
- Underwriting Year 3, ending March 31, 2017, and thereafter: $***million

The Administrator agrees that the Company will be the exclusive insurance carrier partner for the "Value Select" Products. If the Company declines or is unable to provide capacity to write coverage for the "Value Select" Products in any state or geographical area(s), the Administrator may secure appointments with other insurance carriers to write coverage for the "Value Select" Products in those states or geographical area(s).

***Portions of this page have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

IN WITNESS WHEREOF, the parties hereto have executed the Second Amendment to the Program Administrator Agreement by their duly authorized representatives as of the dates recorded below:

Administrator

By: /s/Stephen F. Bouker

Name: Stephen F. Bouker

Title: Executive Vice President

Palomar Specialty Insurance Company

By: /s/D.M. Armstrong

Name: D.M. Armstrong

Title: Chief Executive Officer

Third Amendment to Program Administrator Agreement

THIS THIRD AMENDMENT ("Amendment") dated May , 2018, to the Program Administrator Agreement" (Agreement") effective on February 19, 2014, is by and between **Palomar Specialty Insurance Company,** an Oregon Corporation (hereinafter "Palomar'' or the "Company''), and **Arrowhead General Insurance Agency, Inc.** a Minnesota Corporation (hereinafter the "Administrator''). This Third Amendment is effective May , 2018.

The parties hereto hereby agree to amend, revise, and change the Agreement as follows:

Schedule D - Production Override Commission is replaced with:

Schedule D - Production Override Commission

The Company will pay the Administrator production overrides based on the Earned Premium (calculated in accordance with GAAP) attributable to each corresponding Underwriting Year of the program. The first Underwriting Year will begin on the effective date of the agreement and will end on March 31, 2015, each subsequent Underwriting Year will begin immediately following the end of the previous Underwriting Year and end March 31 of the following year. The last Underwriting Year that this production override commission will be paid is ***.

No production overrides will be due and payable to the Administrator for any year where the incurred losses are equal to or greater than *** percent (**%) of the earned premium.

The production overrides will only be paid if the minimum gross written premium thresholds are met in an Underwriting Year. The minimum gross written premium amounts are:

- Underwriting Year 1, ending March 31, 2015: $*** million
- Underwriting Year 2, ending March 31, 2016: $*** million
- Underwriting Year 3, ending March 31, 2017, and thereafter: $*** million

The production overrides will be due 60 days after the closing of an Underwriting Year.

Production override for Underwriting Year 1 and Year 2: The Company will pay the Administrator a production override of ***% of *** (calculated in accordance with GAAP) attributable to each corresponding Underwriting Year of the program.

Production override Underwriting Years 3 and 4 (***%):

- The Company will pay the Administrator a production override of ***% of *** attributable to the corresponding Underwriting Year of the program if the new business PIF in CRESTA zone B is less than ***% of the total new business PIF.
- The Company will pay the Administrator a production override of ***% of Earned Premium attributable to the corresponding Underwriting Year of the program if the total PIF in CRESTA zone B is less than ***% of the total PIF.

***Portions of this page have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

Production override Underwriting Year 5, ending March 31, 2019, (***%):

- The Company will pay the Administrator a production override of ***% of *** attributable to the corresponding Underwriting Year of the program if the new business PIF in CRESTA zone B is less than ***% of the total new business PIF.
- The Company will pay the Administrator a production override of ***% of *** attributable to the corresponding Underwriting Year of the program if the total PIF in CRESTA zone B is less than ***% of the total PIF.

Production override Underwriting Year 6, ending March 31, 2020, (***%):

- The Company will pay the Administrator a production override of ***% of *** attributable to the corresponding Underwriting Year of the program if the new business PIF in CRESTA zone B is less than ***% of the total new business PIF.
- The Company will pay the Administrator a production override of ***% of *** attributable to the corresponding Underwriting Year of the program if the total PIF in CRESTA zone B is less than ***% of the total PIF.

No further Production Override Commission will be owed or calculated for any Underwriting Year beginning after the end of ***.

Schedule F is replaced with:

Schedule F — Key Men

. ***

. ***

Paragraph 7. Termination and Suspension, subparagraph B.(v) is replaced by the following:

(v) any individual identified in Schedule F as “Key Men” cease to be employed by the Administrator, or in the case of *** cease to maintain the same level of involvement in this Agreement as of February 1, 2018;

***Portions of this page have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

IN WITNESS WHEREOF, the parties hereto have executed the Third Amendment to the Program Administrator Agreement by their duly authorized representatives effective May 29, 2018:

Administrator

By: **/s/ Stephen F. Bouker**
Name: Stephen F. Bouker
Title: Executive Vice President

Palomar Specialty Insurance Company

By: **/s/ D.M. Armstrong**
Name: D.M. Armstrong
Title: Chief Executive Officer

Second Amendment to Schedule H of the Program Administrator Agreement

THIS SECOND AMENDMENT ("Amendment") dated August 29, 2018, to Schedule H of the Program Administrator Agreement ("Agreement") effective February **19,** 2014, is by and between **Palomar Specialty Insurance Company,** an Oregon Corporation, and **Arrowhead General Insurance Agency, Inc.,** a Minnesota Corporation.

The parties hereto hereby agree to amend, revise and change Schedule H of the Agreement as follows:

Schedule H — Exclusivity Conditions

The termination date of the exclusivity condition is extended from **12/31/2020** to 12/31/2023.

All other terms and conditions remain the same.

IN WITNESS WHEREOF, the parties hereto have executed the Second Amendment to Schedule H of the Program Administrator Agreement by their duly authorized representatives:

Administrator

By: **/s/ Stephen F. Bouker**
Name: Stephen F. Bouker
Title: Executive Vice President

Palomar Specialty Insurance Company

By: **/s/ David McDonald Armstrong**
Name: David McDonald Armstrong
Title: Chief Executive Officer

Exhibit 21.1

Legal Name	Jurisdiction of Incorporation
Palomar Insurance Holdings, Inc.	Delaware
Palomar Specialty Insurance Company	Oregon
Palomar Specialty Reinsurance Company Bermuda, LTD.	Bermuda

Exhibit 23.1

Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our reports dated March 15, 2019, in the Registration Statement (Form S-1) and related Prospectus of Palomar Holdings, Inc. and Subsidiaries, formerly GC Palomar Holdings, dated March 15, 2019.

/s/ Ernst & Young LLP

San Francisco, California
March 15, 2019