



# Palomar

# Investor Presentation

February 2022

# Disclaimer

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

Forward-looking statements generally relate to future events or the Company’s future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may”, “will”, “should”, “expects”, “plans”, “anticipates”, “could”, “intends”, “target”, “projects”, “contemplates”, “believes”, “estimates”, “predicts”, “would”, “potential” or “continue” or the negative of these words or other similar terms or expressions that concern the Company’s expectations, strategy, plans or intentions. These forward-looking statements include, among others, statements relating to our future financial performance, our business prospects and strategy, anticipated financial position, liquidity and capital needs and other similar matters. These forward-looking statements are based on management’s current

expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Such risks and uncertainties include, among others, future results of operations; financial position; the impact of the ongoing and global COVID-19 pandemic; general economic, political and other risks, including currency and stock market fluctuations and uncertain economic environment; the volatility of the trading price of our common stock; and our expectations about market trends.

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

# Company Profile

## TRACK RECORD OF DELIVERING STRONG GROWTH AND CONTINUED PROFITABILITY

Specialty insurer using data analytics and underwriting acumen to capitalize on market dislocations and provide disruptive products that resonate with producers, other insurers and reinsurers

Leading Earthquake insurer in the United States

Multi-channel distribution serving residential and commercial clients

Admitted and E&S offerings with nationwide scope  
A.M. Best "A- (Excellent)" FSC group rating

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

Committed to environmental, social, governance, diversity and inclusion initiatives

### NASDAQ: PLMR Full Year & Q4 2021 HIGHLIGHTS

- ✓ 2021 GWP of \$535.2 million, up 51% versus 2020
  - Q4 GWP of \$149.9 million, up 56% versus Q4 2020
- ✓ 2021 adjusted net income of \$53.4 million
  - Q4 adjusted net income of \$19.2 million
- ✓ 2021 adjusted ROE of 14.1%
  - Q4 adjusted return on equity of 19.9%
- ✓ 2021 adjusted combined ratio of 76.1%
  - Q4 adjusted combined ratio of 70.7%
- ✓ Authorized new two-year \$100 million share repurchase program in January 2022
- ✓ Released second annual Sustainability & Citizenship report in February 2022
- ✓ Full year 2022 adjusted net income guidance of \$80 to \$85 million
  - Adjusted ROE of 19% at the mid-point of the range
  - Adjusted ROE floor of 14% with renewing aggregate program

# 2021 Selected Accomplishments

## STRONG GROWTH

### Generated exceptional top line growth of 51% year-over-year

- Commercial Earthquake and Residential Earthquake increased 54% and 21% respectively
- Additional product growth: Inland Marine 270%, Hawaii Hurricane 119% and Residential Flood 42%
- E&S company delivered \$152.2 million in GWP, representing 416% year-over-year growth
- Newer lines of business (Real Estate Errors & Omissions and Excess Liability) and Builders' Risk partnerships (TRU and PURE) scaled throughout the year

## EARNINGS PREDICTABILITY

### Concerted efforts to mitigate earnings volatility

- Completed run-off of admitted All Risk and Specialty Homeowners in Louisiana
- Reduced continental hurricane probable maximum loss by approximately 40%
- Placed aggregate reinsurance to protect from multiple severe events and establish an ROE floor
- Generated adjusted net income of \$53.4 million and adjusted ROE of 14.1% for shareholders

## STRATEGIC INITIATIVES

### Executed several noteworthy initiatives

- Traction within PLMR-FRONT; targeting \$80 to \$100 million of managed premiums in 2022
- Launched new General Casualty, Professional Liability and Excess Property divisions led by seasoned and talented underwriters
- Authorized new two-year \$100 million share repurchase program
- Launched ESG portal and released second annual Sustainability and Citizenship report

# 2022 Strategic Initiatives

## SUSTAIN STRONG GROWTH

- Continue momentum in the earthquake book
- Capitalize on dislocation of California insurance market and the California Earthquake Authority (“CEA”)
- Pursue additional rate increases and distribution expansion
- Ongoing expansion of the Inland Marine division
- Address residential flood market opportunity arising from FEMA’s ‘Risk Rating 2.0’ initiative

## MONETIZE RECENT INVESTMENTS

- Nurture carrier partnerships
- Expand existing programs
- Scale PLMR-FRONT to \$80 million to \$100 million of managed premiums
- Build General Casualty, Professional Liability and Excess Property divisions
- Utilize Inside Sales team to amplify agency distribution

## ENHANCE EARNINGS PREDICTABILITY

- Reduce continental hurricane exposure
- Generate additional underwriting income from non-catastrophe exposed lines of business
- Enhance fee-based income stream via PLMR-FRONT
- Renew aggregate reinsurance protection
- Utilize quota share reinsurance to mitigate attritional losses

## SCALE THE ORGANIZATION

- Utilize technology to optimize costs and expand margins
- Invest in actuarial, analytics, underwriting and technology departments
- Drive expense efficiency in the claims organization

# Palomar Overview

# Our Strategy

**Combining data analytics, underwriting acumen and technology to create flexible products that deliver value for policy holders, producers, reinsurers and insurance company partners**

## MARKETS

- Markets with attractive long term returns but fragmented competition
- Straightforward risks, legal environments and claims processes
- Willingness to enter dislocated markets

## PRODUCTS

- Products that are A.M. Best rated and clearly differentiated from alternatives
- Flexible coverages compared to alternatives with rigid forms or limited options
- Personal and commercial products available on an admitted and E&S basis

## UNDERWRITING

- Scalable underwriting approach combining data analysis with human expertise
- Lines of business that can leverage automation and improved risk selection at scale
- Straightforward risks that can be quoted efficiently and perform homogenously

## DISTRIBUTION

- Open architecture model that leverages multiple distribution channels
- Opportunities to solve a clear market need for producers
- Internal Inside Sales team extends agency reach and offers personalized service

## RISK TRANSFER

- Comprehensive risk transfer program utilizing excess of loss, quota share and property per risk coverages
- Accumulate risks with attractive returns that are hard for reinsurers to access or aggregate
- Flexibility to modify risk appetite and strategy to suit market conditions and maturity of programs

# Innovative Technology Platform

## Emphasis on the use of technology and analytics across our business

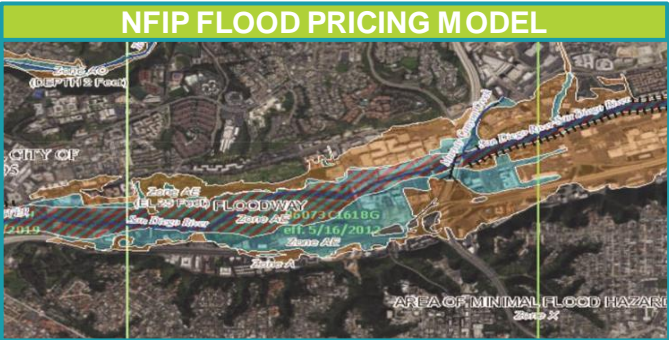
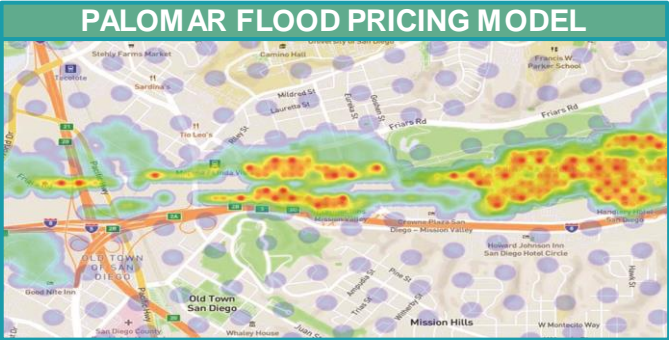
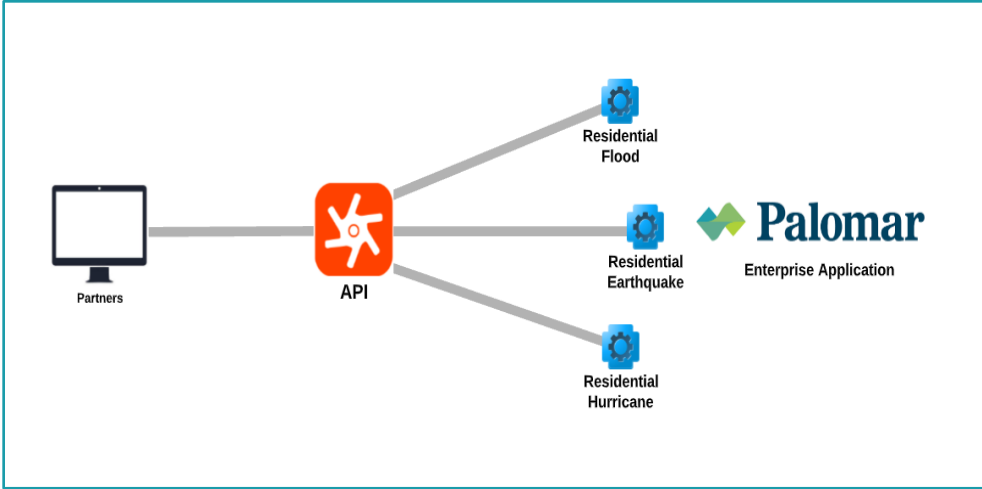
- Technology systems built for automation and efficiency
- Integration between pricing models, policy administration and analytics
- Ability to rapidly quote and bind policies for producers
- API development for partners with Palomar Automated Submission System (PASS)
- Real-time data and event reporting
- Seamless communication with partner carriers and reinsurers
- Scalable platform reduces operating costs & improves efficiency

### API Capabilities

Customized API integration providing a streamlined transaction process to satisfy partner needs

### Case Study: Flood

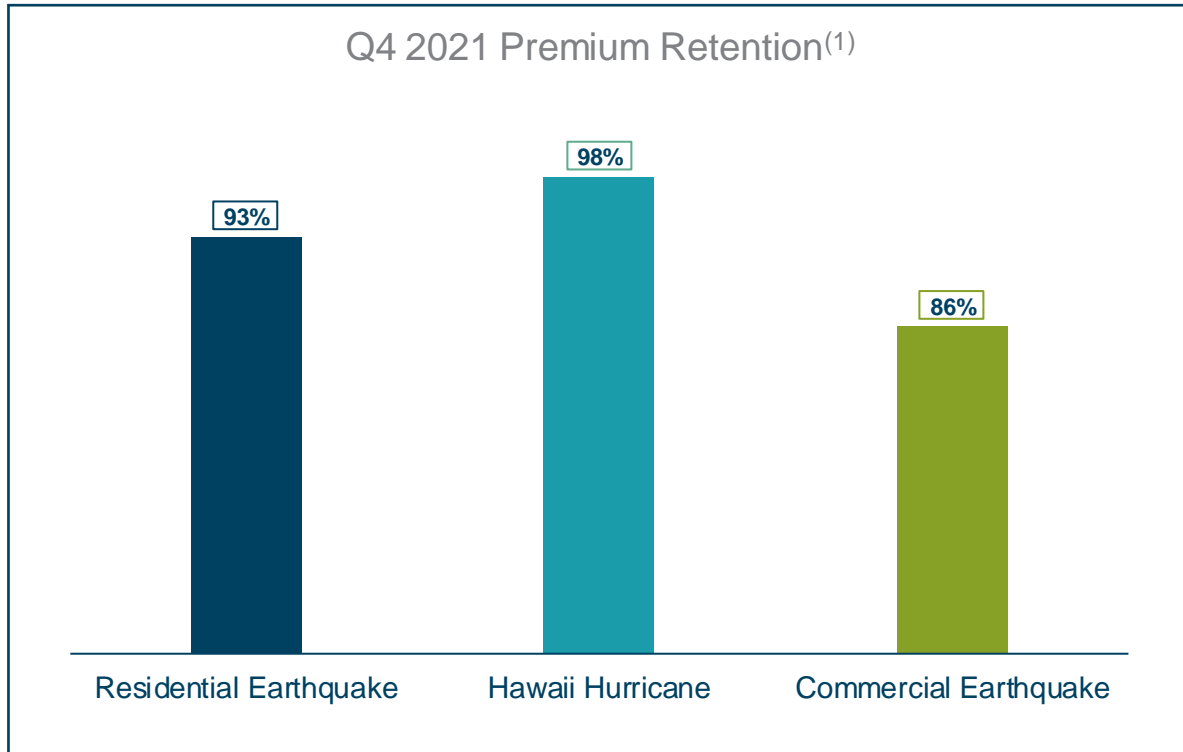
Flood business demonstrates the application of technology to enhance both underwriting and distribution



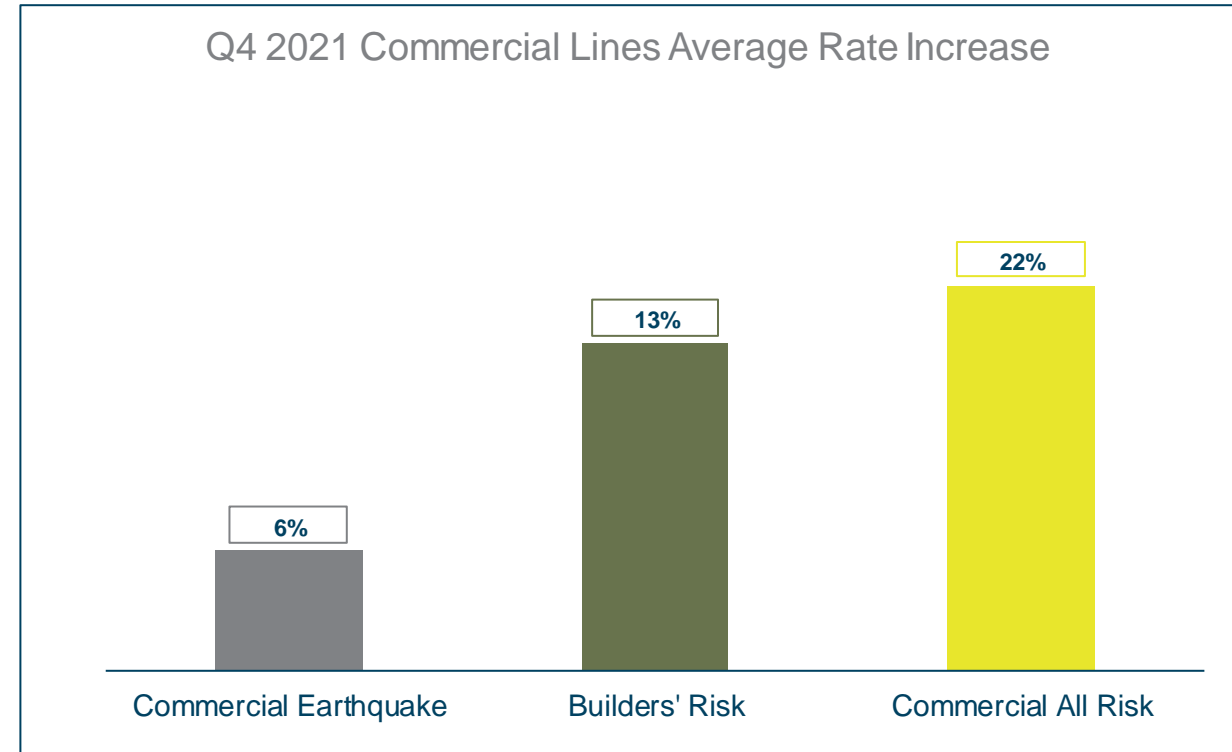
The screenshot shows the insurox interface. At the top, the insurox logo is displayed. Below it, there is a section for a Palomar policy bundle. The bundle is labeled 'Palomar' and has an 'A-' A.M. Best Rating. The alternative rate is shown as '\$853.44 / 12 months'. There is a 'Continue to Buy' button and a 'See details' link.



# Favorable Market Dynamics



- Products with no attritional loss represented 55% of 2021 GWP
- Strong premium retention enhances visibility into future results



- Ongoing opportunity for rate increases in dislocated market
- Inflation guards supplement base rate increases

# Comprehensive Risk Transfer Program

- **XOL reinsurance coverage up to \$1.7 billion for earthquake events and \$700 million for hurricane events**

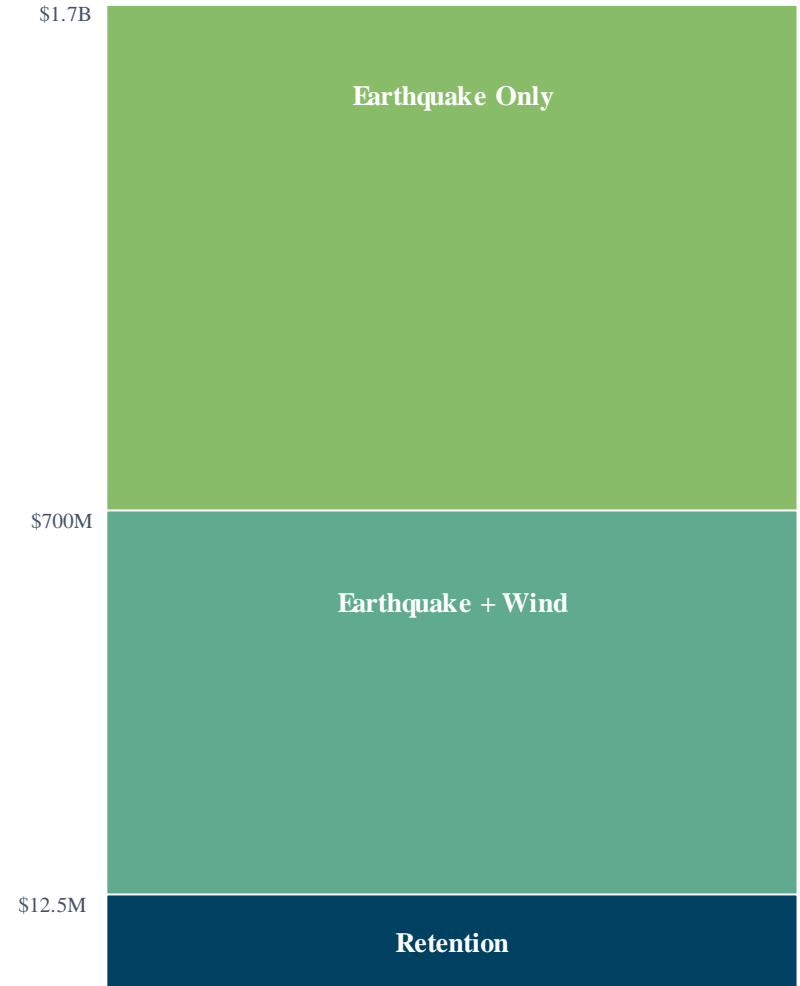
- Reinstatement provisions facilitate cover for multiple events
- Panel includes over 80 highly rated reinsurers
- \$400 million multi-year catastrophe bond via Torrey Pines Re; covers earthquake only
- Event retention of \$12.5 million represents less than 3% of stockholders' equity as of 12/31/21

- **\$25 million xs \$30 million of catastrophe aggregate limit effective 4/1/2021 – 4/1/2022**

- Pursuing the renewal of the aggregate cover; no losses sustained by reinsurers during 2021
- Renewal would establish a full year adjusted ROE floor of 14% for 2022

- **Quota share reinsurance used to further mitigate the impact of attritional losses**

- Cede majority of exposure for attritional lines of business and earn attractive ceding commission
- Utilize quota share and per risk reinsurance to manage net exposure to any single risk



# Entrepreneurial and Experienced Management Team

NAME	EXPERIENCE (YRS)	PRIOR PROFESSIONAL EXPERIENCE
<b>Mac Armstrong</b>   Chairman & CEO	25+	Arrowhead General Insurance Agency   Spectrum Equity   Alex. Brown & Sons
<b>Jon Christianson<sup>(1)</sup></b>   President	20+	Holborn Corporation   John B. Collins Associates   Guy Carpenter
<b>Chris Uchida</b>   Chief Financial Officer	25+	Arrowhead General Insurance Agency   PwC
<b>Jonathan Knutzen</b>   Chief Risk Officer	25+	TigerRisk Partners   Holborn Corporation   Guy Carpenter
<b>Michelle Johnson</b>   Chief Talent & Diversity Officer	20+	Option One Mortgage   AMN Healthcare   Panasonic Avionics Corporation
<b>Angela Grant</b>   Chief Legal Officer	30+	CSE Insurance Group   Hippo   GEICO
<b>Robert Beyerle<sup>(2)</sup></b>   Chief Underwriting Officer	20+	Great American Insurance Company   Acordia Southeast
<b>Bill Bold</b>   Chief Strategy Officer	30+	U.C. San Diego School of Global Policy & Strategy   Qualcomm
<b>Mark Brose</b>   Chief Technology Officer	25+	Agosto Inc.   Gravie   Best Buy

11 <sup>1.</sup> Jon Christianson currently serves as Chief Underwriting Officer; will assume the President position on April 1<sup>st</sup>, 2022.  
<sup>2.</sup> Robert Beyerle currently serves as SVP of Underwriting; will assume the Chief Underwriting Officer position on April 1<sup>st</sup>, 2022.



# Steadfast Commitment To ESG

## ENVIRONMENTAL

- Conducting third-party assessment of carbon footprint; will publicly disclose the results in 2022
- Adopted the Task Force on Climate-Related Financial Disclosures and Sustainability Accounting Standards Board frameworks
- Committed to maintain at least 1% of portfolio in 'green' investments
- Published second annual Sustainability and Citizenship Report in February 2022

## SOCIAL RESPONSIBILITY

- Inclusive and welcome workplace, regardless of race, ethnicity, sexual orientation, or gender identification
- Issued supplier diversity statement; driving improved metrics with women and minority-owned suppliers and partners
- Launched Palomar Protects, a partnership with non-governmental organization Team Rubicon; investing a portion of earned premium in Team Rubicon's recovery operations following catastrophe events

## GOVERNANCE

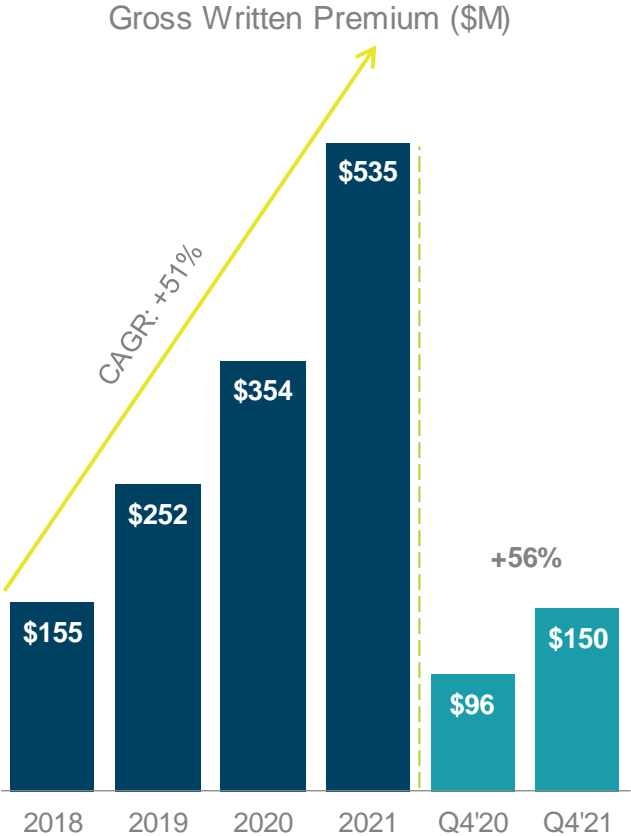
- Board of Directors includes dedicated ESG Committee
- Board diversity and independence:
  - 86% are independent of management
  - 71% are women or members of underrepresented communities
  - Members offer diversity of skills and expertise through multiple business backgrounds
- Signed UN Principles for Responsible Investment; pledge to incorporate ESG matters in all investment decisions

Access Our ESG Portal Here: <https://plmr.com/esg/>

# Financial Highlights

# Proven Business Model

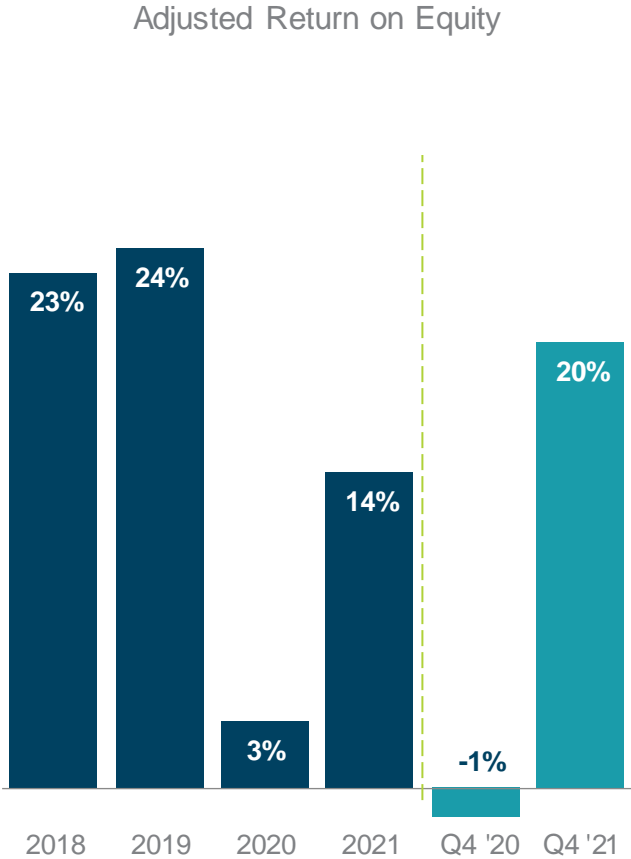
## GROWTH



## PROFITABILITY



## SHAREHOLDER RETURNS



# 2022 Guidance

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FULL YEAR 2022 CURRENT OUTLOOK	
<b>Adjusted net income</b>	<b>\$80 to \$85 million</b>

- Adjusted net income growth of 54% at the midpoint of the guidance range
- Full year adjusted ROE of 19% at the midpoint of the guidance range
- Full year adjusted ROE floor of 14% with renewing aggregate program
- Guidance excludes any major catastrophe losses
- Continental U.S. wind projected net average annual loss of approximately \$6 million at 9/30/2022

# Appendix



# Fourth Quarter & Full Year 2021 Financial Highlights

In Thousands	Three Months Ended December 31		Year Ended December 31	
	2021	2020	2021	2020
Gross written premiums	\$ 149,908	\$ 96,092	\$ 535,175	\$ 354,360
Ceded written premium	(70,437)	(53,839)	(223,443)	(155,102)
Net written premiums	79,417	42,253	311,732	199,258
Net earned premiums	67,840	38,922	233,826	155,068
Commission and other income	872	803	3,608	3,295
Total underwriting revenues <sup>(1)</sup>	68,712	39,725	237,434	158,363
Losses and loss adjustment expenses	10,169	17,214	41,457	64,115
Acquisition expenses	27,284	18,131	95,433	64,041
Other underwriting expenses	14,285	9,356	53,723	34,084
Underwriting income <sup>(1)</sup>	16,974	(4,976)	46,821	(3,877)
Interest Expense	(40)	--	(40)	--
Net investment income	2,431	2,325	9,080	8,612
Net realized and unrealized gains (losses) on investments	2,029	245	1,277	1,488
Income before income taxes	21,394	(2,406)	57,138	6,223
Income tax expense	4,762	(557)	11,291	(34)
<b>Net income</b>	<b>\$ 16,632</b>	<b>\$ (1,849)</b>	<b>\$ 45,847</b>	<b>\$ 6,257</b>
Expenses associated with transactions and stock offerings	153	--	563	708
Stock-based compensation expense	2,214	710	5,584	2,167
Amortization of intangibles	547	--	1,251	--
Expenses associated with catastrophe bond	5	--	1,704	399
Tax Impact	(350)	(130)	(1,506)	(664)
<b>Adjusted net income <sup>(1)</sup></b>	<b>\$ 19,201</b>	<b>\$ (1,269)</b>	<b>\$ 53,443</b>	<b>\$ 8,867</b>
<b>Key Financial and Operating Metrics</b>				
Annualized Return on equity	17.2%	(2.0)%	12.1%	2.1%
Annualized Adjusted return on equity <sup>(1)</sup>	19.9%	(1.4)%	14.1%	3.0%
Loss ratio	15.0%	44.2%	17.7%	41.3%
Expense ratio	60.0%	68.6%	62.2%	61.2%
Combined ratio	75.0%	112.8%	80.0%	102.5%
Adjusted combined ratio <sup>(1)</sup>	70.7%	111.0%	76.1%	100.4%
Diluted earnings per share	\$ 0.64	\$ (0.07)	\$ 1.76	\$ 0.24
Diluted adjusted earnings per share <sup>(1)</sup>	\$ 0.74	\$ (0.05)	\$ 2.05	\$ 0.35
Catastrophe losses	\$ (1,704)	\$ 14,474	\$ 5,015	\$ 50,986
Catastrophe loss ratio <sup>(1)</sup>	(2.5)%	37.2%	2.1%	32.9%
Adjusted combined ratio excluding catastrophe losses <sup>(1)</sup>	73.2%	73.8%	73.9%	67.5%

# Reconciliation Of Non-GAAP Metrics Used In This Presentation

In Thousands	Three Months Ended December 31		Year Ended December 31	
	2021	2020	2021	2020
Gross earned premiums	\$122,910	\$86,191	\$433,999	\$301,457
Ceded earned premiums	(55,070)	(47,269)	(200,173)	(146,389)
Net earned premiums	<u>\$67,840</u>	<u>\$38,922</u>	<u>\$233,826</u>	<u>\$155,068</u>
<b>Net earned premium ratio</b>	<b>55.2%</b>	<b>45.2%</b>	<b>53.9%</b>	<b>51.4%</b>
Total revenue	\$73,172	\$42,295	\$247,791	\$168,463
Net Investment income	(2,431)	(2,325)	(9,080)	(8,612)
Net realized and unrealized (gains) losses on investments	(2,029)	(245)	(1,277)	(1,488)
<b>Underwriting Revenue</b>	<b>\$68,712</b>	<b>\$39,725</b>	<b>\$237,434</b>	<b>\$158,363</b>
Income before income taxes	\$21,394	\$(2,406)	\$57,138	\$6,223
Net investment income	(2,431)	(2,325)	(9,080)	(8,612)
Net realized and unrealized (gains) losses on investments	(2,029)	(245)	(1,277)	(1,488)
Interest Expense	40	--	40	--
<b>Underwriting income</b>	<b>\$16,974</b>	<b>\$(4,976)</b>	<b>\$46,821</b>	<b>\$(3,877)</b>
Net income	\$16,632	\$(1,849)	\$45,847	\$6,257
Adjustments:				
Expenses associated with transactions and stock offerings	153	--	563	708
Stock-based compensation expense	2,214	710	5,584	2,167
Amortization of intangibles	547	--	1,251	--
Expenses associated with catastrophe bond	5	--	1,704	399
Tax impact	(350)	(130)	(1,506)	(664)
<b>Adjusted net income</b>	<b>\$19,201</b>	<b>\$(1,269)</b>	<b>\$53,443</b>	<b>\$8,867</b>
Annualized adjusted net income	<u>\$76,804</u>	<u>\$(5,076)</u>	<u>\$53,443</u>	<u>\$8,867</u>
Average stockholders' equity	<u>\$385,973</u>	<u>\$362,804</u>	<u>\$378,941</u>	<u>\$291,135</u>
<b>Annualized adjusted return on equity</b>	<b>19.9%</b>	<b>(1.4)%</b>	<b>14.1%</b>	<b>3.0%</b>

# Reconciliation Of Non-GAAP Metrics Used In This Presentation

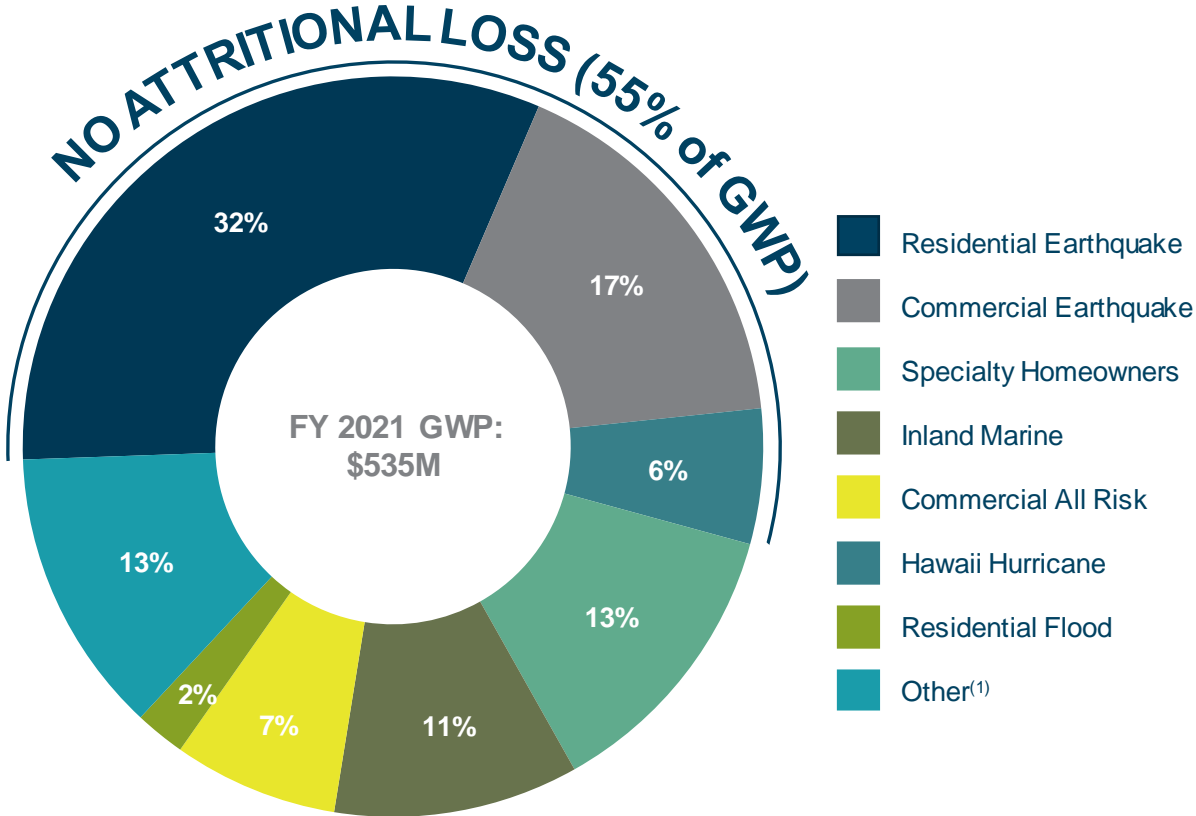
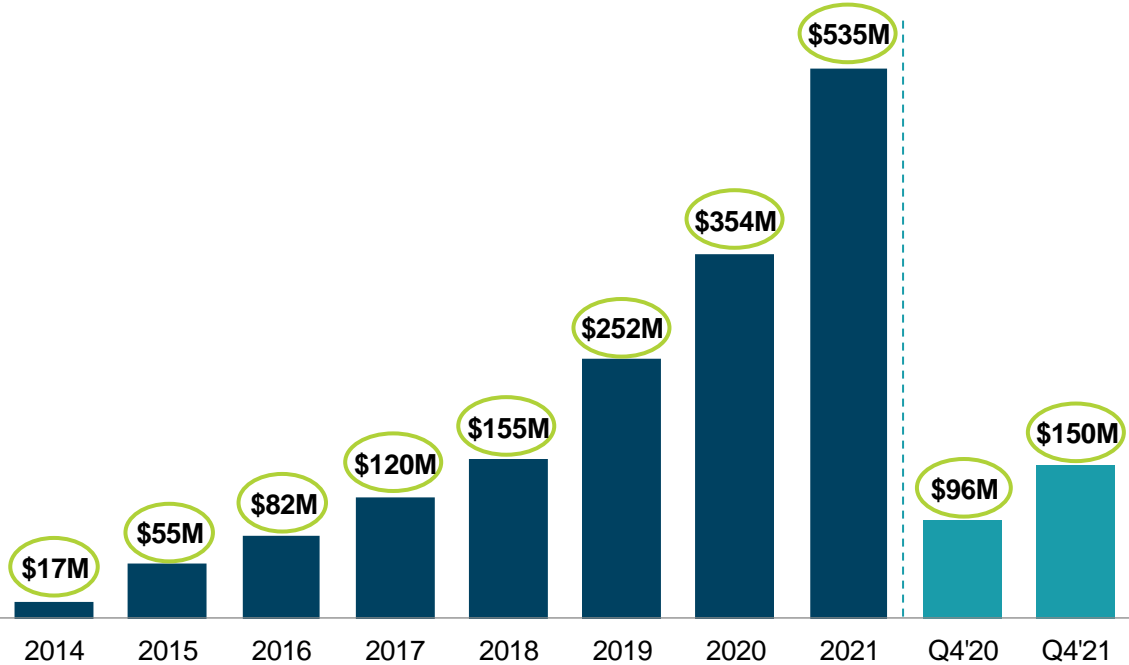
In Thousands	Three Months Ended December 31		Year Ended December 31	
	2021	2020	2021	2020
Numerator: Sum of losses and loss adjustment expenses, acquisition expenses, and other underwriting expenses, net of commission and other income	<u>\$50,866</u>	<u>\$43,898</u>	<u>\$187,005</u>	<u>\$158,945</u>
Denominator: Net earned premiums	<u>\$67,840</u>	<u>\$38,922</u>	<u>\$233,826</u>	<u>\$155,068</u>
<b>Combined Ratio</b>	<b>75.0%</b>	<b>112.8%</b>	<b>80.0%</b>	<b>102.5%</b>
Adjustments to numerator:				
Expenses associated with transactions and stock offerings	\$(153)	--	\$(563)	\$(708)
Stock-based compensation expense	(2,214)	(710)	(5,584)	(2,167)
Amortization of intangibles	(547)	--	(1,251)	--
Expenses associated with catastrophe bond	(5)	--	(1,704)	(399)
<b>Adjusted combined ratio</b>	<b>70.7%</b>	<b>111.0%</b>	<b>76.1%</b>	<b>100.4%</b>
Adjusted net income	<u>\$19,201</u>	<u>\$(1,269)</u>	<u>\$53,443</u>	<u>\$8,867</u>
Weighted-average common shares outstanding, diluted	<u>26,045,213</u>	<u>25,520,111</u>	<u>26,111,904</u>	<u>25,598,647</u>
<b>Diluted adjusted earnings per share</b>	<b>\$0.74</b>	<b>\$(0.05)</b>	<b>\$2.05</b>	<b>\$0.35</b>
Numerator: Losses and Loss adjustment expenses	<u>\$10,169</u>	<u>\$17,214</u>	<u>\$41,457</u>	<u>\$64,115</u>
Denominator: Net earned premiums	<u>\$67,840</u>	<u>\$38,922</u>	<u>\$233,826</u>	<u>\$155,068</u>
<b>Loss ratio</b>	<b>15.0%</b>	<b>44.2%</b>	<b>17.7%</b>	<b>41.3%</b>
Numerator: Catastrophe losses	<u>\$(1,704)</u>	<u>\$14,474</u>	<u>\$5,015</u>	<u>\$50,986</u>
Denominator: Net earned premiums	<u>\$67,840</u>	<u>\$38,922</u>	<u>\$233,826</u>	<u>\$155,068</u>
<b>Catastrophe loss ratio</b>	<b>(2.5)%</b>	<b>37.2%</b>	<b>2.1%</b>	<b>32.9%</b>

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Stock-based compensation expense	(2,214)	(710)	(5,584)	(2,167)
Amortization of intangibles	(547)	--	(1,251)	--
Expenses associated with catastrophe bond	(5)	--	(1,704)	(399)
Catastrophe Losses	<u>1,704</u>	<u>(14,474)</u>	<u>(5,105)</u>	<u>(50,986)</u>
<b>Adjusted combined ratio excluding catastrophe losses</b>	<b>73.2%</b>	<b>73.8%</b>	<b>73.9%</b>	<b>67.5%</b>

# Historical Growth and Current Business Mix

Annual GWP By Year



# Flexible Distribution Network

RETAIL AGENTS	WHOLESALE BROKERS	PROGRAM ADMINISTRATORS	CARRIER PARTNERSHIPS
<ul style="list-style-type: none"><li>• Primarily distribute personal lines products</li><li>• High retention rates and rate stability</li><li>• Cross-selling potential</li><li>• Direct access to PASS, our agency portal</li></ul>	<ul style="list-style-type: none"><li>• Predominant channel for commercial property insurance</li><li>• Much higher average premium than retail business</li></ul>	<ul style="list-style-type: none"><li>• Rapid scale via utilization of existing distribution infrastructures</li><li>• Products ultimately sold by retailers and wholesalers</li></ul>	<ul style="list-style-type: none"><li>• Companion offers</li><li>• Direct appointments with captive agents</li><li>• Reinsurance for existing and new risks</li></ul>

***Increased distribution footprint by 19% during 2021***

# Strategic Partners

EXISTING RELATIONSHIPS WITH 20+ STRATEGIC PARTNERSHIPS

