BEST'S RATING REPORT

PALOMAR HOLDINGS, INC.

Domiciliary Address: 1209 Orange Street, Wilmington, Delaware 19801 United States
Administrative Office: 7979 Ivanhoe Avenue, Suite 500, La Jolla, California 92037 United States

AMB #: 033566	**NAIC #:** N/A	**FEIN #:** 83-3972551
Phone: +1-619-567-5290	**Fax:** +1-619-567-6954	**Website:** www.plmr.com

PALOMAR SPECIALTY INSURANCE COMPANY — A-

Domiciliary Address: 1050 S.W. 6th Avenue, Suite 1100, Portland, Oregon 97204 United States
Administrative Office: 7979 Ivanhoe Avenue, Suite 500, La Jolla, California 92037 United States

AMB #: 022031	NAIC #: 20338	FEIN #: 95-2379438
Phone: +1-619-567-5290	Fax: +1-619-567-6954	Website: www.plmr.com

Financial Strength Rating
A- Excellent

Best's Credit Rating Effective Date
May 20, 2021

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Information

Best's Credit Rating Methodology

Guide to Best's Credit Ratings

Market Segment Outlooks

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: Best's Financial Report.

Palomar Holdings, Inc.

AMB #: 033566 | **FEIN#:** 83-3972551
Ultimate Parent: AMB # 033566 - Palomar Holdings, Inc.

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)	Issuer Credit Rating (ICR)
A-	**a-**
Excellent	**Excellent**
Outlook: **Stable**	Outlook: **Stable**
Action: **Affirmed**	Action: **Affirmed**

Assessment Descriptors

Balance Sheet Strength	**Very Strong**
Operating Performance	**Adequate**
Business Profile	**Limited**
Enterprise Risk Management	**Appropriate**

Rating Unit - Members

Rating Unit: Palomar Holdings, Inc. | AMB #: 033566

AMB #	Rating Unit Members	AMB #	Rating Unit Members
020907	Palomar Excess and Surplus Ins	022031	Palomar Specialty Insurance Co
094465	Palomar Spec Reins Co BM Ltd		

Best's Credit Rating - for the Holding Company

Issuer Credit Rating (ICR)

bbb-	Outlook: **Stable**
Good	Action: **Affirmed**

Rating Rationale - for the Rating Unit Members

The Issuer Credit Ratings and Financial Strength Ratings of the member operating companies of the rating unit are determined in accordance with Best's building block rating methodology as applied to the consolidated group's financial statements, and the supporting analytics and results are described in the following sections of this report.

Balance Sheet Strength: Very Strong

- Palomar Holdings, Inc., maintains the strongest level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR) at the 99.6% VaR level.
- The group maintains sound balance sheet liquidity as current and overall liquidity ratios compare favorably to its industry composite average.
- Loss reserve development has been favorable in all calendar years and nearly all accident years, and reserve leverage is nominal and significantly lower than its industry composite average.
- Significantly dependent on catastrophe reinsurance coverage for surplus protection.

Operating Performance: Adequate

- Palomar Holdings, Inc., has produced solid operating earnings in recent years as the group ramped up new business writings.
- Operating earnings were tempered in 2020 by hurricanes Sally, Laura, Hanna and Zeta, and in 2016 and 2017 due to Hurricane Harvey and Texas wind/hail losses.
- The group transitioned its Texas homeowners book to a fronted program on June 1, 2018, in which no net risk was retained. The quota share was reduced to an 80% cession on June 1, 2019, and a 75% cession on June 1, 2020, with coverage expanded to include all homeowners business.
- Palomar produced net income of $6.3 million in 2020, even with four full retention losses from hurricanes Sally, Laura, Zeta and Hanna. The group implemented a catastrophe aggregate treaty on April 1, 2021, to address the frequency of catastrophe losses within its catastrophe occurrence retention.

Business Profile: Limited

- Palomar Holdings, Inc., writes primarily California residential and commercial earthquake and Texas windstorm coverages, which expose it to catastrophic loss accumulation, as well as regulatory and legislative changes, and judicial decisions.
- Management has local market expertise in the California residential and commercial earthquake segments.
- Business partners include retail agents, wholesale brokers, program administrators and other insurance carriers.
- The group entered into a fronting agreement effective June 1, 2018, with all Texas windstorm business ceded to third-party reinsurers.
- The group began non-renewing its admitted commercial all-risk business in the fourth quarter of 2020.

Enterprise Risk Management: Appropriate

- Palomar Holdings, Inc., employs a conservative risk management philosophy.
- The group has a formalized ERM framework that includes risk identification and reporting, risk appetite and tolerances, risk management and controls, stress testing and corporate governance.
- Palomar Holdings, Inc.'s risk management capabilities are appropriately matched to its risk profile and the complexity of the organization.
- The group utilizes probabilistic modeling and deterministic modeling of historical events to determine the appropriateness of its reinsurance coverage.
- Catastrophe and quota share reinsurance contracts help to mitigate Palomar Holdings, Inc.'s risk; however, there is significant tail risk as reflected in the BCAR at the 99.8% VaR level.

Outlook

- The stable outlooks reflect the expectation that the group will maintain its overall balance sheet assessment of very strong, supported by risk-adjusted capitalization at the strongest level as measured by BCAR, while ongoing strategic initiatives implemented by management will maintain stable operating performance over the intermediate term.

Rating Drivers

- The ratings and/or outlooks could be negatively impacted by unexpectedly large losses or changes to its reinsurance program that would materially impact risk-adjusted capitalization.
- Deterioration in operating performance could result in negative rating pressure.

Rating Rationale - for the Holding Company

The rating of the holding company is determined by reference to the Issuer Credit Rating (ICR) of the operating insurance company members. It reflects consideration of holding company sources and uses of cash, the competing demands placed upon holding company resources and normal subordination of holding company creditors to claims of the policyholders of the operating insurance companies. In general, therefore, the holding company's Issuer Credit Rating is notched from those assigned to the operating companies of the rating unit.

Credit Analysis

Balance Sheet Strength

Palomar Holdings, Inc. has a balance sheet assessment categorized as very strong, as indicated by its Best's Capital Adequacy Ratio (BCAR), which is driven by moderate underwriting leverage, favorable loss reserve development and a conservative investment risk profile. The primary offsetting factors are significant dependence on reinsurance and model risk, as a writer of catastrophe-exposed business.

Capitalization

Palomar Holdings, Inc. maintains the strongest level of risk-adjusted capitalization as measured by its Best Capital Adequacy Ratio (BCAR). The company's capital position reflects its moderate net underwriting leverage and conservative investment risk profile, partially offset by significant reinsurance dependence and off balance sheet catastrophe exposure. The group's main driver of surplus appreciation were proceeds from an initial public offering (IPO) in April 2019 and additional follow-on equity issuances completed in January and June 2020. Subsequently, $40 million of capital was contributed to Palomar Specialty Insurance Company, and Palomar Excess and Surplus Company was launched in August 2020 with $100 million of capital. The surplus note at Palomar Specialty Insurance Company was paid off in 2018 from the proceeds of the issuance of $20 million of senior debt at Palomar Insurance Holdings, Inc. The senior debt was paid off in 2019, following the completion of the IPO.

The group maintains sound balance sheet liquidity as measured by current and overall liquidity ratios that compare favorably to its industry composite average. Operating cash flows have been solid over the past five years, driven by a significant increase in premiums collected. Underwriting leverage has remained moderate as the group ramped up new business writings in 2019 and 2020 following the completion of the IPO and follow-on equity offerings. The gross, ceded and net underwriting leverage at year-end 2020 remain moderate but are somewhat higher than its industry composite average.

Based on the company's business concentration in catastrophe-exposed lines of business and geographic locations, overall capitalization is susceptible to aggregate losses, primarily resulting from earthquake occurrences. The group effectively manages this exposure through its sophisticated catastrophe modeling techniques and a comprehensive catastrophe reinsurance program. Adjusted for earthquake exposure as depicted in a probable maximum loss (PML) analysis, risk-adjusted capitalization remains at the strongest level.

The group's stockholders' equity increased to $363,713,000 at YE 2020 from $218,556,000 at YE 2019 (66.4% increase). This was driven by $128.3 million of proceeds from follow-on equity offerings, $6.3 million in net income and $8.6 million in net unrealized gains on investments. The group's stockholders' equity increased to $218,556,000 at YE 2019 from $96,292,000 at YE 2018 (127% increase). This was driven by $87.4 million from the IPO, $24.1 million in stock-based compensation, $10.6 million in net income and $5.2 million in net unrealized gains on investments, modestly offset by a $5.1 million distribution to stockholders. The group's stockholders' equity increased to $96,292,000 at YE 2018 from $78,414,000 at YE 2017 (22.8% increase), driven by $18.2 million of net income.

Asset Liability Management - Investments

The group maintains a conservative investment risk profile primarily comprised of long-term bonds with the remainder held in cash and short-term investments and common stocks. The investment risk profile is modest as non-affiliated investment leverage is significantly below the composite average. Non-affiliated investment leverage is comprised of common stock leverage and non-investment grade bond leverage. Investment leverage has declined in recent years due to reduced common stock holdings.

Balance Sheet Strength (Continued...)

Reserve Adequacy

The group maintains a conservative loss reserve posture as demonstrated by favorable development in all calendar years and nearly all accident years since its inception. Loss and LAE reserves are allocated to the property, property reinsurance and homeowners lines of business. As nearly all writings are property business, the loss reserve tail is short as claims are closed quickly. As the group's primary line of business is residential and commercial earthquake coverage, which is a low frequency and high severity line of business, loss reserve leverage is nominal and significantly lower than its industry composite average. The group reported modestly adverse accident year development in the 2019 accident year, driven by adverse development on the assumed international property reinsurance line of business. The property and homeowners lines of business have reported consistently favorable development.

Holding Company Assessment

Palomar Holdings, Inc. (Delaware) is the ultimate parent and holding company of Palomar Specialty Insurance Company, Palomar Specialty Reinsurance Company Bermuda Ltd. and Palomar Excess and Surplus Insurance Company.

In April 2019, Palomar Holdings, Inc. successfully completed its initial public offering listing the Company on the NASDAQ (ticker symbol: PLMR).

1) GC Palomar Investor LP (Cayman Islands) (AMB# 33565), the ultimate parent, was eliminated from the group's corporate structure.

2) GC Palomar Holdings (Cayman Islands) (AMB# 33566) became the ultimate parent, was redomesticated to Delaware and the company name was changed to Palomar Holdings, Inc.

3) Palomar Holdings, Inc. raised $87.4 million of incremental capital.

4) Contributed $40 million of capital to Palomar Specialty Insurance Company for future growth plans.

5) Repaid all outstanding debt. This included $20 million of 10-Year Senior Notes that were issued in September 2018 by Palomar Insurance Holdings, Inc.

6) Palomar raised an additional $128.3 million of incremental capital in follow-on equity issuances completed in January and June 2020.

7) Launched Palomar Excess and Surplus Insurance Company in August 2020 with $100 million of capital.

Consolidated risk-adjusted capitalization includes the results of Palomar Specialty Insurance Company (Statutory Filer) and Palomar Specialty Reinsurance Company (Bermuda GAAP Filer) and Palomar Excess and Surplus Company (Statutory Filer). The holding company's impact on the rating assessment is considered neutral.

Operating Performance

Palomar Holdings Inc.'s operating strategy is premised around limited fixed cost investment through the use of third-party outsourced vendors. Management has developed a business plan that incorporates controlled growth and considerable reinsurance to endure catastrophic events and capitalize on opportunities post-event. Management has considerable experience in the residential and commercial earthquake industry with combined tenure of over 40 years.

Palomar's net income increased to $16.6 million in first quarter 2021 from $11.8 million in first quarter 2020, driven by improved underwriting results and modestly increased net investment income. The group's combined ratio improved to 60.4% (NUI = $18.6M) in first quarter 2021 from 63.6% (NUI = $12.7M) in first quarter 2019. The group reported catastrophe losses of -$9.6 million and a catastrophe loss ratio of -20.5% for first quarter 2021. The negative catastrophe loss ratio was due to favorable development on catastrophe losses from 2020 hurricanes and due to reinsurance recoveries. The group did not incur any catastrophe losses during first quarter 2020, despite significant homeowners gross incurred losses from Winter Storm Uri in Texas due to their catastrophe reinsurance coverage and quota share that covered 80% of their retention. The group reported non-catastrophe losses of $5.2 million and a non-catastrophe loss ratio of 11.1% for first quarter 2021, compared to non-catastrophe losses of $1.9 million and a non-catastrophe loss ratio of 5.4% for first quarter 2020. Non-catastrophe losses increased due mainly to higher attritional loss activity on lines of business subject to attritional losses such as Commercial All Risk (admitted business currently in runoff), Specialty Homeowners, Flood and Inland Marine.

Operating Performance (Continued...)

Palomar's net income deteriorated to $6.3 million in 2020 from $10.6 million in 2019, driven by a deterioration in underwriting results. The group's combined ratio deteriorated to 102.5% (NUI = -$3.9M) in 2020 from 91.3% (NUI = $8.7M) in 2019. Losses were primarily attributable to catastrophe events occurring during the third and fourth quarters in the group's Specialty Homeowners and Commercial All Risk lines of business. The group reported 2020 catastrophe losses of $51.0 million and a catastrophe loss ratio of 32.9%. Catastrophe losses included four full retention losses from Hurricanes Sally, Laura, Zeta and Hanna. The group did not experience any catastrophe losses in 2019. In addition, catastrophe losses occurring in the third and fourth quarters of 2020 caused the group to fully utilize portions of the XOL coverage, As a result, they incurred charges of $7.0 million during the fourth quarter of 2020 related to the acceleration of XOL expenses and the purchase and utilization of a backup XOL layer. The group reported 2020 non-catastrophe losses of $13.1 million with a non-catastrophe loss ratio of 8.5%, compared to 2019 non-catastrophe losses $5.6 million and a non-catastrophe loss ratio of 5.6%. Non-catastrophe losses increased due mainly to a higher percentage of business in lines subject to attritional losses such as Commercial All Risk (admitted business currently in runoff), Specialty Homeowners and Inland Marine. These attritional losses included pipe bursts, water leaks, fire and cargo loss.

In 2019, the group reported net income of $10.6 million, compared to $18.2 million in 2018. However, on an adjusted basis, net income was $37.9 million in 2019 compared to $19.8 million in 2018. Net adjustments of $27.2 million in 2019 were as follows: Stock-based compensation of $24.1 million, IPO/secondary and tax restructure expenses of $3.0 million, and debt extinguishment charges of $1.3 million. Palomar's total loss ratio for YE 2019 of 5.6% compared favorably to its total loss ratio of 9.0% for YE 2018. The YE 2019 catastrophe loss ratio was 3.2% with event activity in Q3 and Q4 from the Ridgecrest Earthquake and named storms Barry, Dorian, Faxai, Hagibis and Imelda. The YE 2019 attritional loss ratio of 2.4% was in line with expectations, including favorable prior period development. Common sources of attritional loss activity in 2019 included pipe bursts/water leaks, non-hurricane weather events (straight-line winds, excessive rain, hail, etc.), equipment breakdown and fire. Lines of business that contribute to attritional loss activity include Commercial All Risk, Specialty Homeowners and Inland Marine. Palomar did not experience any catastrophe losses that threatened its $5.0 million catastrophe excess of loss attachment. Certain catastrophe losses contributed to the loss ratio, but no single event accounted for a gross loss that exceeded $1.0 million. Palomar experienced overall favorable development from 2018 Hurricanes Harvey and Florence (Overall: $0.5M favorable; Harvey: $1.1M adverse; Florence: $1.6M favorable).

In 2018, the group has produced strong operating performance with net income of $18.2 million, even with a full retention loss from Hurricane Florence. Effective June 1, 2018, the group transitioned its Texas Homeowners book to a fronted program in which no net risk was retained. All Texas Homeowners exposure was laid off to a third-party reinsurer. The Texas Homeowners book produced strong results for the first five months of 2018, while the group was still on the risk. Hurricane Florence accounted for net incurred losses of $5.0 million, which added 7.6 points to the group's combined ratio. Homeowners and All Risk programs reported improved loss ratios. The Flood program was the only line of business that had a deterioration in loss ratio, driven by a single shock loss from the Montecito mudslides.

Despite the impact of wind/hail and Hurricane Harvey losses on Texas results, the group produced solid operating earnings in 2017 and 2016. The majority of the group's earnings were driven by Palomar Specialty Reinsurance Company, which did not assume any Texas risk on its quota share contract with Palomar Specialty Insurance Company.

In 2015 and 2014, the group's operating results were impacted by start-up expenses and staffing earlier than budgeted to support the growth in premium writings. In 2016, the group's operating results were adversely impacted by extraordinary Texas wind/hail losses with $9.0 million of gross incurred losses and $7.2 million of net incurred losses with a combined ratio impact of 7.8 points. In 2017, the group's operating results were adversely impacted by Hurricane Harvey and Texas wind/hail losses with $31.3 million of gross incurred losses and $11.4 million of net incurred losses with a combined ratio impact of 22.2 points. Hurricane Harvey accounted for $24.1 million of gross incurred losses and $6.5 million of net incurred losses with a combined ratio impact of 12.6 points.

Effective July 1, 2019, Palomar Specialty Insurance Company received approval from the Oregon Division of Financial Regulation to suspend its quota share with Palomar Specialty Reinsurance Company and reverse unearned premium transactions. On January 1, 2018, Palomar Specialty Insurance Company increased its earthquake quota share cessions to Palomar Specialty Reinsurance Company to 50.0% from 0% and included residential Hawaii Hurricane in the quota share, pending regulatory approval. On September 1, 2017, Palomar Specialty Insurance Company reduced its earthquake quota share cessions to Palomar Specialty Reinsurance Company to 0% from 26.5%. On January 1, 2017, Palomar Specialty Insurance Company reduced its earthquake quota share cessions to Palomar Specialty Reinsurance Company to 26.5% from 35.0%. On January 1, 2016, Palomar Specialty Insurance Company began its earthquake quota share cessions to Palomar Specialty Reinsurance Company of 35.0%.

Business Profile

Palomar Holdings, Inc., writes 48.8% of its business in California residential and commercial earthquake coverages and 19.2% of its business in Texas windstorm coverages, which exposes it to catastrophic loss accumulation, as well as regulatory and legislative changes, and judicial decisions. The remainder of business is primarily written in WA, NC, OR, SC, MS, AL and LA. The group's lines of

Business Profile (Continued...)

business include residential earthquake (40%), commercial earthquake (17%), commercial all risk (15%; admitted business in runoff), specialty homeowners (14%), Hawaii hurricane (4%), inland marine (4%) and residential flood (2%).

The group is comprised of Palomar Special Insurance Company (PSIC), Palomar Specialty Reinsurance Company Bermuda Ltd. (Palomar Re) and Palomar Excess and Surplus Insurance Company (PESIC). The primary operating subsidiary, PSIC, is an insurance company domiciled in the state of Oregon that was formed in February 2014 and is an admitted insurer licensed to write business in 32 states as of December 31, 2020. Palomar Re is a Bermuda-based reinsurance subsidiary that was incorporated in August 2014 and provides reinsurance support exclusively to PSIC. PESIC is domiciled in the state of Arizona to write surplus lines business on a nationwide basis across all of the group's existing lines of business. PESIC received regulatory approval in 2020 and was capitalized with approximately $100 million in initial surplus. Prospect General Insurance Agency, Inc., was formed in 2015 to underwrite specialty insurance products on behalf of third-party insurance companies.

Palomar Re was formed to cede a pro rata share of PSIC's catastrophe retention. The cession was focused on specified lines of business to build capital in a more tax efficient manner. The core role of Palomar Re was modified, with the domestication of the parent company to the U.S. to facilitate the IPO, and it became a full U.S. tax paying entity. Consequently, it was decided to temporarily freeze earthquake and Hawaii hurricane cessions effective July, 1, 2019. However, Palomar Re maintains an important risk transfer affiliate of the group with its ability to spread risk and provide surplus relief for PSIC and PESIC.

During 2020, Palomar received regulatory approval for and capitalized PESIC with approximately $100 million in initial surplus. PESIC is domiciled in Arizona and licensed in Arizona to write surplus lines business on a nationwide basis. The strategic rationale for the creation of the company was the logical progression of the group's property franchise and opportunity to selectively extend into other specialty segments. The primarily lines of business are non-admitted commercial earthquake, commercial all risk and inland marine. New lines of business for 2021 are non-admitted builder's risk and excess liability. PESIC is actively writing in-house business as well as through select program administrators.

PSIC, PESIC and Palomar Re have an intercompany pooling agreement, whereby all premiums, losses and expenses are ceded to the lead member of the pool, PSIC, and redistributed to PSIC, PESIC and Palomar Re.

The group distributes its products its products through a multi-channel, open architecture distribution model which includes retail agents, wholesale brokers, program administrators and carrier partnerships. They have a well-defined underwriting criteria and have designed their distribution model to access their targeted risks through what they believe to be the most efficient channels.

The group entered into a fronting agreement effective June 1, 2018, with all Texas windstorm business ceded to third-party reinsurers. The quota share was reduced to an 80% cession on June 1, 2019 and a 75% cession on June 1, 2020, with coverage expanded to include all homeowners business.

The group began non-renewing admitted commercial all risk business in fourth-quarter 2020 due to unfavorable loss experience. Management will focus on writing non-admitted commercial all risk business through PESIC, as the rate environment is more conducive to writing in the excess and surplus lines segment.

Enterprise Risk Management

The group utilizes catastrophe excess of loss and aggregate reinsurance coverage to protect against large single and aggregate losses. Access to reinsurance is through multi-channels such as brokers, direct access and insurance-linked securities (Torrey Pines Re). Management employs value-added features including dynamic coverage to match growth; multi-year purchasing strategies; inuring, underlying and cascading coverages; as well as the complimentary utilization of quota share, excess of loss and facultative coverage. Management maintains a large diversified panel of reinsurers with year-round planning and execution.

Management is aware of TVAR exposure and monitors tail events and limits exposure accumulations in areas designated as high risk in terms of vulnerability. Conservative reinsurance strategy imposed to preserve capital and purchase to a minimum of the 1/250-year total all perils gross PML. Catastrophe and quota share reinsurance contracts help to mitigate Palomar Holdings, Inc.'s risk; however, there is significant tail risk as reflected in the BCAR at the 99.8% VaR level. The mitigating factors to this tail risk are as follows: both the 1906 San Francisco Earthquake and the 1994 Northridge Earthquake would result in net losses well contained within the reinsurance program.

Additionally, Palomar Holdings, Inc. intends to underwrite and manage its portfolio beyond the results of the model and hedge against "model miss" through quarterly multi-model portfolio processing and the following manual underwriting tools:

- manual zone risk concentration management and exposure caps

- geographic diversification

Enterprise Risk Management (Continued...)

- spread of risk between commercial and residential risks

- conservative limit management

Reinsurance Summary

The group maintains a fully integrated all peril catastrophe per occurrence excess of loss reinsurance program comprised of three towers: (1) Core Tower representing six syndicated layers with a retention of $12.5 million (2) Torrey Pines Re Earthquake Inuring Layers representing $400 million excess of $250 million of coverage (3) Continental USA Hurricane Inuring Layers representing $62.5 million excess of $12.5 million of coverage. In total, between the Core Tower, Torrey Pines Re Earthquake Inuring Layers and the Continental USA Hurricane Inuring Layers, the group maintains coverage up to $1.651 billion for earthquake events with a retention of $12.5 million. The group also uses an inuring 20% California Commercial Earthquake Quota Share and $25 million excess of $30 million Catastrophe Aggregate Excess of Loss coverage. The group utilizes an extensive panel of over 80 reinsurers. The principal reinsurers include Lloyd's of London, Torrey Pines Re, Elementum Re Ltd, Vermeer Re Ltd, Houston Casualty Company, Fidelis Insurance Bermuda Ltd and Lancashire Insurance Company Ltd.

Financial Statements

	12/31/2020		12/31/2019
Balance Sheet	**USD (000)**	**%**	**USD (000)**
Cash and Short Term Investments	33,786	4.6	33,349
Bonds	397,987	54.6	217,151
Equity Securities	24,322	3.3	22,328
Total Cash and Invested Assets	456,095	62.6	272,828
Reinsurers' Share of Reserves	129,597	17.8	39,057
Debtors / Amounts Receivable	59,004	8.1	40,540
Other Assets	84,396	11.6	43,037
Total Assets	729,092	100.0	395,462
Gross Technical Reserves:			
Unearned Premiums	183,489	25.2	130,373
Non-Life Reserves	129,036	17.7	16,821
Total Gross Technical Reserves	312,525	42.9	147,194
Other Liabilities	52,854	7.2	29,712
Total Liabilities	365,379	50.1	176,906
Capital Stock	3	...	2
Paid-in Capital	310,507	42.6	180,012
Retained Earnings	39,957	5.5	33,856
Other Capital and Surplus	13,246	1.8	4,686
Total Capital and Surplus	363,713	49.9	218,556
Total Liabilities, Mezzanine Items and Surplus	729,092	100.0	395,462

Source: BestLink® - Best's Financial Suite
US $ per Local Currency Unit 1 = 1 US Dollar (USD)

Last Update
June 03, 2021

Identifiers
AMB #: 033566
FEIN #: 83-3972551

Contact Information

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Financial Data Presented

The financial data in this report reflects the most current data available at the time the report was printed.

Palomar Holdings, Inc.

Operations

Domiciled: Delaware, United States

Business Type: Property/Casualty
Publicly Traded Corp: Palomar Holdings, Inc.
Stock Exchange: NASDAQ: PLMR

Best's Credit Ratings

Rating Relationship

AM Best Rating Unit: **033566 - Palomar Holdings, Inc.**

Refer to the Best's Credit Report for AMB# 033566 - Palomar Holdings, Inc. for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

		Best's Credit Ratings	
AMB#	Rating Unit Members	Financial Strength Rating	Long-Term Issuer Credit Rating
020907	Palomar Excess and Surplus Ins	A-	a-
094465	Palomar Spec Reins Co BM Ltd	A-	a-
022031	Palomar Specialty Insurance Co	A-	a-

Best's Credit Rating History

AM Best has assigned ratings on this company since 2019. In our opinion, the company has a Good ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to Rating History in BestLink:

	Best's Long-Term Issuer Credit Ratings		
Effective Date	Rating	Outlook	Action
Current - May 20, 2021	**bbb-**	**Stable**	**Affirmed**
Apr 30, 2020	bbb-	Stable	Affirmed
Apr 18, 2019	bbb-	Stable	Assigned

Palomar Specialty Insurance Company

Last Update
June 07, 2021

Identifiers
AMB #: 022031
NAIC #: 20338
FEIN #: 95-2379438

Contact Information

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Financial Data Presented

The financial data in this report reflects the most current data available at the time the report was printed.

Operations

Date Incorporated: February 14, 1963 **|** **Date Commenced:** March 01, 1963

Domiciled: Oregon, United States

Licensed: (Current since 06/07/2021). The company is licensed in AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, IL, IN, KS, KY, LA, MD, MS, MO, NV, NJ, NC, OK, OR, PA, RI, SC, TN, TX, UT, VA and WA.

Business Type: Property/Casualty
Organization Type: Stock
Marketing Type: Broker
Financial Size: IX ($250 Million to $500 Million)

Best's Credit Ratings

Rating Relationship

AM Best Rating Unit: **033566 - Palomar Holdings, Inc.**

Palomar Specialty Insurance Company is a member of Palomar Holdings, Inc. (AMB# 033566) rating unit and the rating reflects the pooling arrangement with other members of the rating unit. Refer to the Best's Credit Report for AMB# 033566 - Palomar Holdings, Inc. for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

Best's Credit Rating History

AM Best has assigned ratings on this company since 2014. In our opinion, the company has an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to Rating History in BestLink:

	Best's Financial Strength Ratings				Best's Long-Term Issuer Credit Ratings		
Effective Date	**Rating**	**Affiliation**	**Outlook**	**Action**	**Rating**	**Outlook**	**Action**
Current - May 20, 2021	**A-**	**p (Pooled Rating)**	**Stable**	**Affirmed**	**a-**	**Stable**	**Affirmed**
Apr 30, 2020	A-	g (Group Rating)	Stable	Affirmed	a-	Stable	Affirmed
Apr 18, 2019	A-	g (Group Rating)	Stable	Affirmed	a-	Stable	Affirmed
Feb 26, 2019	A-	g (Group Rating)	Stable	Affirmed	a-	Stable	Affirmed
Feb 7, 2018	A-	g (Group Rating)	Stable	Affirmed	a-	Stable	Affirmed

Management

Palomar Insurance Holdings, Inc. (PIH) (formerly known as Cottage Insurance Holdings, Inc.) owns 100% of Palomar Specialty Insurance Company through common stock.

The principals of Palomar Specialty and Genstar Capital Management LLC committed $75.0M of equity capital to the creation of Palomar Specialty.

Palomar Specialty is led by David "Mac" Armstrong, the former President and COO of Arrowhead General Insurance Agency, one of the largest program administrators in the P&C segment. Management and Genstar have developed a business plan that incorporates moderate growth and considerable reinsurance to endure catastrophic events and capitalize on opportunities post-event.

In early 2014, PIH acquired Northwestern Pacific Indemnity Company, an Oregon shell insurance company with active licenses in 7 states, from The Chubb Corporation.

Officers

President: David M. Armstrong
EVP and Secretary: Heath A. Fisher
SVP and Treasurer: Elizabeth W. Seitz (Finance & Accounting)
Vice President: Jon M. Christianson
Vice President: Andrew T. Robinson
Secretary: Angela Grant

Directors

David M. Armstrong (Chairman)
Heath A. Fisher
Francis K. Lee
Cameron K. Martin
Toshio C. Uchida

History

Northwestern Pacific Indemnity Company is an Oregon corporation formed on February 14, 1963. Following its name change in January, the company commenced operations under its new ownership in February 2014.

Financial Statements

Financial Statements reflected were compiled from the most recent company-filed statement available in BestLink - Best's Statement File – P/C, US.

Currency: USD **Company's local Currency:** US Dollar

Balance Sheet

	3-Months		Year End - December 31			
	2021		2020		2019	
	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	13,161	4.2	17,770	5.9	30,111	12.1
Bonds	214,798	68.2	198,555	65.9	148,182	59.6
Preferred and Common Stock	6,905	2.2	20,681	6.9	18,752	7.5
Other Invested Assets	...	...	...	...	2,748	1.1
Total Cash and Invested Assets	234,864	74.6	237,005	78.7	199,793	80.3
Premium Balances	37,153	11.8	34,803	11.5	35,618	14.3
Net Deferred Tax Asset	7,222	2.3	6,380	2.1	5,285	2.1
Other Assets	35,504	11.3	23,147	7.7	8,050	3.2
Total Assets	314,742	100.0	301,335	100.0	248,745	100.0
Loss and Loss Adjustment Expense Reserves:						
Net Reported Loss Reserves*	11,533	3.7	17,524	5.8	1,186	0.5
Net IBNR Loss Reserves*	7,490	2.4	13,450	4.5	2,359	0.9
Net LAE Reserves	...	...	3,397	1.1	324	0.1
Total Net Loss and LAE Reserves	19,023	6.0	34,372	11.4	3,869	1.6
Net Unearned Premiums	131,821	41.9	130,140	43.2	104,268	41.9
Other Liabilities	31,064	9.9	23,486	7.8	24,312	9.8
Total Liabilities	181,908	57.8	187,998	62.4	132,449	53.2
Capital Stock	5,000	1.6	5,000	1.7	5,000	2.0
Paid-In and Contributed Surplus	126,580	40.2	126,580	42.0	124,412	50.0
Unassigned Surplus	1,254	0.4	-18,243	-6.1	-13,116	-5.3
Total Policyholders' Surplus	132,834	42.2	113,337	37.6	116,296	46.8
Total Liabilities and Surplus	314,742	100.0	301,335	100.0	248,745	100.0

Source: BestLink® - Best's Financial Suite

Best's Credit Rating Methodology | Disclaimer | Best's Credit Rating Guide