National General Holdings Corp.
Form 10-Q
August 06, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2015

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to

Commission File Number: 001-36311

NATIONAL GENERAL HOLDINGS CORP.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	27-1046208 (IRS Employer Identification No.)
59 Maiden Lane, 38th Floor New York, New York (Address of Principal Executive Offices)	10038 (Zip Code)

(212) 380-9500
(Registrant’s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Yes x No o

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

Large Accelerated Filer o	Accelerated Filer o	Non-Accelerated Filer x (Do not check if a smaller	Smaller Reporting Company o

reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Yes o No x

As of August 3, 2015, the number of common shares of the registrant outstanding was 93,730,711.

NATIONAL GENERAL HOLDINGS CORP.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

NATIONAL GENERAL HOLDINGS CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Shares and Par Value per Share)

	June 30, 2015 (unaudited)	December 31, 2014 (audited)
ASSETS		
Investments - NGHC		
Fixed maturities, available-for-sale, at fair value (amortized cost $1,436,983 and $1,330,760)	$1,461,944	$1,374,087
Equity securities, available-for-sale, at fair value (cost $55,937 and $52,272)	55,848	45,802
Short-term investments	50	50
Equity investment in unconsolidated subsidiaries	178,557	155,900
Other investments	7,607	4,764
Securities pledged (amortized cost $68,942 and $47,546)	68,826	49,456
Investments - Exchanges		
Fixed maturities, available-for-sale, at fair value (amortized cost $225,924 and $222,121)	223,453	222,739
Equity securities, available-for-sale, at fair value (cost $1,501 and $2,752)	1,515	2,817
Short-term investments	9,261	10,490
Total investments	2,007,061	1,866,105
Cash and cash equivalents (Exchanges - $35,270 and $9,437)	168,061	132,615
Accrued investment income (Exchanges - $1,976 and $1,898)	15,439	14,451
Premiums and other receivables, net (Related parties $108,542 and $64,129) (Exchanges - $54,716 and $58,238)	766,155	647,443
Deferred acquisition costs (Exchanges - $19,028 and $4,485)	141,260	125,999
Reinsurance recoverable on unpaid losses (Related parties - $60,384 and $88,970) (Exchanges - $42,039 and $23,583)	878,666	911,798
Prepaid reinsurance premiums (Exchanges - $59,047 and $26,924)	123,894	102,761
Notes receivable from related party	125,000	125,000
Due from affiliate	24,701	5,129
Premises and equipment, net	28,709	30,583
Intangible assets, net (Exchanges - $7,567 and $11,433)	272,430	248,837
Goodwill	113,843	70,764
Prepaid and other assets (Exchanges - $24,348 and $71)	42,699	43,231
Total assets	$4,707,918	$4,324,716
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Liabilities:		
Unpaid loss and loss adjustment expense reserves (Exchanges - $124,328 and $111,848)	$1,553,572	$1,562,153
Unearned premiums (Exchanges - $137,380 and $119,998)	945,775	864,436
Unearned service contract and other revenue (Exchanges - $35,145 and $0)	44,481	8,527
Reinsurance payable (Related parties - $41,600 and $41,965) (Exchanges - $6,675 and $13,811)	89,683	111,641
Accounts payable and accrued expenses (Related parties - $48,128 and $38,576) (Exchanges - $22,923 and $17,691)	188,835	207,121

Due to affiliate (Exchanges - $38,056 and $1,552)	38,056	1,552
Securities sold under agreements to repurchase, at contract value	61,154	46,804
Deferred tax liability (Exchanges - $38,855 and $38,402)	31,296	67,535
Income tax payable (Exchanges - $35 and $1,059)	46,535	30,591
Notes payable (Exchanges owed to related party - $52,547 and $48,374)	302,884	299,082
Other liabilities (Exchanges - $14,809 and $5,710)	108,506	51,824
Total liabilities	3,410,777	3,251,266

See accompanying notes to unaudited condensed consolidated financial statements.
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NATIONAL GENERAL HOLDINGS CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Shares and Par Value per Share)

Stockholders’ equity:		
Common stock, $0.01 par value - authorized 150,000,000 shares, issued and outstanding 93,713,986 shares - 2015; authorized 150,000,000 shares, issued and outstanding 93,427,382 shares - 2014	937	934
Preferred stock, $0.01 par value - authorized 10,000,000 shares, issued and outstanding 2,365,000 shares - 2015; authorized 10,000,000 shares, issued and outstanding 2,200,000 shares - 2014. Aggregate liquidation preference $220,000 - 2015, $55,000 - 2014.	220,000	55,000
Additional paid-in capital	688,967	690,736
Accumulated other comprehensive income	14,993	20,192
Retained earnings	364,609	292,832
Total National General Holdings Corp. Stockholders' Equity	1,289,506	1,059,694
Non-controlling interest (Exchanges - $7,467 and $13,670)	7,635	13,756
Total stockholders’ equity	1,297,141	1,073,450
Total liabilities and stockholders' equity	$4,707,918	$4,324,716

See accompanying notes to unaudited condensed consolidated financial statements.

NATONAL GENERAL HOLDINGS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Shares and Per Share Data)
(Unaudited)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Revenues:				
Premium income:				
Gross premium written	$575,681	$468,473	$1,219,136	$1,114,615
Ceded premiums (related parties - three months $373; $12,690 and six months $721; $42,967)	(96,271)	(49,917)	(209,701)	(128,574)
Net premium written	479,410	418,556	1,009,435	986,041
Change in unearned premium	(10,594)	(27,090)	(61,454)	(236,723)
Net earned premium	468,816	391,466	947,981	749,318
Ceding commission income	9,970	1,557	15,050	6,927
Service and fee income	57,558	38,486	112,428	75,192
Net investment income	18,335	11,321	34,483	20,535
Net realized gain on investments	389	—	1,576	—
Other revenue	(1,415)	100	(170)	107
Total revenues	553,653	442,930	1,111,348	852,079
Expenses:				
Loss and loss adjustment expense	286,829	255,604	593,515	480,951
Acquisition costs and other underwriting expenses	96,502	74,418	186,387	148,791
General and administrative expenses	119,158	77,059	224,845	153,258
Interest expense	8,601	2,519	17,681	3,112
Total expenses	511,090	409,600	1,022,428	786,112
Income before provision for income taxes and equity in earnings (losses) of unconsolidated subsidiaries	42,563	33,330	88,920	65,967
Provision for income taxes	7,891	424	16,278	7,760
Income before equity in earnings (losses) of unconsolidated subsidiaries	34,672	32,906	72,642	58,207
Equity in earnings (losses) of unconsolidated subsidiaries	1,654	(2,610)	6,612	(1,487)
Net income	36,326	30,296	79,254	56,720
Less: Net loss (income) attributable to non-controlling interest	2,201	38	2,041	6
Net income attributable to National General Holdings Corp. ("NGHC")	$38,527	$30,334	$81,295	$56,726
Dividends on preferred stock	(4,744)	—	(5,775)	—
Net income attributable to NGHC common stockholders	$33,783	$30,334	$75,520	$56,726
Earnings per common share:				
Basic earnings per share	$0.36	$0.32	$0.81	$0.63
Diluted earnings per share	$0.35	$0.32	$0.79	$0.62
Dividends declared per common share	$0.02	$0.01	$0.04	$0.02
Weighted average common shares outstanding:				
Basic	93,597,448	93,344,400	93,527,977	89,526,029
Diluted	96,181,037	94,819,307	96,005,397	90,898,518
Net realized gain on investments:				
Other-than-temporary impairment loss	$(1,467)	$—	$(2,483)	$—

Portion of loss recognized in other comprehensive income	—	—	—	—
Net impairment losses recognized in earnings	(1,467)	—	(2,483)	—
Other net realized gain on investments	1,856	—	4,059	—
Net realized gain on investments	$389	$—	$1,576	$—

See accompanying notes to unaudited condensed consolidated financial statements.

NATIONAL GENERAL HOLDINGS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	$36,326	$30,296	$79,254	$56,720
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	2,728	156	3,752	(441)
Gross unrealized holding gain (loss) on securities, net of tax expense (benefit) of ($11,069) and ($5,079) for the three and six months ended June 30, 2015, respectively, and $8,673 and $13,395 for the three and six months ended June 30, 2014, respectively.	(24,868)	16,107	(10,513)	24,878
Reclassification adjustments for investment gain/loss included in net income:				
Other-than-temporary impairment loss	1,467	—	2,483	—
Other net realized gain on investments	(1,856)	—	(4,059)	—
Other comprehensive income (loss), net of tax	(22,529)	16,263	(8,337)	24,437
Comprehensive income	13,797	46,559	70,917	81,157
Less: Comprehensive loss (income) attributable to non-controlling interest	7,040	38	5,179	6
Comprehensive income attributable to NGHC	$20,837	$46,597	$76,096	$81,163

See accompanying notes to unaudited condensed consolidated financial statements.

NATIONAL GENERAL HOLDINGS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Thousands, Except Shares)
(Unaudited)

	Six Months Ended June 30, 2015								
	Common Stock		Preferred Stock						
	Shares	$	Shares	$	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interest in Subsidiary	Total
Balance January 1, 2015	93,427,382	$934	2,200,000	$55,000	$690,736	$292,832	$20,192	$13,756	$1,073,450
Net income (loss)	—	—	—	—	—	81,295	—	(2,041)	79,254
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	3,752	—	3,752
Change in unrealized losses on investments, net of tax	—	—	—	—	—	—	(8,951)	(3,138)	(12,089)
Change in non-controlling interest	—	—	—	—	—	—	—	(942)	(942)
Preferred stock dividends	—	—	—	—	—	(5,775)	—	—	(5,775)
Common stock dividends	—	—	—	—	—	(3,743)	—	—	(3,743)
Issuance of preferred stock	—	—	165,000	165,000	(5,448)	—	—	—	159,552
Common stock issued under employee stock plans and exercises of stock options	286,604	3	—	—	1,415	—	—	—	1,418
Stock-based compensation	—	—	—	—	2,264	—	—	—	2,264
Balance June 30, 2015	93,713,986	$937	2,365,000	$220,000	$688,967	$364,609	$14,993	$7,635	$1,297,141

	Six Months Ended June 30, 2014								
	Common Stock		Preferred Stock						
	Shares	$	Shares	$	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interest in Subsidiary	Total

Balance January 1, 2014	79,731,800	$797	—	$—	$437,006	$197,552	$ 7,425	$ 87	$642,867
Net income	—	—	—	—	—	56,726	—	(6)	56,720
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(441)	—	(441)
Change in unrealized gains on investments, net of tax	—	—	—	—	—	—	24,878	—	24,878
Common stock dividends	—	—	—	—	—	(1,865)	—	—	(1,865)
Issuance of common stock	13,612,600	136	—	—	177,750	—	—	—	177,886
Issuance of preferred stock	—	—	2,200,000	55,000	(1,836)	—	—	—	53,164
Stock-based compensation	—	—	—	—	919	—	—	—	919
Balance June 30, 2014	93,344,400	$933	2,200,000	$55,000	$613,839	$252,413	$ 31,862	$ 81	$954,128

See accompanying notes to unaudited condensed consolidated financial statements.

NATIONAL GENERAL HOLDINGS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Six Months Ended June 30, 2015	2014
Cash flows from operating activities:		
Net income	$79,254	$56,720
Reconciliation of net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	14,751	13,338
Net amortization of premium on fixed maturities	2,565	1,594
Net amortization of discount on debt	4,173	—
Stock compensation expense	2,264	919
Equity in (earnings) losses of unconsolidated subsidiaries	(6,612)	1,487
Other net realized gain on investments	(4,059)	—
Other-than-temporary impairment loss	2,483	—
Bad debt expense	10,722	14,519
Foreign currency translation adjustment, net of tax	1,204	(441)
Changes in assets and liabilities:		
Accrued investment income	(988)	(2,485)
Premiums and other receivables	(102,993)	(184,691)
Deferred acquisition costs, net	(15,261)	(54,623)
Reinsurance recoverable on unpaid losses	33,132	58,603
Prepaid reinsurance premiums	(21,133)	18,011
Prepaid expenses and other assets	809	(1,988)
Unpaid loss and loss adjustment expense reserves	(8,581)	77,948
Unearned premiums	81,339	217,286
Unearned service contract and other revenue	30,424	1,669
Reinsurance payable	(21,958)	(81,435)
Accounts payable	(23,163)	131,185
Income tax payable	15,651	17,070
Deferred tax liability	(32,107)	(29,630)
Other liabilities	42,358	(20,830)
Net cash provided by operating activities	84,274	234,226
Cash flows from investing activities:		
Investment in unconsolidated subsidiaries	(17,425)	(10,901)
Distributions from unconsolidated subsidiaries	1,923	—
Purchases of other investments	(3,315)	(557)
Acquisition of consolidated subsidiaries, net of cash	(61,413)	(15,778)
Purchases of equity securities	(245)	—
Proceeds from sale of equity securities	1,259	—
Purchases of short term investments	(82,162)	(124,000)
Proceeds from sale of short-term investments	83,391	124,000
Purchases of premises and equipment	(3,670)	(5,550)
Purchases of fixed maturities	(355,504)	(591,550)
Proceeds from sale and maturity of fixed maturities	219,595	79,529
Net cash used in investing activities	(217,566)	(544,807)

See accompanying notes to unaudited condensed consolidated financial statements.

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NATIONAL GENERAL HOLDINGS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

Cash flows from financing activities:		
Securities sold under agreements to repurchase, net	14,350	(49,532)
Notes payable repayments	(631)	(80,946)
Proceeds from notes payable	—	250,000
Issuance of common stock	—	177,730
Issuance of preferred stock, net of fees	159,552	53,164
Exercises of stock options	1,418	156
Dividends paid to preferred shareholders	(2,062)	—
Dividends paid to common shareholders	(3,736)	(1,865)
Net cash provided by financing activities	168,891	348,707
Effect of exchange rate changes on cash and cash equivalents	(153)	—
Net increase in cash and cash equivalents	35,446	38,126
Cash and cash equivalents, beginning of the period	132,615	73,823
Cash and cash equivalents, end of the period	$168,061	$111,949
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$31,100	$14,200
Cash paid for interest	8,469	3,089

See accompanying notes to unaudited condensed consolidated financial statements.

NATIONAL GENERAL HOLDINGS CORP.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Shares and Per Share Data)

1. Basis of Reporting

The accompanying unaudited interim condensed consolidated financial statements include the accounts of National General Holdings Corp. and its subsidiaries (the “Company” or “NGHC”) and have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP” or “U.S. GAAP”) for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the U.S. Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These interim condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, previously filed with the SEC on March 9, 2015. The balance sheet at December 31, 2014 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

The unaudited condensed consolidated financial statements as of June 30, 2015 and for the three and six months ended June 30, 2015, and the audited condensed consolidated balance sheet as of December 31, 2014, also include the accounts and operations of Adirondack Insurance Exchange, a New York reciprocal insurer, and New Jersey Skylands Insurance Association, a New Jersey reciprocal insurer (together with their subsidiaries, the “Reciprocal Exchanges” or "Exchanges"), following the Company's acquisition on September 15, 2014 of two management companies that are the attorneys-in-fact for the Reciprocal Exchanges. The Company does not own the Reciprocal Exchanges but manages their business operations through its wholly-owned management companies.

These interim condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim period and all such adjustments are of a normal recurring nature. The results of operations for the interim period are not necessarily indicative, if annualized, of those to be expected for the full year. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

A detailed description of the Company’s significant accounting policies and management judgments is located in the audited consolidated financial statements, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC.

All significant inter-company transactions and accounts have been eliminated in the condensed consolidated financial statements.

To facilitate period-to-period comparisons, certain reclassifications have been made to prior period consolidated financial statement amounts to conform to current period presentation.

2. Recent Accounting Pronouncements

With the exception of those discussed below, there have been no recent accounting pronouncements or changes in accounting pronouncements during the six months ended June 30, 2015, as compared to those described in our Annual Report on Form 10-K for the year ended December 31, 2014, that are of significance, or potential significance, to the Company.

In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" to reduce diversity in practice for reporting discontinued operations. Under the previous guidance, any component of an entity that was a reportable segment, an operating segment, a reporting unit, a subsidiary, or an asset group was eligible for discontinued operations presentation. The revised guidance only allows disposals of components of an entity that represent a strategic shift (e.g., disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity) and that have a major effect on a reporting entity’s operations and financial results to be reported as discontinued operations. The revised guidance also requires expanded disclosure in the financial statements for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. The updated guidance is effective prospectively for fiscal years beginning after December 15, 2014, and interim periods within those years. The Company adopted ASU 2014-08 on January 1, 2015 and the implementation of the standard did not have an impact on the Company’s results of operations, financial position or liquidity.

NATIONAL GENERAL HOLDINGS CORP.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Shares and Per Share Data)

In June 2014, the FASB issued ASU 2014-11, "Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." The new guidance aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as a repurchase financing with the accounting for other typical repurchase agreements. Going forward, these transactions would all be accounted for as secured borrowings. The guidance eliminates sale accounting for repurchase-to-maturity transactions and supersedes the guidance under which a transfer of a financial asset and a contemporaneous repurchase financing could be accounted for on a combined basis as a forward agreement, which has resulted in outcomes referred to as off-balance-sheet accounting. ASU 2014-11 requires new disclosures for certain transactions comprised of (1) a transfer of a financial asset accounted for as a sale and (2) an agreement with the same transferee entered into in contemplation of the initial transfer that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. Such disclosures include: (a) the carrying amount of assets derecognized (sold) as of the date of derecognition; (b) the amount of gross proceeds received by the transferor at the time of derecognition for the assets derecognized; (c) the information about the transferor’s ongoing exposure to the economic return on the transferred financial assets; and (d) the amounts that are reported in the statement of financial position arising from the transaction, such as those represented by derivative contracts. ASU 2014-11 also requires expanded disclosures about the nature of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. Such disclosures include: (i) a disaggregation of the gross obligation by the class of collateral pledged; (ii) the remaining contractual time to maturity of the agreements; and (iii) a discussion of the potential risks associated with the agreements and the related collateral pledged including obligations arising from a decline in the fair value of the collateral pledged and how those risks are managed. For public entities, the disclosure for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings is required to be presented for all annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. All other amendments in this Update are effective for public entities for the first interim or annual period beginning after December 15, 2014. The disclosure requirements are not required to be presented for comparative periods before the effective date. The Company adopted ASU 2014-11 on April 1, 2015 and the effects of adoption were limited to the expanded disclosure requirements about the nature of collateral pledged in the Company's repurchase agreements which are accounted for as secured borrowings. The implementation of the standard did not have an impact on the Company’s results of operations, financial position or liquidity.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis" to address concerns that GAAP might require a reporting entity to consolidate another legal entity in situations in which the reporting entity's contractual rights do not give it the ability to act primarily on its own behalf, the reporting entity does not hold a majority of the legal entity's voting rights, or the reporting entity is not exposed to a majority of the legal entity's economic benefits or obligations. Specifically, the amendments: (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities; (2) eliminate the presumption that a general partner should consolidate a limited partnership; (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. ASU 2015-02 amends certain areas in the consolidation analysis including: (i) the effect of related parties on the primary beneficiary determination; (ii) the evaluation of fees paid to a decision maker or a service provider as a variable interest; (iii) the effect of fee arrangements on the primary beneficiary determination; and (iv) certain investment funds. The amendments in ASU 2015-02 are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. A reporting entity may apply the amendments in ASU 2015-02 using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or may apply the amendments retrospectively. The adoption of ASU 2015-02 is not expected to have a material effect on the Company’s results of operations, financial position or liquidity.

In April 2015, the FASB issued ASU 2015-03, "Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs”, as part of its initiative to reduce complexity in accounting standards. ASU 2015-03 amends the current practice where debt issuance costs were recognized as separate assets (i.e., deferred charges) on the balance sheet and were not deducted from the carrying value of the debt liability. ASU 2015-03 amends the current practice and requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU 2015-03. The amendments in ASU 2015-03 are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of the amendments in ASU 2015-03 is permitted for financial statements that have not been previously issued. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. The Company adopted ASU 2015-03 on April 1, 2015 which resulted in the reclassification of $4,923 of debt issuance costs from Prepaid and other assets to Notes payable in the Company's Condensed Consolidated Balance Sheet as of December 31, 2014 (see Note 10, "Debt").

In May 2015, the FASB issued ASU 2015-09, "Financial Services—Insurance (Topic 944): Disclosures about Short-Duration Contracts" to expand existing GAAP disclosure requirements for short-duration contracts regarding the liability for unpaid claims and claim adjustment expenses. The amendments in ASU 2015-09 are intended to increase the transparency of significant estimates made in measuring those liabilities, improve comparability by requiring consistent disclosure of information, and provide financial statement users with additional information to facilitate analysis of the amount, timing, and uncertainty of cash flows arising from contracts issued by insurance entities and the development of loss reserve estimates. Specifically, the amendments require the following information for annual reporting periods about the liability for unpaid claims and claim adjustment expenses: (1) incurred and paid claims development information by accident year, on a net basis after risk mitigation through reinsurance, for the number of years for which claims incurred typically remain outstanding; (2) a reconciliation of incurred and paid claims development information to the aggregate carrying amount of the liability for unpaid claims and claim adjustment expenses, with separate disclosure of reinsurance recoverable on unpaid claims for each period presented in the statement of financial position; (3) the total of incurred-but-not-reported liabilities plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses for each accident year presented of incurred claims development information, accompanied by a description of reserving methodologies (as well as any changes to those methodologies); (4) quantitative information about claim frequency (unless it is impracticable to do so) for each accident year presented of incurred claims development information, accompanied by a qualitative description of methodologies used for determining claim frequency information (as well as any changes to these methodologies); and (5) the average annual percentage payout of incurred claims by age (that is, history of claims duration) for the same number of accident years as presented in (3) and (4) above for all claims except health insurance claims. The amendments also require insurance entities to disclose information about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses, including reasons for the change and the effects on the financial statements. Additionally, the amendments require insurance entities to disclose for annual and interim reporting periods a roll forward of the liability for unpaid claims and claim adjustment expenses. For health insurance claims, the amendments require the disclosure of the total of incurred-but-not-reported liabilities plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses. Additional disclosures about liabilities for unpaid claims and claim adjustment expenses reported at present value include the following: (1) the aggregate amount of discount for the time value of money deducted to derive the liability for unpaid claims and claim adjustment expenses for each period presented in the statement of financial position; (2) the amount of interest accretion recognized for each period presented in the statement of income; and (3) the line item(s) in the statement of income in which the interest accretion is classified. The amendments in ASU 2015-09 are effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. In the year of initial application of the amendments in ASU 2015-09, an insurance entity need not disclose information about claims development for a particular category that occurred earlier than five years before the end of the first financial reporting year in which the amendments are first applied if it is impracticable to obtain the information required to satisfy the disclosure requirement. For each subsequent year following the year of initial application, the minimum required number of years will increase by at least 1 but need not exceed 10 years, including the most recent period presented in the statement of financial position. Early application of the amendments in ASU 2015-09 is permitted. The amendments should be applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. The adoption of ASU 2015-09 is expected to be limited to disclosure requirements and is not expected to have an effect on the Company’s results of operations, financial position or liquidity.

3. Reciprocal Exchanges

As of September 15, 2014, through its wholly-owned management companies, the Company manages the business operations of the Reciprocal Exchanges and has the ability to direct their activities. The Reciprocal Exchanges are insurance carriers organized as unincorporated associations. Each policyholder insured by the Reciprocal Exchanges shares risk with the other policyholders.

In the event of dissolution, policyholders would share any residual unassigned surplus in the same proportion as the amount of insurance purchased but are not subject to assessment for any deficit in unassigned surplus of the Reciprocal Exchanges. The Company receives management fee income for the services provided to the Reciprocal Exchanges. The assets of the Reciprocal

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Exchanges can be used only to settle the obligations of the Reciprocal Exchanges and general creditors to their liabilities have no recourse to the Company.

Subsidiaries of ACP Re Ltd. ("ACP Re"), a related party, hold the surplus notes that were issued by the Reciprocal Exchanges when they were originally capitalized. The obligation to repay principal and interest on the surplus notes is subordinated to the Reciprocal Exchanges' other liabilities including obligations to policyholders and claimants for benefits under insurance policies. Principal and interest on the surplus notes are payable only with regulatory approval. The Company has no ownership interest in the Reciprocal Exchanges.

The Company determined that it holds a variable interest in each of the Reciprocal Exchanges because of the significance of the management fees paid by the Reciprocal Exchanges to the wholly-owned subsidiaries of the Company as the Reciprocal Exchanges' decision-maker and the relevance of these fees to the economic performance of the Reciprocal Exchanges. Each of the Reciprocal Exchanges qualifies as a Variable Interest Entity ("VIE") because the policyholders of the Reciprocal Exchanges lack the ability to direct the activities of the Reciprocal Exchanges that have a significant impact on the Reciprocal Exchanges' economic performance. The Company is the primary beneficiary because it, through its wholly-owned management companies, has both the power to direct the activities of the Reciprocal Exchanges that most significantly impact their economic performance and the right to economic benefits that could be potentially significant. Accordingly, the Company consolidates these Reciprocal Exchanges and eliminates all intercompany balances and transactions with the Company.

The following table presents the balance sheet of the Reciprocal Exchanges as of September 15, 2014:

	September 15, 2014
Assets:	
Cash and investments	$235,684
Accrued investment income	1,975
Premiums receivables	62,412
Reinsurance recoverable on unpaid losses	19,137
Prepaid reinsurance premiums	27,166
Intangible assets, net	13,901
Income tax receivable	819
Other assets	124
Total assets	$361,218
Liabilities:	
Unpaid loss and loss adjustment expense reserves	$113,828
Unearned premiums	114,786
Reinsurance payable	5,167
Accounts payable and accrued expenses	10,120
Deferred tax liability	39,238
Notes payable	44,600
Due to affiliate	17,808
Other liabilities	4,506
Total liabilities	350,053
Stockholders' equity:	
Non-controlling interest	11,165
Total stockholders' equity	11,165

Total liabilities and stockholders' equity	$361,218

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For the three months ended June 30, 2015, the Reciprocal Exchanges recognized total revenues, total expenses and net loss of $34,754, $36,975 and $(2,221), respectively. For the six months ended June 30, 2015, the Reciprocal Exchanges recognized total revenues, total expenses and net loss of $84,204, $86,289 and $(2,085), respectively.

For the three and six months ended June 30, 2015, the Company earned service and fee income from the Reciprocal Exchanges in the amount of $10,732 and $19,310, respectively. Such amounts are eliminated in our consolidated earnings.

4. Investments

(a) Available-for-Sale Securities

The cost or amortized cost, fair value, and gross unrealized gains and losses on available-for-sale securities were as follows:

June 30, 2015	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
Equity securities:					
Common stock	$50,934	$2,460	$(2,476	)	$50,918
Preferred stock	6,504	23	(82	)	6,445
Fixed maturities:					
U.S. Treasury	17,205	1,099	(7	)	18,297
States and political subdivision bonds	164,522	3,204	(1,024	)	166,702
Foreign government	10,771	—	(1,152	)	9,619
Corporate bonds	950,507	29,343	(14,137	)	965,713
Residential mortgage-backed securities	397,971	7,204	(1,017	)	404,158
Commercial mortgage-backed securities	190,873	1,071	(2,210	)	189,734
Total	$1,789,287	$44,404	$(22,105	)	$1,811,586
Less: Securities pledged	68,942	231	(347	)	68,826
Total net of Securities pledged	$1,720,345	$44,173	$(21,758	)	$1,742,760
NGHC	$1,561,862	$43,646	$(18,890	)	$1,586,618
Reciprocal Exchanges	227,425	758	(3,215	)	224,968
Total	$1,789,287	$44,404	$(22,105	)	$1,811,586

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December 31, 2014	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities:				
Common stock	$47,269	$1,004	$(7,349)	$40,924
Preferred stock	7,755	65	(125)	7,695
Fixed maturities:				
U.S. Treasury	37,446	1,536	(3)	38,979
Federal agencies	98	—	—	98
States and political subdivision bonds	172,617	4,961	(169)	177,409
Foreign government	6,194	—	(658)	5,536
Corporate bonds	839,436	36,525	(8,699)	867,262
Residential mortgage-backed securities	459,596	11,132	(92)	470,636
Commercial mortgage-backed securities	79,579	1,602	(189)	80,992
Asset-backed securities	5,461	—	(91)	5,370
Total	$1,655,451	$56,825	$(17,375)	$1,694,901
Less: Securities pledged	47,546	1,910	—	49,456
Total net of Securities pledged	$1,607,905	$54,915	$(17,375)	$1,645,445
NGHC	$1,430,578	$55,031	$(16,264)	$1,469,345
Reciprocal Exchanges	224,873	1,794	(1,111)	225,556
Total	$1,655,451	$56,825	$(17,375)	$1,694,901

The amortized cost and fair value of available-for-sale fixed maturities and securities pledged, held as of June 30, 2015, by contractual maturity, are shown in the table below. Actual maturities may differ from contractual maturities because some borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	NGHC		Reciprocal Exchanges		Total	
June 30, 2015	Cost or Amortized Cost	Fair Value	Cost or Amortized Cost	Fair Value	Cost or Amortized Cost	Fair Value
Due in one year or less	$10,376	$10,354	$767	$766	$11,143	$11,120
Due after one year through five years	224,073	238,663	13,591	13,528	237,664	252,191
Due after five years through ten years	669,281	673,236	113,451	112,192	782,732	785,428
Due after ten years	86,618	87,075	24,848	24,517	111,466	111,592
Mortgage-backed securities	515,577	521,442	73,267	72,450	588,844	593,892
Total	$1,505,925	$1,530,770	$225,924	$223,453	$1,731,849	$1,754,223

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(b) Investment Income

The components of net investment income consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest				
Cash and short term investments	$4	$7	$9	$17
Equity securities	122	—	197	—
Fixed maturities	15,916	11,926	30,922	21,679
Investment Income	16,042	11,933	31,128	21,696
Investment expense	(59)	(560)	(1,271)	(1,029)
Repurchase Agreements interest expense	(33)	(52)	(103)	(132)
Other Income [1]	2,385	—	4,729	—
Net Investment Income	$18,335	$11,321	$34,483	$20,535
NGHC	$16,154	$11,321	$30,263	$20,535
Reciprocal Exchanges	2,181	—	4,220	—
Net Investment Income	$18,335	$11,321	$34,483	$20,535

[1] Includes interest income of $2,211 and $4,399 for the three and six months ended June 30, 2015, respectively, under the ACP Re Credit Agreement (see Note 15, "Related Party Transactions").

(c) Realized Gains and Losses

Proceeds from sales of equity securities and fixed maturities during the six months ended June 30, 2015 and 2014 were $114,496 and $0, respectively. For the three and six months ended June 30, 2015, the Company recognized an other-than-temporary impairment ("OTTI") loss of $1,467 and $2,483, respectively, on investments based on our qualitative and quantitative review.

The tables below indicate the gross realized gains and losses (including any OTTI) for the three and six months ended June 30, 2015 and 2014.

Three Months Ended June 30, 2015	Gross Gains	Gross Losses	Net Gains (Losses)
Equity securities	$5	$—	$5
Fixed maturities	2,466	(615)	1,851
OTTI	—	(1,467)	(1,467)
Total gross realized gains and losses	$2,471	$(2,082)	$389
NGHC	$2,415	$(1,480)	$935
Reciprocal Exchanges	56	(602)	(546)
Total gross realized gains and losses	$2,471	$(2,082)	$389

Three Months Ended June 30, 2014	Gross Gains	Gross Losses	Net Gains (Losses)
Equity securities	$—	$—	$—
Fixed maturities	—	—	—

Total gross realized gains and losses	$—	$—	$—

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Six Months Ended June 30, 2015	Gross Gains	Gross Losses	Net Gains (Losses)
Equity securities	$5	$—	$5
Fixed maturities	5,090	(1,036)	4,054
OTTI	—	(2,483)	(2,483)
Total gross realized gains and losses	$5,095	$(3,519)	$1,576
NGHC	$4,188	$(2,759)	$1,429
Reciprocal Exchanges	907	(760)	147
Total gross realized gains and losses	$5,095	$(3,519)	$1,576

Six Months Ended June 30, 2014	Gross Gains	Gross Losses	Net Gains (Losses)
Equity securities	$—	$—	$—
Fixed maturities	—	—	—
Total gross realized gains and losses	$—	$—	$—

(d) Unrealized Gains and Losses

Unrealized gains (losses) on investments at June 30, 2015 and December 31, 2014 consisted of the following:

	June 30, 2015	December 31, 2014
Net unrealized loss on common stock	$(16)	$(6,345)
Net unrealized gain (loss) on preferred stock	(59)	(60)
Net unrealized gains on fixed maturities	22,375	45,855
Net unrealized gain (loss) on other	—	18
Deferred income tax expense	(8,708)	(13,787)
Net unrealized gains, net of deferred income tax expense	$13,592	$25,681
NGHC	$16,047	$24,998
Reciprocal Exchanges	(2,455)	683
Net unrealized gains, net of deferred income tax expense	13,592	25,681
Non-controlling interest	2,455	(683)
NGHC net unrealized gains, net of deferred income tax expense	$16,047	$24,998
Period Ended:		
NGHC year-to-date change in net unrealized gains, net of deferred income tax expense	$(8,951)	$17,938

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(e) Gross Unrealized Losses

The tables below summarize the gross unrealized losses on equity securities and fixed maturities by length of time the security has continuously been in an unrealized loss position as of June 30, 2015 and December 31, 2014:

	Less Than 12 Months			12 Months or More			Total	
June 30, 2015	Fair Market Value	Unrealized Losses	No. of Positions Held	Fair Market Value	Unrealized Losses	No. of Positions Held	Fair Market Value	Unrealized Losses
Common stock	$33,276	$(2,476)	4	$—	$—	—	$33,276	$(2,476)
Preferred stock	5,494	(82)	2	—	—	—	5,494	(82)
U.S. Treasury	194	(7)	1	—	—	—	194	(7)
States and political subdivision bonds	54,287	(915)	61	1,709	(109)	4	55,996	(1,024)
Foreign government	9,619	(1,152)	1	—	—	—	9,619	(1,152)
Corporate bonds	300,909	(11,807)	139	25,198	(2,330)	9	326,107	(14,137)
Residential mortgage-backed securities	90,727	(978)	18	1,787	(39)	5	92,514	(1,017)
Commercial mortgage-backed securities	131,148	(2,210)	51	—	—	—	131,148	(2,210)
Total	$625,654	$(19,627)	277	$28,694	$(2,478)	18	$654,348	$(22,105)
NGHC	$498,640	$(16,412)	175	$28,694	$(2,478)	18	$527,334	$(18,890)
Reciprocal Exchanges	127,014	(3,215)	102	—	—	—	127,014	(3,215)
Total	$625,654	$(19,627)	277	$28,694	$(2,478)	18	$654,348	$(22,105)

	Less Than 12 Months			12 Months or More			Total	
December 31, 2014	Fair Market Value	Unrealized Losses	No. of Positions Held	Fair Market Value	Unrealized Losses	No. of Positions Held	Fair Market Value	Unrealized Losses
Common stock	$33,717	$(7,349)	3	$—	$—	—	$33,717	$(7,349)
Preferred stock	—	—	—	4,878	(125)	1	4,878	(125)
U.S. Treasury	6,343	(3)	5	—	—	—	6,343	(3)
States and political subdivision bonds	16,320	(92)	39	8,341	(77)	8	24,661	(169)
Foreign government	5,536	(658)	1	—	—	—	5,536	(658)
Corporate bonds	116,880	(5,594)	108	23,592	(3,105)	10	140,472	(8,699)
Residential mortgage-backed securities	15,598	(34)	17	1,975	(58)	3	17,573	(92)
Commercial mortgage-backed securities	33,735	(189)	10	—	—	—	33,735	(189)
Asset-backed securities	4,869	(91)	3	—	—	—	4,869	(91)
Total	$232,998	$(14,010)	186	$38,786	$(3,365)	22	$271,784	$(17,375)

NGHC	$142,313	$(12,899)	97	$38,786	$(3,365)	22	$181,099	$(16,264)
Reciprocal Exchanges	90,685	(1,111)	89	—	—	—	90,685	(1,111)
Total	$232,998	$(14,010)	186	$38,786	$(3,365)	22	$271,784	$(17,375)

There were 295 and 208 securities at June 30, 2015 and December 31, 2014, respectively, that account for the gross unrealized loss, none of which are deemed by the Company to be an OTTI. At June 30, 2015, we have determined that the unrealized losses on fixed maturities were primarily due to market interest rate movements since their date of purchase. Significant factors influencing the Company’s determination that none of the securities are OTTI included the magnitude of unrealized losses in relation to cost,

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the nature of the investment and management's intent not to sell these securities and it being more likely than not that the Company will not be required to sell these investments before anticipated recovery of fair value to the Company's cost basis.

(f) Credit Quality of Investments

The tables below summarize the credit quality of our fixed maturities, securities pledged and preferred securities as of June 30, 2015 and December 31, 2014, as rated by Standard & Poor's.

	NGHC			Reciprocal Exchanges		
June 30, 2015	Cost or Amortized Cost	Fair Value	Percentage of Fixed Maturities and Preferred Securities	Cost or Amortized Cost	Fair Value	Percentage of Fixed Maturities and Preferred Securities
U.S. Treasury	$13,504	$14,562	0.9 %	$3,701	$3,735	1.7 %
AAA	300,993	305,988	19.9 %	13,487	13,269	5.9 %
AA, AA+, AA-	296,148	300,202	19.6 %	28,642	28,670	12.7 %
A, A+, A-	325,933	337,568	22.0 %	54,232	53,809	23.9 %
BBB, BBB+, BBB-	398,322	403,095	26.3 %	72,498	71,244	31.7 %
BB+ and lower	176,028	174,285	11.3 %	54,865	54,241	24.1 %
Total	$1,510,928	$1,535,700	100.0 %	$227,425	$224,968	100.0 %

	NGHC			Reciprocal Exchanges		
December 31, 2014	Cost or Amortized Cost	Fair Value	Percentage of Fixed Maturities and Preferred Securities	Cost or Amortized Cost	Fair Value	Percentage of Fixed Maturities and Preferred Securities
U.S. Treasury	$19,068	$20,475	1.4 %	$18,378	$18,504	8.2 %
AAA	359,424	370,058	25.9 %	24,956	25,027	11.1 %
AA, AA+, AA-	275,905	282,443	19.8 %	—	—	— %
A, A+, A-	300,789	318,955	22.3 %	99,754	100,412	44.5 %
BBB, BBB+, BBB-	328,594	335,745	23.5 %	48,440	48,486	21.5 %
BB+ and lower	99,529	100,745	7.1 %	33,345	33,127	14.7 %
Total	$1,383,309	$1,428,421	100.0 %	$224,873	$225,556	100.0 %

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The tables below summarize the investment quality of our corporate bond holdings and industry concentrations as of June 30, 2015 and December 31, 2014.

June 30, 2015	AAA		AA+, AA, AA-		A+,A,A-		BBB+, BBB, BBB-		BB+ or Lower		Fair Value	% of Corporate Bonds Portfolio	
Corporate Bonds:													
Financial Institutions	0.1	%	3.2	%	24.5	%	9.7	%	3.1	%	$391,819	40.6	%
Industrials	—	%	3.5	%	10.7	%	33.4	%	6.4	%	522,087	54.0	%
Utilities/Other	—	%	—	%	0.3	%	3.4	%	1.7	%	51,807	5.4	%
Total	0.1	%	6.7	%	35.5	%	46.5	%	11.2	%	$965,713	100.0	%
NGHC	0.1	%	6.6	%	31.2	%	39.2	%	9.4	%	$835,829	86.5	%
Reciprocal Exchanges	—	%	0.1	%	4.3	%	7.3	%	1.8	%	129,884	13.5	%
Total	0.1	%	6.7	%	35.5	%	46.5	%	11.2	%	$965,713	100.0	%

December 31, 2014	AAA		AA+, AA, AA-		A+,A,A-		BBB+, BBB, BBB-		BB+ or Lower		Fair Value	% of Corporate Bonds Portfolio	
Corporate Bonds:													
Financial Institutions	1.4	%	3.6	%	26.9	%	8.9	%	2.5	%	$376,236	43.3	%
Industrials	—	%	2.4	%	9.4	%	31.7	%	5.9	%	427,592	49.4	%
Utilities/Other	—	%	—	%	2.2	%	3.1	%	2.0	%	63,434	7.3	%
Total	1.4	%	6.0	%	38.5	%	43.7	%	10.4	%	$867,262	100.0	%
NGHC	1.4	%	6.0	%	34.0	%	38.6	%	8.3	%	$762,822	88.3	%
Reciprocal Exchanges	—	%	—	%	4.5	%	5.1	%	2.1	%	104,440	11.7	%
Total	1.4	%	6.0	%	38.5	%	43.7	%	10.4	%	$867,262	100.0	%

(g) Restricted Cash and Investments

The Company, in order to conduct business in certain states, is required to maintain letters of credit or assets on deposit to support state mandated regulatory requirements and certain third party agreements. The Company also utilizes trust accounts to collateralize business with its reinsurance counterparties. These assets held are primarily in the form of cash or certain high grade securities. The fair values of our restricted assets as of June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015	December 31, 2014
Restricted cash	$10,489	$7,937
Restricted investments - fixed maturities at fair value	50,389	56,049
Total restricted cash and investments	$60,878	$63,986

(h) Other

The Company enters into reverse repurchase and repurchase agreements, which are accounted for as either collateralized lending or borrowing transactions and are recorded at contract amounts, which approximate fair value. For the collateralized borrowing transactions (i.e., repurchase agreements), the Company receives cash or securities that it invests or holds in short-term or fixed income securities.

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As of June 30, 2015 and December 31, 2014, the Company had no collateralized lending transaction principal outstanding.

As of June 30, 2015, the Company had collateralized borrowing transaction principal outstanding of $61,154 at an interest rate of 0.45%. As of December 31, 2014, the Company had collateralized borrowing transaction principal outstanding of $46,804 at interest rates between 0.30% and 0.35%. Interest expense associated with the repurchase borrowing agreements for the three and six months ended June 30, 2015 was $33 and $103, respectively, and for the three and six months ended June 30, 2014 was $52 and $132, respectively. The Company had $68,826 and $49,456 of collateral pledged in support for these agreements as of June 30, 2015 and December 31, 2014, respectively.

The table below summarizes the remaining contractual maturity of the Company's repurchase agreements as of June 30, 2015.

	June 30, 2015				
	Remaining Contractual Maturity of the Repurchase Agreements				
	Overnight and Continuous	Up to 30 days	30 - 90 days	Greater Than 90 days	Total
Repurchase agreements:					
Residential mortgage-backed securities	$—	$61,154	$—	$—	$61,154
Total Securities sold under agreements to repurchase, at contract value	$—	$61,154	$—	$—	$61,154

Securities sold under agreements to repurchase (repurchase agreements), at contract value are accounted for as collateralized borrowing transactions and are recorded at their contracted repurchase amounts, plus accrued interest. Under repurchase agreements, the Company borrows cash from a counterparty at an agreed-upon interest rate for an agreed-upon time frame and the Company transfers either corporate debt securities or U.S. government or government agency securities (pledged collateral). For securities repurchase agreements, the cash received is typically invested in cash equivalents, short-term investments or fixed maturities, with the offsetting obligation to repay the loan included as a liability in the consolidated balance sheets. At the end of the agreement, the counterparty returns the collateral to the Company, and the Company, in turn, repays the loan amount along with the agreed-upon interest.

There are potential risks associated with repurchase agreements and the related collateral pledged, including obligations arising from a decline in the market value of the collateral pledged. The Company is generally required to maintain collateral in the amount of 105.0% to 110.0% of the value of the securities we have sold with agreement to repurchase, which are subject to daily mark-to-market margining (i.e., if the collateral falls in value, a margin call can be triggered requiring the Company to pay cash or post extra securities to maintain the 105.0% to 110.0% threshold). Conversely, if the value of the Company’s collateral pledged appreciates in value there is credit risk in that the lending counterparty could default and not return/sell the securities back.

The Company minimizes the credit risk that counterparties might be unable to fulfill their contractual obligations by monitoring its counterparty exposure and related collateral pledged. Additionally, repurchase agreements are only transacted with pre-approved counter-parties.

5. Fair Value of Financial Instruments

ASC 820, “Fair Value Measurements and Disclosures”, provides a definition of fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value; therefore, it does not expand the use of fair value in any new circumstance.

The Company utilized a pricing service to estimate fair value measurements for approximately 100.0% of its fixed maturities. For investments that have quoted market prices in active markets, the Company uses the quoted market prices as fair value and includes these prices in the amounts disclosed in Level 1 of the fair value hierarchy. The Company receives the quoted market prices from nationally recognized third-party pricing services (“pricing services”). When quoted market prices are unavailable, the Company utilizes a pricing service to determine an estimate of fair value. This pricing method is used, primarily, for fixed

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maturities. The fair value estimates provided by the pricing service are included in Level 2 of the fair value hierarchy. If the Company determines that the fair value estimate provided by the pricing service does not represent fair value or if quoted market prices and an estimate from pricing services are unavailable, the Company produces an estimate of fair value based on dealer quotations of the bid price for recent activity in positions with the same or similar characteristics to that being valued or through consensus pricing of a pricing service. Depending on the level of observable inputs, the Company will then determine if the estimate is in Level 2 or Level 3 of the fair value hierarchy.

The following describes the valuation techniques used by the Company to determine the fair value of financial instruments held as of June 30, 2015.

Equity Securities   The Company utilized a pricing service to estimate the fair value of the majority of its available for sale and trading equity securities. The pricing service utilizes market quotations for equity securities that have quoted market prices in active markets and their respective quoted prices are provided as fair value. The Company classifies the values of these equity securities as Level 1. The pricing service also provides fair value estimates for certain equity securities whose fair value is based on observable market information rather than market quotes. The Company classifies the value of these equity securities as Level 2. The Company also holds certain equity securities that are issued by privately-held entity or direct equity investments that do not have an active market. The Company estimates the fair value of these securities primarily based on inputs such as third party broker quote, issuers' book value, market multiples, and other inputs. These equity securities are classified as Level 3 due to significant unobservable inputs used in the valuation.

U.S. Treasury and Federal Agencies   Comprised of primarily bonds issued by the U.S. Treasury, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, Government National Mortgage Association and the Federal National Mortgage Association. The fair values of U.S. government securities are based on quoted market prices in active markets, and are included in the Level 1 fair value hierarchy. The Company believes the market for U.S. Treasury securities is an actively traded market given the high level of daily trading volume. The fair values of U.S. government agency securities are priced using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values of U.S. government agency securities are included in the Level 2 fair value hierarchy.

States and Political Subdivision Bonds   Comprised of bonds and auction rate securities issued by U.S. state and municipality entities or agencies. The fair values of municipal bonds are generally priced by pricing services. The pricing services typically use spreads obtained from broker-dealers, trade prices and the new issue market. As the significant inputs used to price the municipal bonds are observable market inputs, these are classified within Level 2. Municipal auction rate securities are reported in the condensed consolidated balance sheets at cost which approximates their fair value.

Foreign Government   Comprised of bonds issued by foreign governments, and are generally priced by pricing services. As the significant inputs used to price foreign government bonds are observable market inputs, the fair values of foreign government bonds are included in the Level 2 fair value hierarchy.

Corporate Bonds   Comprised of bonds issued by corporations and are generally priced by pricing services. The fair values of short-term corporate bonds are priced, by the pricing services, using the spread above the London Interbank Offering Rate ("LIBOR") yield curve and the fair value of long-term corporate bonds are priced using the spread above the risk-free yield curve. The spreads are sourced from broker-dealers, trade prices and the new issue market. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers. As the significant inputs used to price corporate bonds are observable market inputs, the fair values of corporate bonds are included in the Level 2 fair value hierarchy.

Mortgage and Asset-backed Securities   Comprised of commercial and residential mortgage-backed securities. These securities are priced by independent pricing services and brokers. The pricing provider applies dealer quotes and other available trade information, prepayment speeds, yield curves and credit spreads to the valuation. As the significant inputs used to price are observable market inputs, the fair value of these securities are included in the Level 2 fair value hierarchy.

Premiums and other receivable - The carrying values reported in the accompanying condensed consolidated balance sheets for these financial instruments approximate their fair values due to the short term nature of these assets.

Notes Payable - The amount reported in the accompanying condensed consolidated balance sheets for this financial instrument represents the carrying value of the debt. As of June 30, 2015, the current fair value of the Company's 6.75% Notes and Imperial Surplus Notes, which are not publicly traded, were $269,069 and $4,983, respectively. The fair value of the Company’s 6.75%

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Notes was determined using market-based metrics and the magnitude and timing of contractual interest and principal payments. The Imperial Surplus Notes were valued using the Black Derman-Toy interest rate lattice model. In addition, as of June 30, 2015, the current fair value of the Reciprocal Exchanges' Surplus Notes, which are not publicly traded, was $45,500. The fair value of the Reciprocal Exchanges' Surplus Notes was determined by discounting the estimated interest and principal payments by an appropriate yield. As of December 31, 2014, the current fair value of the Company's 6.75% Notes and Imperial Surplus Notes, which are not publicly traded, were $276,014 and $4,982, respectively. In addition, as of December 31, 2014, the current fair value of the Reciprocal Exchanges' Surplus Notes, which are not publicly traded, was $42,000. All these financial liabilities are classified as Level 3 in the financial hierarchy.

In accordance with ASC 820, assets and liabilities measured at fair value on a recurring basis are as follows:

June 30, 2015	Recurring Fair Value Measures			
	Level 1	Level 2	Level 3	Total
Assets				
Equity securities:				
Common stock	$11,192	$—	$39,726	$50,918
Preferred stock	—	6,445	—	6,445
Fixed maturities:				
U.S. Treasury	18,297	—	—	18,297
States and political subdivision bonds	—	166,702	—	166,702
Foreign government	—	9,619	—	9,619
Corporate bonds	—	965,713	—	965,713
Residential mortgage-backed securities	—	404,158	—	404,158
Commercial mortgage-backed securities	—	189,734	—	189,734
Short term investments	—	9,311	—	9,311
Total assets	$29,489	$1,751,682	$39,726	$1,820,897
NGHC	$25,754	$1,521,188	$39,726	$1,586,668
Reciprocal Exchanges	3,735	230,494	—	234,229
Total assets	$29,489	$1,751,682	$39,726	$1,820,897

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December 31, 2014	Recurring Fair Value Measures			
	Level 1	Level 2	Level 3	Total
Assets				
Equity securities:				
Common stock	$6,535	$—	$34,389	$40,924
Preferred stock	—	7,695	—	7,695
Fixed maturities:				
U.S. Treasury	38,979	—	—	38,979
Federal agencies	—	98	—	98
States and political subdivision bonds	—	177,409	—	177,409
Foreign government	—	5,536	—	5,536
Corporate bonds	—	867,262	—	867,262
Residential mortgage-backed securities	—	470,636	—	470,636
Commercial mortgage-backed securities	—	80,992	—	80,992
Asset-backed securities	—	5,370	—	5,370
Short term investments	—	10,540	—	10,540
Total assets	$45,514	$1,625,538	$34,389	$1,705,441
NGHC	$45,514	$1,389,492	$34,389	$1,469,395
Reciprocal Exchanges	—	236,046	—	236,046
Total assets	$45,514	$1,625,538	$34,389	$1,705,441

The following tables provide a summary of changes in fair value of the Company’s Level 3 financial assets for the six months ended June 30, 2015 and the year ended December 31, 2014:

	Balance as of January 1, 2015	Net income (loss)	Other comprehensive income (loss)	Purchases and issuances	Sales and settlements	Net transfers into (out of) Level 3	Balance as of June 30, 2015
Common stock	$34,389	$—	$ 5,337	$—	$ —	$—	$39,726
Total	$34,389	$—	$ 5,337	$—	$ —	$—	$39,726

	Balance as of January 1, 2014	Net income (loss)	Other comprehensive income (loss)	Purchases and issuances	Sales and settlements	Net transfers into (out of) Level 3	Balance as of December 31, 2014
Common stock	$—	$—	$ (7,328)	$41,717	$ —	$—	$34,389
Total	$—	$—	$ (7,328)	$41,717	$ —	$—	$34,389

There have not been any transfers between Level 1 and Level 2, or Level 2 and Level 3, respectively, during the periods represented by these consolidated financial statements. The Company's policy is to recognize transfers between levels when events or circumstances warrant transfers.

The Company does not measure any assets or liabilities at fair value on a nonrecurring basis at June 30, 2015 and December 31, 2014. The carrying value of the Company’s cash and cash equivalents, premium and other receivables, accrued interest and accounts payable and accrued expenses approximates fair value given the short-term nature of such items and are classified as Level 1 in the financial hierarchy. The carrying value of the Company’s securities sold under agreements to repurchase approximates fair value given the short-term nature of the agreements and are classified as Level 2 in the financial hierarchy.

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6. Equity Investments in Unconsolidated Subsidiaries

In 2010, the Company and AmTrust Financial Services, Inc. (“AmTrust”) formed Tiger Capital LLC (“Tiger”) for the purposes of acquiring certain life settlement contracts whereby each holds a 50% ownership interests in Tiger. In 2011, the Company, through its wholly-owned subsidiary, American Capital Acquisition Investments, Ltd. (“ACAI”), formed AMT Capital Alpha, LLC (“AMT Alpha”) with AmTrust for the purposes of acquiring additional life settlement contracts.

On March 28, 2013, the Company entered into a Stock Purchase Agreement with ACP Re to acquire 50% of the issued and outstanding shares of AMT Capital Holdings S.A. (“AMTCH”), a Luxembourg Societe Anonyme, for a cash contribution in the amount of $12,136. ACP Re and the Company are majority owned and controlled by a common parent and the transaction was accounted for as between entities under common control. AMTCH’s primary purpose is to acquire certain life settlement contracts. AmTrust owns the remaining 50% of AMTCH. The Company accounts for AMTCH using the equity method of accounting. The Company’s 50% equity interest in AMTCH at the acquisition date was approximately $22,411. The difference between the equity interest and consideration paid was recorded as additional paid-in capital of $10,275.

In December 2013, ACAI and AmTrust formed AMT Capital Holdings II S.A (“AMTCH II”). The company is equally owned by both parties and was established for the purpose of acquiring additional life settlement contracts.

A life settlement contract is a contract between the owner of a life insurance policy and a third party who obtains the ownership and beneficiary rights of the underlying life insurance policy. The Company, along with AmTrust, is obligated to pay premiums on these life insurance policies as they come due. A third party serves as the administrator for two of the life settlement contract portfolios, for which it receives an administrative fee. The third-party administrator is eligible to receive a percentage of profits after certain time and performance thresholds have been met.

Tiger, AMT Alpha, AMTCH and AMTCH II are considered to be VIEs, for which the Company is not a primary beneficiary. In determining whether it is the primary beneficiary of a VIE, the Company considered qualitative and quantitative factors, including, but not limited to, activities that most significantly impact the VIE's economic performance and which party controls such activities. The Company does not have the ability to direct the activities of Tiger, AMT Alpha, AMTCH and AMTCH II that most significantly impact its economic performance. The Company’s maximum exposure to a loss as a result of its involvement with the unconsolidated VIE is limited to its recorded investment plus additional capital commitments. The Company uses the equity method of accounting to account for its investments in Tiger, AMT Alpha, AMTCH and AMTCH II (collectively “LSC Entities”).

The Company currently has a fifty percent ownership interest in the LSC Entities. AmTrust owns the remaining fifty percent interest in the LSC Entities.

The following tables present the investment activity in the LSC Entities.

	Six Months Ended June 30,	
	2015	2014
Balance at beginning of the period	$146,089	$126,186
Distributions	(1,923)	—
Contributions	565	10,887

Equity in earnings (losses) of unconsolidated subsidiaries	6,511	(1,135)
Change in equity method investments	5,153	9,752
Balance at end of the period	$151,242	$135,938

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The following tables summarize total assets and total liabilities as of June 30, 2015 and December 31, 2014 and the results of operations for the Company’s unconsolidated equity method investment in the LSC Entities for the three and six months ended June 30, 2015 and 2014.

Condensed balance sheet data	June 30, 2015	December 31, 2014
Investments in life settlement contracts at fair value	$267,393	$264,517
Total assets	330,381	318,598
Total liabilities	27,897	26,420
Members' equity	302,484	292,178
NGHC's 50% ownership interest	$151,242	$146,089

	Three Months Ended June 30,	
Condensed results of operations	2015	2014
Revenue, net of commission	$4,063	$(4,464)
Total expenses	1,277	606
Net income (loss)	$2,786	$(5,070)
NGHC's 50% ownership interest	$1,393	$(2,535)

	Six Months Ended June 30,	
Condensed results of operations	2015	2014
Revenue, net of commission	$16,141	$(274)
Total expenses	3,119	1,996
Net income (loss)	$13,022	$(2,270)
NGHC's 50% ownership interest	$6,511	$(1,135)

The LSC Entities account for investments in life settlements in accordance with ASC 325-30, "Investments in Insurance Contracts", which states that an investor shall elect to account for its investments in life settlement contracts by using either the investment method or the fair value method. The election is made on an instrument-by-instrument basis and is irrevocable. The LSC Entities have elected to account for these policies using the fair value method.

The fair value of life settlement contracts as well as life settlement profit commission liability is based on information available to the LSC Entities at the end of the reporting period. The LSC Entities consider the following factors in their fair value estimates: cost at date of purchase, recent purchases and sales of similar investments (if available and applicable), financial standing of the issuer, changes in economic conditions affecting the issuer, maintenance cost, premiums, benefits, standard actuarially developed mortality tables and life expectancy reports prepared by nationally recognized and independent third party medical underwriters. The LSC Entities estimate the fair value of a life insurance policy by applying an investment discount rate based on the cost of funding their life settlement contracts as compared to returns on investments in asset classes with comparable credit quality, which the LSC Entities have determined to be 7.5% to the expected cash flow generated by the policies in the life settlement portfolio (death benefits less premium payments), net of policy specific adjustments and reserves. In order to confirm the integrity of their calculation of fair value, the LSC Entities, quarterly, retain an independent third-party actuary to verify that the actuarial modeling used by the LSC Entities to determine fair value was performed correctly and that the valuation, as determined through the LSC Entities’ actuarial modeling, is consistent with other methodologies. The LSC Entities consider this information in their assessment of the reasonableness of the life expectancy and discount rate inputs used in the valuation of these investments.

The LSC Entities adjust the standard mortality for each insured for the insured’s life expectancy based on reviews of the insured’s medical records. The LSC Entities establish policy specific reserves for the following uncertainties: improvements in mortality, the possibility that the high net worth individuals represented in their portfolios may have access to better health care, the volatility inherent in determining the life expectancy of insureds with significant reported health impairments, the possibility that the issuer of the policy or a third party will contest the payment of the death benefit payable to the LSC Entities, and the future expenses related to the administration of the portfolio. The application of the investment discount rate to the expected cash flow

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generated by the portfolio, net of the policy specific reserves, yields the fair value of the portfolio. The effective discount rate reflects the relationship between the fair value and the expected cash flow gross of these reserves.

The following summarizes data utilized in estimating the fair value of the portfolio of life insurance policies as of June 30, 2015 and December 31, 2014 and, only includes data for policies to which the LSC Entities assigned value at those dates:

	June 30, 2015	December 31, 2014
Average age of insured	81.5 years	81.1 years
Average life expectancy, months[1]	117	121
Average face amount per policy	$6,591	$6,624
Effective discount rate[2]	13.9 %	14.0 %

[1] Standard life expectancy as adjusted for specific circumstances.
[2] Effective Discount Rate ("EDR") is the LSC Entities' estimated internal rate of return on its life settlement contract portfolio and is determined from the gross expected cash flows and valuation of the portfolio. The valuation of the portfolio is calculated net of all reserves using a 7.5% discount rate. The EDR is inclusive of the reserves and the gross expected cash flows of the portfolio. The LSC Entities anticipate that the EDR's range is between 12.5% and 17.5% and reflects the uncertainty that exists surrounding the information available as of the reporting date. As the accuracy and reliability of information improves (declines), the EDR will decrease (increase).

The LSC Entities' assumptions are, by their nature, inherently uncertain and the effect of changes in estimates may be significant. The fair value measurements used in estimating the present value calculation are derived from valuation techniques generally used in the industry that include inputs for the asset that are not based on observable market data. The extent to which the fair value could reasonably vary in the near term has been quantified by evaluating the effect of changes in significant underlying assumptions used to estimate the fair value amount. If the life expectancies were increased or decreased by 4 months and the discount factors were increased or decreased by 1% while all other variables were held constant, the carrying value of the investment in life insurance policies would increase or (decrease) by the unaudited amounts summarized below as of June 30, 2015 and December 31, 2014:

	Change in life expectancy	
	Plus 4 Months	Minus 4 Months
Investment in life policies:		
June 30, 2015	$(34,874)	$37,297
December 31, 2014	$(34,686)	$36,486

	Change in discount rate[1]	
	Plus 1%	Minus 1%
Investment in life policies:		
June 30, 2015	$(22,718)	$25,411
December 31, 2014	$(22,705)	$25,456

[1] Discount rate is a present value calculation that considers legal risk, credit risk and liquidity risk and is a component of EDR.

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The Company and AmTrust are committed to providing additional capital support to the LSC Entities to keep the life settlement policies in-force. The Company and AmTrust, each, are committed to provide 50% of the additional required capital. Below is a summary of total premiums to be paid for each of the five succeeding fiscal years to keep the existing life insurance policies in force as of June 30, 2015. The actual capital commitment may differ from the amounts shown based on policy lapses and terminations, death benefits received and other operating cash flows of the LSC Entities:

	Premiums Due on Life Settlement Contracts
2015	$42,720
2016	63,745
2017	40,870
2018	40,239
2019	38,497
Thereafter	535,530
Total	$761,601

In August 2011, the Company formed 800 Superior, LLC with AmTrust, for the purposes of acquiring an office building in Cleveland, Ohio. The cost of the building was approximately $7,500. AmTrust has been appointed managing member of 800 Superior, LLC. The Company and AmTrust each have a 50% ownership interest in 800 Superior, LLC for which the Company is not the primary beneficiary. Additionally, in 2012, the Company entered into an office lease with 800 Superior, LLC for approximately 134,000 square feet. The lease period is for 15 years and the Company paid 800 Superior, LLC $664 and $1,328 for the three and six months ended June 30, 2015, respectively. For the three and six months ended June 30, 2014, the Company paid 800 Superior, LLC $561 and $1,122, respectively.

The Company's equity interest in 800 Superior, LLC as of June 30, 2015 and December 31, 2014 was $1,981 and $2,140, respectively. For the three and six months ended June 30, 2015, the Company recorded equity in earnings (losses) from 800 Superior, LLC of $32 and $(159), respectively. For the three and six months ended June 30, 2014, the Company recorded equity in earnings (losses) from 800 Superior, LLC of $(87) and $(393), respectively. (See Note 15, "Related Party Transactions").

In September 2012, the Company formed East Ninth & Superior, LLC and 800 Superior NMTC Investment Fund II, LLC with AmTrust (collectively "East Ninth & Superior"). The Company and AmTrust each have a 50% ownership interest in East Ninth and Superior, LLC and a 24.5% ownership interest in 800 Superior NMTC Investment Fund II, LLC for which the Company is not a primary beneficiary.

The Company's equity interest in East Ninth & Superior as of June 30, 2015 and December 31, 2014 was $4,116 and $4,079, respectively. For the three and six months ended June 30, 2015, the Company recorded equity in earnings (losses) from East Ninth & Superior of $5 and $37, respectively. For the three and six months ended June 30, 2014, the Company recorded equity in earnings (losses) from East Ninth & Superior of $12 and $41, respectively.

In February 2015, the Company invested $9,714 in North Dearborn Building Company, L.P. ("North Dearborn"), a limited partnership that owns an office building in Chicago, Illinois. AmTrust is also a limited partner in North Dearborn, and the general partner is NA Advisors GP LLC ("NA Advisors"), an entity controlled by Michael Karfunkel and managed by an unrelated third party. The Company and AmTrust each received a 45% limited partnership interest in North Dearborn for their respective $9,714 investments, while NA Advisors invested approximately $2,200 and holds a 10% general partnership interest and a 10% profit interest, which NA Advisors pays to the unrelated third party manager. North Dearborn appointed NA Advisors as the general manager to oversee the day-to-day operations of the office building.

The Company’s equity interest in North Dearborn as of June 30, 2015 was $9,937. For the three and six months ended June 30, 2015, the Company recorded equity in earnings (losses) from North Dearborn of $223 and $223, respectively. (See Note 15, "Related Party Transactions").

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7. Recent Acquisitions

On April 1, 2015, the Company closed on the acquisition of Assigned Risk Solutions Ltd. ("ARS"), a New Jersey based managing general agency that services assigned risk, personal auto, and commercial lines of business, for a purchase price of approximately $48,000 in cash and potential future earnout payments.

On January 23, 2015, the Company closed its acquisition of Healthcare Solutions Team, LLC (“HST”), an Illinois based healthcare insurance general agency. The Company paid approximately $15,000 on the acquisition date and agreed to pay potential future earn out payments based on the overall profitability of HST and the business underwritten by the Company's insurance subsidiaries which is produced by HST.

8. Goodwill and Intangible Assets, Net

Goodwill

Goodwill is calculated as the excess of purchase price over the net fair value of assets acquired. The Company performs an annual impairment analysis to identify potential goodwill impairment and measures the amount of a goodwill impairment loss to be recognized. This annual test is performed during the fourth quarter of each year, or more frequently, if events or circumstances change in a way that requires the Company to perform the impairment analysis on an interim basis. Goodwill impairment testing requires an evaluation of the estimated fair value of each reporting unit to its carrying value, including goodwill. An impairment charge is recorded if the estimated fair value is less than the carrying amount of the reporting unit.

Intangible Assets

Intangible assets consist of finite and indefinite life assets. Finite life intangible assets include customer and producer relationships and trademarks. Insurance company licenses and managements contracts are considered indefinite life intangible assets subject to annual impairment testing.

The composition of goodwill and intangible assets at June 30, 2015 and December 31, 2014 consisted of the following:

June 30, 2015	Gross Balance	Accumulated Amortization	Net Value	Useful Life
Trademarks	$8,200	$6,130	$2,070	5 years
Loss reserve discount	12,451	12,169	282	7 years
Agent relationships	43,652	11,596	32,056	11 - 17 years
Affinity partners	800	399	401	11 years
Value in policies-in-force	8,501	6,647	1,854	1 year
Renewal rights	26,100	3,925	22,175	7 years
Management contracts	151,427	—	151,427	indefinite life
State licenses	62,165	—	62,165	indefinite life
Goodwill	113,843	—	113,843	indefinite life
Total	$427,139	$40,866	$386,273	
NGHC	$413,238	$34,532	$378,706	

Reciprocal Exchanges	13,901	6,334	7,567
Total	$427,139	$40,866	$386,273

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December 31, 2014	Gross Balance	Accumulated Amortization	Net Value	Useful Life
Trademarks	$8,200	$5,737	$2,463	5 years
Loss reserve discount	12,451	12,071	380	7 years
Agent relationships	43,652	9,602	34,050	11 - 17 years
Affinity partners	800	363	437	11 years
Non-compete	2,500	2,417	83	5 years
Value in policies-in-force	8,501	2,468	6,033	1 year
Renewal rights	26,100	1,474	24,626	7 years
Management contracts	118,600	—	118,600	indefinite life
State licenses	62,165	—	62,165	indefinite life
Goodwill	70,764	—	70,764	indefinite life
Total	$353,733	$34,132	$319,601	
NGHC	$339,831	$31,663	$308,168	
Reciprocal Exchanges	13,902	2,469	11,433	
Total	$353,733	$34,132	$319,601	

Goodwill and intangible assets are subject to annual impairment testing or on an interim basis whenever events or changes in circumstances indicate that the carrying value of a reporting unit may not be recoverable. Included in the Company’s amortization expense for the three and six months ended June 30, 2015 is an impairment charge of $367 and $367, respectively, related to certain agent relationship intangible assets. No goodwill impairment was recorded for the three and six months ended June 30, 2015. No goodwill and intangible assets impairments were recorded during the three and six months ended June 30, 2014. The increase in goodwill of $43,079 from December 31, 2014 to June 30, 2015 was primarily related to the Company's HST and ARS acquisitions. The increase in intangible assets of $23,593 from December 31, 2014 to June 30, 2015 was primarily related to the Company's ARS acquisition.

Finite-lived intangible assets are amortized under the straight-line method, except for loss reserve discounts, which the Company amortizes using an accelerated method, which approximates underlying claim payments. The Company also uses the accelerated method of amortization for affinity partners and agents’ relationships based on the estimated attrition of those relationships. For the three and six months ended June 30, 2015, the Company amortized approximately $4,415 and $9,234, respectively, related to its intangible assets with a finite life, which includes amortization relating to intangibles owned by the Reciprocal Exchanges of $1,614 and $3,865 for the three and six months ended June 30, 2015, respectively. For the three and six months ended June 30, 2014, the Company amortized approximately $2,740 and $5,952, respectively, related to its intangible assets with a finite life.

The estimated aggregate amortization expense for each of the next five years and thereafter is:

Year ending	NGHC	Reciprocal Exchanges	Total
2015 (remaining six months)	$5,078	$2,201	$7,279
2016	10,329	460	10,789
2017	10,330	460	10,790
2018	6,325	460	6,785
2019	5,585	460	6,045
2020	4,122	—	4,122
Thereafter	13,028	—	13,028

$54,797	$4,041	$58,838

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9. Stockholders' Equity

On March 27, 2015, the Company completed a public offering of 6,000,000 of its depositary shares, each representing a 1/40th interest in a share of its 7.50% Non-Cumulative Preferred Stock, Series B, $0.01 par value per share (the "Series B Preferred Stock"), with a liquidation preference of $1,000 per share (equivalent to $25 per depositary share). Each depositary share entitles the holder to a proportional fractional interest in all rights and preferences of the Series B Preferred Stock represented thereby (including any dividend, liquidation, redemption and voting rights). Dividends on the Series B Preferred Stock represented by the depositary shares will be payable on the liquidation preference amount, on a non-cumulative basis, when, as and if declared by the Company’s Board of Directors, at a rate of 7.50% per annum, quarterly in arrears, on January 15, April 15, July 15, and October 15 of each year, beginning on July 15, 2015, from and including the date of original issuance. The Series B Preferred Stock represented by the depositary shares is not redeemable prior to April 15, 2020. After that date, the Company may redeem at its option, in whole or in part, the Series B Preferred Stock represented by the depositary shares at a redemption price of $1,000 per share (equivalent to $25 per depositary share) plus any declared and unpaid dividends for prior dividend periods and accrued but unpaid dividends (whether or not declared) for the then current dividend period. A total of 6,000,000 depositary shares (equivalent to 150,000 shares of Series B Preferred Stock) were issued. Net proceeds from this offering were $145,275. The Company incurred $4,975 in underwriting discount, commissions and expenses, which were recognized as a reduction to additional paid-in capital.

On April 6, 2015, the underwriters exercised their over-allotment option with respect to an additional 600,000 depositary shares (equivalent to 15,000 shares of Series B Preferred Stock), on the same terms and conditions as the original March 27, 2015 issuance. Net proceeds from this additional offering were $14,527. The Company incurred an additional $473 in underwriting discount and commissions, which were recognized as a reduction to additional paid-in capital.

10. Debt

6.75% Notes due 2024

On May 23, 2014, the Company sold $250,000 aggregate principal amount of the Company’s 6.75% notes due 2024 (the “6.75% Notes”) to certain purchasers in a private placement.

The 6.75% Notes bear interest at a rate equal to 6.75% per year, payable semiannually in arrears on May 15th and November 15th of each year, beginning on November 15, 2014. The 6.75% Notes are the Company’s general unsecured obligations and rank equally in right of payment with its other existing and future senior unsecured indebtedness and senior in right of payment to any of its indebtedness that is contractually subordinated to the 6.75% Notes. The 6.75% Notes are also effectively subordinated to any of the Company’s existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness and are structurally subordinated to the existing and future indebtedness of the Company’s subsidiaries (including trade payables). The 6.75% Notes mature on May 15, 2024, unless earlier redeemed or purchased by the Company.

The Indenture contains customary covenants, such as reporting of annual and quarterly financial results, and restrictions on certain mergers and consolidations. The Indenture also includes covenants relating to the incurrence of debt if the Company’s consolidated leverage ratio would exceed 0.35 to 1.00, a limitation on liens, a limitation on the disposition of stock of certain of the Company’s subsidiaries and a limitation on transactions with certain of the

Company’s affiliates. The Company was in compliance with all of the covenants contained in the Indenture as of June 30, 2015. The net proceeds the Company received from the issuance was approximately $245,000, after deducting the issuance expenses.

Interest expense on the 6.75% Notes for the three and six months ended June 30, 2015 was $4,269 and $8,492, respectively. Interest expense on the 6.75% Notes for the three and six months ended June 30, 2014 was $1,710 and $1,710, respectively.

Revolving Credit Agreements

On May 30, 2014, the Company entered into a $135,000 credit agreement (the “Credit Agreement”), among JPMorgan Chase Bank, N.A., as Administrative Agent, KeyBank National Association as Syndication Agent, and Associated Bank, National Association and First Niagara Bank, N.A., as Co-Documentation Agents. The credit facility is a revolving credit facility with a letter of credit sublimit of $10,000 and an expansion feature not to exceed $50,000.

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The Credit Agreement contains certain restrictive covenants customary for facilities of this type (subject to negotiated exceptions and baskets), including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. There are also financial covenants that require the Company to maintain a minimum consolidated net worth, a maximum consolidated leverage ratio, a minimum fixed charge coverage ratio, a minimum risk-based capital and a minimum statutory surplus. The Credit Agreement also provides for customary events of default, with grace periods where customary, including failure to pay principal when due, failure to pay interest or fees within three business days after becoming due, failure to comply with covenants, breaches of representations and warranties, default under certain other indebtedness, certain insolvency or receivership events affecting the Company and its subsidiaries, the occurrence of certain material judgments, or a change in control of the Company. Upon the occurrence and during the continuation of an event of default, the administrative agent, upon the request of the requisite percentage of the lenders, may terminate the obligations of the lenders to make loans and to issue letters of credit under the Credit Agreement, declare the Company’s obligations under the Credit Agreement to become immediately due and payable and/or exercise any and all remedies and other rights under the Credit Agreement. The Credit Agreement has a maturity date of May 30, 2018.

Borrowings under the Credit Agreement bear interest at either the Alternate Base Rate ("ABR") or LIBOR. ABR borrowings (which are borrowings bearing interest at a rate determined by reference to the ABR) under the Credit Agreement will bear interest at (x) the greatest of (a) the prime rate in effect on such day, (b) the federal funds effective rate on such day plus 0.5 percent or (c) the adjusted LIBOR for a one-month interest period on such day plus 1 percent, plus (y) a margin that is adjusted on the basis of the Company’s consolidated leverage ratio. Eurodollar borrowings under the Credit Agreement will bear interest at the adjusted LIBOR for the interest period in effect plus a margin that is adjusted on the basis of the Company’s consolidated leverage ratio. Fees payable by the Company under the Credit Agreement include a letter of credit participation fee (the margin applicable to Eurodollar borrowings), a letter of credit fronting fee with respect to each letter of credit (0.125%) and a commitment fee on the available commitments of the lenders (a range of 0.20% to 0.30% based on the Company’s consolidated leverage ratio, and which rate was 0.25% as of June 30, 2015). The Company was in compliance with all of the covenants under the Credit Agreement as of June 30, 2015.

As of June 30, 2015 and December 31, 2014, there was no outstanding balance on the line of credit. There was no interest expense for the Company's existing and repaid lines of credit for the three or six months ended June 30, 2015. Interest expense for the Company's existing and repaid lines of credit for the three and six months ended June 30, 2014 was $697 and $1,133, respectively.

Imperial-related Debt

The Company's subsidiary, Imperial Fire and Casualty Insurance Company, is the issuer of $5,000 principal amount of Surplus Notes due 2034 ("Imperial Surplus Notes"). The notes bear interest at an annual rate equal to LIBOR plus 4.05%, payable quarterly. The notes are redeemable by the Company at a redemption price equal to 100% of their principal amount. Interest expense on the Imperial Surplus Notes for the three and six months ended June 30, 2015 was $54 and $108, respectively.

Reciprocal Exchanges' Surplus Notes

ACP Re (or subsidiaries thereunder), a related party, holds the surplus notes issued by the Reciprocal Exchanges ("Reciprocal Exchanges' Surplus Notes") when they were originally capitalized. The obligation to repay principal and interest on these surplus notes is subordinated to the Reciprocal Exchanges’ other liabilities, including obligations to policyholders and claimants for benefits under insurance policies. Principal and interest on these surplus notes are payable only with regulatory approval. Interest expense on the Reciprocal Exchanges' Surplus Notes for the three and six months ended June 30, 2015 was $3,797 and $7,494, respectively, which includes amortization of $2,130 and $4,173, respectively. (See Note 15, "Related Party Transactions").

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Maturities of the Company's debt for the five years subsequent to June 30, 2015 are as follows:

	2015 (remaining six months)	2016	2017	2018	2019	2020	Thereafter	Total
6.75% Notes	$—	$—	$—	$—	$—	$—	$250,000	$250,000
Imperial Surplus Notes	—	—	—	—	—	—	5,000	5,000
Reciprocal Exchanges' Surplus Notes	—	—	—	—	—	—	52,547	52,547
Total principal amount of debt	$—	$—	$—	$—	$—	$—	$307,547	$307,547
Less: Unamortized debt issuance costs and unamortized discount								(4,663)
Carrying amount of debt								$302,884

As of June 30, 2015 and December 31, 2014, the Company had outstanding letters of credit of approximately $11,181 and $12,142, respectively.

11. Earnings Per Share

The following is a summary of the elements used in calculating basic and diluted earnings per common share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income attributable to common NGHC stockholders	$33,783	$30,334	$75,520	$56,726
Weighted average number of common shares outstanding – basic	93,597,448	93,344,400	93,527,977	89,526,029
Potentially dilutive securities:				
Share options	2,234,672	1,440,907	2,128,503	1,355,583
Restricted stock units	348,917	34,000	348,917	16,906
Weighted average number of common shares outstanding – diluted	96,181,037	94,819,307	96,005,397	90,898,518
Basic earnings per share attributable to NGHC common stockholders	$0.36	$0.32	$0.81	$0.63
Diluted earnings per share attributable to NGHC common stockholders	$0.35	$0.32	$0.79	$0.62

As of June 30, 2015 and 2014, 2,306,328 and 2,913,532 share options, respectively, were excluded from diluted earnings per common share as they were anti-dilutive.

12. Share-Based Compensation

The Company currently has two equity incentive plan (the “Plans”). The Plans authorize up to an aggregate of 7,435,000 shares of Company stock for awards of options to purchase shares of the Company’s common stock, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), unrestricted stock and other performance awards. The aggregate number of shares of common stock for which awards may be issued may not exceed 7,435,000 shares, subject to the authority of the Company’s Board of Directors to adjust this amount in the event of a consolidation, reorganization, stock dividend, stock split, recapitalization

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or similar transaction affecting the Company's common stock. As of June 30, 2015, 1,817,541 shares of Company common stock remained available for grants under the Plans.

The Company recognizes compensation expense under ASC 718-10-25 for its share-based payments based on the fair value of the awards. The Company grants stock options at exercise prices equal to the fair market value of the Company's stock on the dates the options are granted. The options have a maximum term of ten years from the date of grant and vest primarily in equal annual installments over a range of one to five years period following the date of grant for employee options. If a participant's employment relationship ends, the participant's vested awards will remain exercisable for the shorter of a period of 30 days or the period ending on the latest date on which such award could have been exercisable. The fair value of each option grant is separately estimated for each grant date. The fair value of each option is amortized into compensation expense on a straight-line basis between the grant date for the award and each vesting date. The Company has estimated the fair value of all stock option awards as of the date of the grant by applying the Black-Scholes-Merton multiple-option pricing valuation model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense. The Company grants RSUs with a grant date value equal to the closing stock price of the Company's stock on the dates the units are granted and the RSUs generally vest over a period of three or four years.

A summary of the Company's stock option activity for the six months ended June 30, 2015 and 2014 is shown below:

	Six Months Ended June 30,			
	2015		2014	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	5,110,593	$8.88	5,058,363	$8.48
Granted	—	—	—	—
Forfeited	(22,173)	8.55	—	—
Exercised	(271,928)	5.24	(42,600)	3.67
Outstanding at end of period	4,816,492	$9.09	5,015,763	$8.52

There were no options granted during the six months ended June 30, 2015 and 2014. The Company had approximately $4,675 and $5,999 of unrecognized compensation cost related to unvested stock options as of June 30, 2015 and December 31, 2014, respectively. As of June 30, 2015 and December 31, 2014, all option grants outstanding had an approximate weighted average remaining life of 7.4 and 7.9 years, respectively. As of June 30, 2015 and December 31, 2014, there were 3,015,895 and 2,347,412 exercisable shares with a weighted average exercise price of $8.25 and $7.81, respectively.

The intrinsic value of stock options exercised during the six months ended June 30, 2015 and 2014 was $3,806 and $447, respectively. The intrinsic value of stock options that were outstanding as of June 30, 2015 and 2014 was $56,594 and $44,555, respectively.

Cash received from options exercised was $1,418 and $156 during the six months ended June 30, 2015 and 2014, respectively.

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A summary of the Company's RSU activity for the six months ended June 30, 2015 and 2014 is shown below:

	Six Months Ended June 30,			
	2015		2014	
	RSUs	Weighted Average Grant Date Fair Value	RSUs	Weighted Average Grant Date Fair Value
Non-vested at beginning of period	327,555	$17.44	—	$—
Granted	127,910	18.57	90,000	15.91
Vested	(22,740)	15.91	—	—
Forfeited	(83,808)	17.70	—	—
Non-vested at end of period	348,917	$17.89	90,000	$15.91

Compensation expense for all share-based compensation under ASC 718-10-30 was $1,176 and $2,264 for the three and six months ended June 30, 2015, respectively, and $501 and $919 for the three and six months ended June 30, 2014, respectively.

13. Service and Fee Income

The following table summarizes service and fee income by category:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Installment fees	$8,307	$7,322	$16,432	$14,205
Commission revenue	15,035	14,878	29,277	29,738
General agent fees	19,305	7,842	35,432	15,167
Late payment fees	2,987	2,987	5,933	5,485
Finance and processing fees	7,330	3,369	16,811	6,509
Other	4,594	2,088	8,543	4,088
Total	$57,558	$38,486	$112,428	$75,192

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14. Income Taxes

The Company files a consolidated Federal income tax return. The Reciprocal Exchanges are not included in the Company's consolidated tax return as the Company does not have an ownership interest in the Reciprocal Exchanges, and they are not a part of the consolidated tax sharing agreement.

The following table is a reconciliation of the difference in the Company's income tax expense compared to the statutory rate of 35%:

	Three Months Ended June 30, 2015			2014
	NGHC	Reciprocal Exchanges	Total	Total
Income (loss) before provision (benefit) for income taxes and equity in earnings of unconsolidated subsidiaries	$46,003	$(3,440)	$42,563	$33,330
Tax at Federal statutory rate 35%	$16,101	$(1,204)	$14,897	$11,666
Tax effects resulting from:				
Tax-exempt interest	(310)	(52)	(362)	(275)
Non-deductible expenses	88	—	88	24
Exempt foreign income	(1,637)	—	(1,637)	(1,644)
Equity method income	579	—	579	(393)
Statutory equalization reserves	(2,359)	—	(2,359)	(8,792)
State tax	191	—	191	534
Other	(3,543)	37	(3,506)	(696)
Total income tax reported	$9,110	$(1,219)	$7,891	$424
Effective tax rate	19.8%	35.4%	18.5%	1.3%

	Six Months Ended June 30, 2015			2014
	NGHC	Reciprocal Exchanges	Total	Total
Income (loss) before provision (benefit) for income taxes and equity in earnings of unconsolidated subsidiaries	$92,256	$(3,336)	$88,920	$65,967
Tax at Federal statutory rate 35%	$32,290	$(1,168)	$31,122	$23,088
Tax effects resulting from:				
Tax-exempt interest	(617)	(120)	(737)	(431)
Non-deductible expenses	168	—	168	55
Exempt foreign income	(4,699)	—	(4,699)	(3,654)
Equity method income	2,314	—	2,314	—
Statutory equalization reserves	(12,288)	—	(12,288)	(12,742)
State tax	841	—	841	1,001
Other	(480)	37	(443)	443
Total income tax reported	$17,529	$(1,251)	$16,278	$7,760
Effective tax rate	19.0%	37.5%	18.3%	11.8%

The Company establishes deferred tax liabilities equal to approximately 30% of the unutilized statutory equalization reserves carried at its Luxembourg reinsurance companies. The deferred tax liability is adjusted each reporting period based primarily on amounts ceded to the Luxembourg reinsurer under the intercompany reinsurance agreements. As the income or loss of the Luxembourg entity is primarily from intercompany activity, the impact on the consolidated pre-tax income for the consolidated

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group is generally zero. Accordingly, the reduction of the deferred tax liability for the utilization of equalization reserves creates a deferred tax benefit reflected in the income tax provision in the accompanying condensed consolidated statements of income. As there is no net effect on the consolidated pre-tax income from the intercompany reinsurance activity, the deferred tax benefit related to these transactions reduces the consolidated effective tax rate of the Company.

As of June 30, 2015 and December 31, 2014, the Company had approximately $94,614 and $134,975, respectively, of unutilized equalization reserves and an associated deferred tax liability of approximately $28,384 and $40,493, respectively.

For the three months ended June 30, 2015 and 2014, income tax expense included a tax benefit of $2,359 and $8,792, respectively, attributable to the reduction of the deferred tax liability associated with the utilization of equalization reserves of our Luxembourg reinsurers. The effect of this tax benefit reduced the effective tax rate by 5.54% and 26.38% for the three months ended June 30, 2015 and 2014, respectively. For the six months ended June 30, 2015 and 2014, income tax expense included a tax benefit of $12,288 and $12,742, respectively, attributable to the reduction of the deferred tax liability associated with the utilization of equalization reserves of our Luxembourg reinsurers. The effect of this tax benefit reduced the effective tax rate by 13.82% and 19.32% for the six months ended June 30, 2015 and 2014, respectively.

As permitted by FASB ASC 740-10, "Income Taxes", the Company recognizes interest and penalties, if any, related to unrecognized tax benefits in its income tax provision. The Company does not have any unrecognized tax benefits and, therefore, has not recorded any unrecognized tax benefits, or any related interest and penalties, as of June 30, 2015 and December 31, 2014. No interest or penalties have been recorded by the Company for the three or six months ended June 30, 2015 and 2014. The Company does not anticipate any significant changes to its total unrecognized tax benefits in the next 12 months.

Excluding the Reciprocal Exchanges, the Company’s subsidiaries are currently open to audit by the IRS for the years ended December 31, 2011 and thereafter for Federal tax purposes.

15. Related Party Transactions

The founding and significant shareholder of the Company has an ownership interest in AmTrust, Maiden Holdings Ltd. (“Maiden”) and ACP Re. The Company provides and receives services from these related entities as follows:

Agreements with AmTrust and Affiliated Entities

Asset Management Agreement

Pursuant to an Asset Management Agreement among NGHC and AII Insurance Management Limited (“AIIM”), a subsidiary of AmTrust, the Company pays AIIM a fee for managing the Company’s investment portfolio. Pursuant to the asset management agreement, AIIM provides investment management services for a quarterly fee of 0.05% of the average value of assets under management if the average value of the account for the previous calendar quarter is less than or equal to $1 billion, and 0.0375% of the average value of assets under management if the average value of the account for the previous calendar quarter is greater than $1 billion. Following the initial one-year term, the agreement may be terminated upon 30 days written notice by either party. The amounts charged for such expenses were $537 and

$1,089 for the three and six months ended June 30, 2015, respectively, while the amounts charged for such expenses were $433 and $856, for the three and six months ended June 30, 2014, respectively. As of June 30, 2015 and December 31, 2014, there was a payable to AIIM related to these services in the amount of $578 and $564, respectively.

Master Services Agreement

AmTrust provides postage and billing services to the Company for premiums written on the Company’s new policy system pursuant to a Master Services Agreement with National General Management Corp., a wholly owned subsidiary of the Company. The agreement is effective for ten years from the acceptance of all phases of the initial work statement and can be automatically renewed thereafter for subsequent five-year terms. The agreement is cancellable for material breach of contract that is not cured within thirty days, if either party fails to perform obligations under contract, if either party is declared bankrupt or insolvent, and in the event of a proposed change of control by either party to a competitor. The services are charged on a work-per-piece basis and are billed to the Company at cost. The Company has the right to audit the books and records as appropriate. AmTrust also provides the Company information technology development services in connection with the development of a policy management

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system at cost pursuant to a Master Services Agreement with National General Management Corp. In addition, as consideration for a license for the Company to use that system, AmTrust receives a license fee in the amount of 1.25% of gross premium of NGHC and its affiliates written on the system plus the costs for support services. In 2014, AmTrust also began providing the Company services in managing the premium receipts from its lockbox facilities at a fixed cost per item processed.

The Company recorded expenses and capitalized costs related to the Master Services Agreement of $6,840 and $14,902 for the three and six months ended June 30, 2015, respectively, while the amounts for such expenses and capitalized costs were $6,335 and $14,090 for the three and six months ended June 30, 2014, respectively. As of June 30, 2015 and December 31, 2014, there was a payable related to the services received under this agreement in the amount of $12,135 and $13,621, respectively.

Reinsurance Agreements

On July 1, 2012, a wholly-owned subsidiary of the Company, Integon National Insurance Company ("Integon National"), entered into an agreement with an AmTrust subsidiary, Risk Services, LLC (“RSL”). RSL provides certain consulting and marketing services to promote the Company’s captive insurance program to potential agents. RSL receives 1.5% of all net premiums written generated to the program. The amounts charged for such fees for the three and six months ended June 30, 2015 were $37 and $74, respectively, while the amounts charged for such fees were $35 and $66 for the three and six months ended June 30, 2014, respectively. As of June 30, 2015 and December 31, 2014, there was a payable for these services in the amount of $38 and $31, respectively.

On March 22, 2012, Integon National entered into a reinsurance agreement with an AmTrust subsidiary, Agent Alliance Reinsurance Company (“AARC”), whereby the Company cedes 25% of the business written by certain agents who are members of the Company’s captive agent program along with 25% of any related losses. The Company receives a ceding commission of 25% of the associated ceded premiums. Each party may terminate the agreement by providing 90 days written notice.

On January 1, 2013, the Company entered into a quota share agreement with Wesco Insurance Company (“Wesco”), a subsidiary of AmTrust, to assume 100% of the accident and health business written before January 1, 2013. The Company reinsures 100% of the existing obligations with respect to the accident and health program, including a loss portfolio transfer of 100% of loss and LAE reserves and unearned premium as of the effective date in exchange for an amount equal to 100% of the loss and LAE reserves and unearned premium reserves related to the existing contracts and 100% of the business fronted by Wesco on behalf of the Company after the effective date less the fronted ceded commission of 5% of premiums written, plus the related fronting acquisition costs and fronting inuring reinsurance costs, both meaning the actual costs paid by Wesco to the third parties with respect to those transactions.

The amounts related to these reinsurance treaties are as follows:

June 30, 2015	Recoverable (Payable) on Paid and Unpaid Losses and LAE	Commission Receivable	Premium Receivable (Payable)
Wesco	$(586)	$—	$(199)
AARC	739	107	(373)
December 31, 2014			

	Recoverable (Payable) on Paid and Unpaid Losses and LAE	Commission Receivable	Premium Receivable (Payable)
Wesco	$(3,987)	$—	$(638)
AARC	706	94	(350)

Three Months Ended June 30, 2015	Assumed (Ceded) Earned Premiums	Commission Income	Assumed (Ceded) Losses and LAE
Wesco	$(81)	$12	$(811)
AARC	(373)	112	(149)

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Three Months Ended June 30, 2014	Assumed (Ceded) Earned Premiums	Commission Income (Expense)	Assumed (Ceded) Losses and LAE
Wesco	$5,926	$(1,490)	$5,456
AARC	(330)	89	(173)

Six Months Ended June 30, 2015	Assumed (Ceded) Earned Premiums	Commission Income	Assumed (Ceded) Losses and LAE
Wesco	$71	$211	$105
AARC	(721)	210	(365)

Six Months Ended June 30, 2014	Assumed (Ceded) Earned Premiums	Commission Income (Expense)	Assumed (Ceded) Losses and LAE
Wesco	$10,668	$(2,742)	$8,686
AARC	(623)	172	(366)

NGHC Quota Share Agreement

The Company participated in a quota share reinsurance treaty with the related entities listed below whereby it ceded 50% of the total net earned premiums and net incurred losses and LAE on business with effective dates after March 1, 2010 (“NGHC Quota Share”).

On August 1, 2013, the Company provided notice to parties of the NGHC Quota Share agreement that it was terminating the agreement. The Company no longer cedes any net earned premiums and net incurred losses and LAE on business with effective dates after July 31, 2013. The termination is on a run-off basis, meaning the Company continued to cede 50% of the net premiums and the related net losses with respect to policies in force as of July 31, 2013 through the expiration of such policies, the last of which expired on July 31, 2014.

The NGHC Quota Share provided that the reinsurers pay a provisional ceding commission equal to 32.5% of ceded earned premium, net of premiums ceded by the Company for inuring reinsurance, subject to adjustment. The ceding commission is subject to adjustment to a maximum of 34.5% if the loss ratio for the reinsured business is 60.0% or less and a minimum of 30.5% if the loss ratio is 64.5% or greater. Effective October 1, 2012, the parties amended the NGHC Quota Share to decrease the provisional ceding commission from 32.5% to 32.0% of ceded earned premium, net of premiums ceded by the Company for inuring reinsurance, subject to adjustment. The ceding commission is subject to adjustment to a minimum of 30.0% (changed from 30.5%), if the loss ratio is 64.5% or greater. The Company believes that the terms, conditions and pricing of the NGHC Quota Share have been determined by arm's length negotiations and reflect market terms and conditions.

The percentage breakdown by reinsurer of such 50% is as follows:

Name of Insurer	Quota Share Percentage
ACP Re	15%
Maiden Insurance Company, a subsidiary of Maiden	25%
Technology Insurance Company, a subsidiary of AmTrust	10%

The amounts related to this reinsurance treaty are as follows:

Three Months Ended June 30, 2015	Ceded Earned Premiums	Ceding Commission Expense	Ceded Losses and LAE
ACP Re	$—	$(107)	$327
Maiden Insurance Company	—	(182)	545
Technology Insurance Company	—	(54)	218
Total	$—	$(343)	$1,090

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Three Months Ended June 30, 2014	Ceded Earned Premiums	Ceding Commission Income	Ceded Losses and LAE
ACP Re	$3,678	$1,201	$2,340
Maiden Insurance Company	6,130	1,943	3,886
Technology Insurance Company	2,452	786	1,574
Total	$12,260	$3,930	$7,800

Six Months Ended June 30, 2015	Ceded Earned Premiums	Ceding Commission Income	Ceded Losses and LAE
ACP Re	$—	$91	$814
Maiden Insurance Company	—	149	1,369
Technology Insurance Company	—	78	529
Total	$—	$318	$2,712

Six Months Ended June 30, 2014	Ceded Earned Premiums	Ceding Commission Income	Ceded Losses and LAE
ACP Re	$12,673	$3,899	$9,307
Maiden Insurance Company	21,122	6,441	15,499
Technology Insurance Company	8,449	2,585	6,218
Total	$42,244	$12,925	$31,024

Included in ceding commission income was $0 and $0 for the three and six months ended June 30, 2015, respectively, and $2,481 and $6,249 for the three and six months ended June 30, 2014, respectively, which represented recovery of successful acquisition cost of the reinsured contracts. These amounts have been netted against acquisition costs and other underwriting expenses in the accompanying condensed consolidated statements of income.

June 30, 2015	Reinsurance Recoverable on Paid and Unpaid Losses and LAE	Ceded Commission Payable	Ceded Premium Payable
ACP Re	$31,331	$—	$7,701
Maiden Insurance Company	37,136	—	12,836
Technology Insurance Company	14,854	—	5,134
Total	$83,321	$—	$25,671

December 31, 2014	Reinsurance Recoverable on Paid and Unpaid Losses and LAE	Ceded Commission Payable	Ceded Premium Payable
ACP Re	$30,517	$3	$7,792
Maiden Insurance Company	50,861	5	12,987
Technology Insurance Company	20,345	2	5,195
Total	$101,723	$10	$25,974

The Company nets the ceded commission receivable against ceded premium payable in the condensed consolidated balance sheets as the NGHC Quota Share Agreement allows for net settlement. The agreement also stipulates that if the Company would be denied full statutory credit for reinsurance ceded pursuant to the credit for reinsurance laws or regulations in any applicable jurisdiction, the reinsurers will secure an amount equal to that obligation through a letter of credit; assets held in trust for the benefit of the Company or cash. ACP Re and Maiden Insurance Company held assets in trust in the amount of $29,923 and $44,287, respectively, as of June 30, 2015 and $31,044 and $58,513, respectively, as of December 31, 2014.

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The Company and AmTrust have formed the LSC Entities for the purposes of acquiring certain life settlement contracts. For further discussion on the LSC Entities' arrangements (see Note 6, “Equity Investments in Unconsolidated Subsidiaries”).

800 Superior, LLC

As described in Note 6, "Equity Investments in Unconsolidated Subsidiaries", the Company formed 800 Superior, LLC along with AmTrust, whereby each entity owns a 50% interest. In 2012, the Company also entered into a lease agreement with 800 Superior, LLC for a period of 15 years whereby the Company leased approximately 134,000 square feet. The Company paid 800 Superior, LLC $664 and $1,328 for the three and six months ended June 30, 2015, respectively, and $561 and $1,122 for the three and six months ended June 30, 2014, respectively. For more information on the 800 Superior, LLC related party transactions, see Note 16, "Related Party Transactions - 800 Superior, LLC" of our Annual Report on Form 10-K for the year ended December 31, 2014.

North Dearborn Building Company, L.P.

In February 2015, the Company invested $9,714 in North Dearborn, a limited partnership that owns an office building in Chicago, Illinois. AmTrust is also a limited partner in North Dearborn, and the general partner is NA Advisors, an entity controlled by Michael Karfunkel and managed by an unrelated third party. The Company and AmTrust each received a 45% limited partnership interest in North Dearborn for their respective $9,714 investments, while NA Advisors invested approximately $2,200 and holds a 10% general partnership interest and a 10% profit interest, which NA Advisors pays to the unrelated third party manager. North Dearborn appointed NA Advisors as the general manager to oversee the day-to-day operations of the office building. The Company’s equity interest in North Dearborn as of June 30, 2015 was $9,937. For the three and six months ended June 30, 2015, the Company recorded equity in earnings (losses) from North Dearborn of $223 and $223, respectively.

Agreements with ACP Re and Affiliated Entities

In connection with the acquisition of Tower Group International, Ltd. ("Tower") by ACP Re, the Company entered into the agreements described below.

Personal Lines Master Agreement

On July 23, 2014, the Company and ACP Re entered into the Amended and Restated Personal Lines Master Agreement (the "Master Agreement"). The Master Agreement provided for the implementation of the various transactions associated with the acquisition of Tower by ACP Re. In addition, the Master Agreement requires the Company to pay ACP Re contingent consideration in the form of a three-year earn-out (the "Contingent Payments") of 3% of gross premium written of the Tower personal lines business written or assumed by the Company following the Merger. The Contingent Payments are subject to a maximum of $30,000, in the aggregate, over the three-year period.

PL Reinsurance Agreement and the Personal Lines Cut-Through Quota Share Reinsurance Agreement

Integon National entered into the Personal Lines Quota Share Reinsurance Agreement (the "PL Reinsurance Agreement"), with Tower’s ten statutory insurance companies (collectively, the “Tower Companies”), pursuant to which Integon National reinsures 100% of all losses under the Tower Companies’ new and renewal personal lines business written after September 15, 2014. The ceding commission payable by Integon National under the PL Reinsurance

Agreement is equal to the sum of (i) reimbursement of the Tower Companies' acquisition costs in respect of the business covered, including commission payable to National General Insurance Marketing, Inc., a subsidiary of the Company ("NGIM"), pursuant to the PL MGA Agreement (as defined below), and premium taxes and (ii) 2% of gross premium written (net of cancellations and return premiums) collected pursuant to the PL MGA Agreement. In connection with the execution of the PL Reinsurance Agreement, the Personal Lines Cut-Through Quota Share Reinsurance Agreement, dated January 3, 2014, by and among the Tower Companies and Integon National (the "Cut-Through Reinsurance Agreement"), was terminated on a run-off basis, with the reinsurance of all policies reinsured under such agreement remaining in effect.

As of June 30, 2015 and December 31, 2014, there was a net receivable due from the Tower Companies of $67,625 and $43,998, respectively. As a result of the PL Reinsurance Agreement and the Cut-Through Reinsurance Agreement, during the three and six months ended June 30, 2015, the Company assumed $24,435 and $100,480, respectively, of premium from the Tower Companies and recorded $7,902 and $32,717, respectively, of ceding commission expense, while during the three and six months

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ended June 30, 2014, the Company assumed $43,509 and $279,786, respectively, of premium from the Tower Companies and recorded $9,062 and $56,885, respectively, of ceding commission expense. Additionally, during the three and six months ended June 30, 2015, the Company earned premium of $70,929 and $157,572, respectively, while during the three and six months ended June 30, 2014, the Company earned premium of $65,983 and $143,417, respectively, under these reinsurance agreements. During the three and six months ended June 30, 2015, the Company incurred losses and loss adjustment expenses of $46,449 and $92,255, respectively, and during the three and six months ended June 30, 2014, the Company incurred losses and loss adjustment expenses of $38,216 and $85,476, respectively, under these reinsurance agreements.

PL MGA Agreement

NGIM produces and manages all new and renewal personal lines business of the Tower Companies pursuant to a Personal Lines Managing General Agency Agreement (the "PL MGA Agreement"). As described above, all post-September 15, 2014 personal lines business written by the Tower Companies is reinsured by Integon National pursuant to the PL Reinsurance Agreement. The Tower Companies pay NGIM a 10% commission on all business written pursuant to the PL MGA Agreement. All payments by the Tower Companies to NGIM pursuant to the PL MGA Agreement are netted out of the ceding commission payable by Integon National to the Tower Companies pursuant to the PL Reinsurance Agreement. During the three and six months ended June 30, 2015, the Company recorded $2,444 and $8,027, respectively, of commission income, as a result of the PL MGA Agreement.

PL Administrative Services Agreement

National General Management Corp., a subsidiary of the Company ("NGMC"), the Tower Companies and an affiliated company, CastlePoint Reinsurance Company, Ltd (“CP Re”), entered into the Personal Lines LPTA Administrative Services Agreement (the "PL Administrative Agreement"), pursuant to which NGMC administers the run-off of CP Re’s and the Tower Companies’ personal lines business written prior to September 15, 2014 at cost. CP Re and the Tower Companies reimburse NGMC for its actual costs, including costs incurred in connection with claims operations, out-of-pocket expenses, costs incurred in connection with any required modifications to NGMC's claims systems and an allocated portion of the claims service expenses paid by Integon National to the Tower Companies pursuant to the Cut-Through Reinsurance Agreement. As a result of the PL Administrative Agreement, the Company was reimbursed $4,836 and $5,768 during the three and six months ended June 30, 2015, respectively. As of June 30, 2015 and December 31, 2014, there was a receivable related to the PL Administrative Agreement of $9,567 and $1,546, respectively.

Stop-Loss and Retrocession Agreements

National General Re, Ltd., a subsidiary of the Company (“NG Re Ltd.”), along with AmTrust International Insurance, Ltd., an affiliate of the Company (“AII”), as reinsurers, entered into a $250,000 Aggregate Stop Loss Reinsurance Agreement (the "Stop-Loss Agreement") with CP Re. NG Re Ltd. and AII also entered into an Aggregate Stop Loss Retrocession Contract (the "Retrocession Agreement") with ACP Re pursuant to which ACP Re is obligated to reinsure the full amount of any payments that NG Re Ltd. and AII are obligated to make to CP Re under the Stop-Loss Agreement. Pursuant to the Stop-Loss Agreement, each of NG Re Ltd. and AII provide, severally, $125,000 of stop loss coverage with respect to the run-off of the Tower business written on or before September 15, 2014. The reinsurers’ obligation to indemnify CP Re under the Stop-Loss Agreement will be triggered only at such time as CP Re’s ultimate paid net loss related to the run-off of the pre-September 15, 2014 Tower business exceeds a retention equal to the Tower Companies’ loss and loss adjustment reserves and unearned premium reserves as of September 15,

2014. CP Re will pay AII and NG Re Ltd. total premium of $56,000 on the fifth anniversary of the Stop-Loss Agreement. The premium payable by NG Re Ltd. and AII to ACP Re pursuant to the Retrocession Agreement will be $56,000 in the aggregate, less a ceding commission of 5.5% to be retained by NG Re Ltd. and AII. The Company will record this reinsurance transaction under the deposit method of accounting.

Credit Agreement

On September 15, 2014, NG Re Ltd. entered into a credit agreement (the “ACP Re Credit Agreement”) by and among AmTrust, as Administrative Agent, ACP Re and London Acquisition Company Limited, a wholly owned subsidiary of ACP Re, as the borrowers (collectively, the “Borrowers”), ACP Re Holdings, LLC, as Guarantor, and AII and NG Re Ltd., as Lenders, pursuant to which the Lenders made a $250,000 loan ($125,000 made by each Lender) to the Borrowers on the terms and conditions contained within the ACP Re Credit Agreement.

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The ACP Re Credit Agreement has a maturity date of September 15, 2021. Outstanding principal under the ACP Re Credit Agreement bears interest at a fixed annual rate of seven percent (7%), payable semi-annually on the last day of January and July. The obligations of the Borrowers are secured by (i) a first-priority pledge of 100% of the stock of ACP Re and certain of ACP Re's U.S. subsidiaries and 65% of the stock of certain of ACP Re's foreign subsidiaries and (ii) a first-priority lien on the assets of the Borrowers and Guarantor and certain of the assets of ACP Re's subsidiaries (other than the Tower Companies).

The Company recorded interest income of $2,211 and $4,399 for the three and six months ended June 30, 2015, respectively, under the ACP Re Credit Agreement.

Surplus Notes of the Reciprocal Exchanges

ACP Re, an affiliate of the Company, holds the surplus notes carried at $52,547 and $48,374 as of June 30, 2015 and December 31, 2014, respectively, issued by the Reciprocal Exchanges. The obligation to repay principal and interest on the Reciprocal Exchanges' Surplus Notes is subordinated to the Reciprocal Exchanges' other liabilities. Principal and interest on the Reciprocal Exchanges' Surplus Notes are payable only with regulatory approval (see Note 10, "Debt").

AIBD Health Plan

On September 1, 2012, the Company purchased The Association Benefits Solution companies, a group of companies affiliated with the accident and health insurance industry. As part of the purchase, the Company is now affiliated with AIBD Health Plan which is a welfare benefit plan for several member groups. As of June 30, 2015 and December 31, 2014, the Company had a receivable of $5,415 and $5,377, respectively. Also, as part of this plan, the Company utilizes an employer trust to administer additional claims. As of June 30, 2015 and December 31, 2014, the Company had a receivable to the employer trust in the amount of $1,544 and $605, respectively.

16. Segment Information

The Company currently operates two business segments, Property and Casualty and Accident and Health. The "Corporate and Other" column represents the activities of the holding company, as well as income from the Company's investment portfolio. The Company evaluates segment performance based on segment profit separately from the results of our investment portfolio. Other operating expenses allocated to the segments are called General and Administrative expenses which are allocated on an actual basis except salaries and benefits where management's judgment is applied. In determining total assets by segment, the Company identifies those assets that are attributable to a particular segment such as deferred acquisition cost, reinsurance recoverable, goodwill, intangible assets and prepaid reinsurance while the remaining assets are allocated to Corporate and Other.

The Property and Casualty segment, which includes the Reciprocal Exchanges and the Management Companies, reports the management fees earned by NGHC from the Reciprocal Exchanges for underwriting, investment management and other services as service and fee income for the Company. The effects of these transactions between NGHC and the Reciprocal Exchanges are eliminated in consolidation to derive consolidated net income.

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The following tables summarize the underwriting results of the Company’s operating segments:

Three Months Ended June 30, 2015	Property and Casualty	Accident and Health	Corporate and Other	Total
Underwriting revenue:				
Gross premium written	$541,223	$34,458	$—	$575,681
Ceded premiums	(87,619)	(8,652)	—	(96,271)
Net premium written	453,604	25,806	—	479,410
Change in unearned premium	(21,055)	10,461	—	(10,594)
Net earned premium	432,549	36,267	—	468,816
Ceding commission income	9,699	271	—	9,970
Service and fee income	39,886	17,672	—	57,558
Total underwriting revenue	482,134	54,210	—	536,344
Underwriting expenses:				
Loss and loss adjustment expense	260,699	26,130	—	286,829
Acquisition costs and other underwriting expenses	84,883	11,619	—	96,502
General and administrative expenses	105,127	14,031	—	119,158
Total underwriting expenses	450,709	51,780	—	502,489
Underwriting income	31,425	2,430	—	33,855
Net investment income	—	—	18,335	18,335
Net realized gains on investments	—	—	389	389
Other revenue	—	—	(1,415)	(1,415)
Equity in earnings of unconsolidated subsidiaries	—	—	1,654	1,654
Interest expense	—	—	(8,601)	(8,601)
Provision for income taxes	—	—	(7,891)	(7,891)
Net loss (income) attributable to non-controlling interest	—	—	2,201	2,201
Net income attributable NGHC	$31,425	$2,430	$4,672	$38,527
NGHC	$32,703	$2,430	$3,394	$38,527
Reciprocal Exchanges	(1,278)	—	1,278	—
Net income attributable NGHC	$31,425	$2,430	$4,672	$38,527

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Three Months Ended June 30, 2014	Property and Casualty	Accident and Health	Corporate and Other	Total
Underwriting revenue:				
Gross premium written	$407,863	$60,610	$—	$468,473
Ceded premiums	(49,767)	(150)	—	(49,917)
Net premium written	358,096	60,460	—	418,556
Change in unearned premium	3,527	(30,617)	—	(27,090)
Net earned premium	361,623	29,843	—	391,466
Ceding commission income	1,557	—	—	1,557
Service and fee income	23,389	15,097	—	38,486
Total underwriting revenue	386,569	44,940	—	431,509
Underwriting expenses:				
Loss and loss adjustment expense	231,008	24,596	—	255,604
Acquisition costs and other underwriting expenses	61,440	12,978	—	74,418
General and administrative expenses	64,715	12,344	—	77,059
Total underwriting expenses	357,163	49,918	—	407,081
Underwriting income (loss)	29,406	(4,978)	—	24,428
Net investment income	—	—	11,321	11,321
Other revenue	—	—	100	100
Equity in losses of unconsolidated subsidiaries	—	—	(2,610)	(2,610)
Interest expense	—	—	(2,519)	(2,519)
Provision for income taxes	—	—	(424)	(424)
Net loss (income) attributable to non-controlling interest	—	—	38	38
Net income (loss) attributable NGHC	$29,406	$(4,978)	$5,906	$30,334

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Six Months Ended June 30, 2015	Property and Casualty	Accident and Health	Corporate and Other	Total
Underwriting revenue:				
Gross premium written	$1,109,321	$109,815	$—	$1,219,136
Ceded premiums	(192,820)	(16,881)	—	(209,701)
Net premium written	916,501	92,934	—	1,009,435
Change in unearned premium	(35,962)	(25,492)	—	(61,454)
Net earned premium	880,539	67,442	—	947,981
Ceding commission income	14,497	553	—	15,050
Service and fee income	77,337	35,091	—	112,428
Total underwriting revenue	972,373	103,086	—	1,075,459
Underwriting expenses:				
Loss and loss adjustment expense	547,282	46,233	—	593,515
Acquisition costs and other underwriting expenses	163,476	22,911	—	186,387
General and administrative expenses	196,667	28,178	—	224,845
Total underwriting expenses	907,425	97,322	—	1,004,747
Underwriting income	64,948	5,764	—	70,712
Net investment income	—	—	34,483	34,483
Net realized gains on investments	—	—	1,576	1,576
Other revenue	—	—	(170)	(170)
Equity in earnings of unconsolidated subsidiaries	—	—	6,612	6,612
Interest expense	—	—	(17,681)	(17,681)
Provision for income taxes	—	—	(16,278)	(16,278)
Net loss (income) attributable to non-controlling interest	—	—	2,041	2,041
Net income attributable NGHC	$64,948	$5,764	$10,583	$81,295
NGHC	$65,157	$5,764	$10,374	$81,295
Reciprocal Exchanges	(209)	—	209	—
Net income attributable NGHC	$64,948	$5,764	$10,583	$81,295

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Six Months Ended June 30, 2014	Property and Casualty	Accident and Health	Corporate and Other	Total
Underwriting revenue:				
Gross premium written	$1,014,471	$100,144	$—	$1,114,615
Ceded premiums	(128,377)	(197)	—	(128,574)
Net premium written	886,094	99,947	—	986,041
Change in unearned premium	(197,252)	(39,471)	—	(236,723)
Net earned premium	688,842	60,476	—	749,318
Ceding commission income	6,927	—	—	6,927
Service and fee income	45,062	30,130	—	75,192
Total underwriting revenue	740,831	90,606	—	831,437
Underwriting expenses:				
Loss and loss adjustment expense	440,438	40,513	—	480,951
Acquisition costs and other underwriting expenses	117,213	31,578	—	148,791
General and administrative expenses	128,236	25,022	—	153,258
Total underwriting expenses	685,887	97,113	—	783,000
Underwriting income (loss)	54,944	(6,507)	—	48,437
Net investment income	—	—	20,535	20,535
Other revenue	—	—	107	107
Equity in losses of unconsolidated subsidiaries	—	—	(1,487)	(1,487)
Interest expense	—	—	(3,112)	(3,112)
Provision for income taxes	—	—	(7,760)	(7,760)
Net loss (income) attributable to non-controlling interest	—	—	6	6
Net income (loss) attributable NGHC	$54,944	$(6,507)	$8,289	$56,726

The following tables summarize the financial position of the Company's operating segments as of June 30, 2015 and December 31, 2014:

June 30, 2015	Property and Casualty	Accident and Health	Corporate and Other	Total
Premiums and other receivables, net	$674,240	$91,915	$—	$766,155
Deferred acquisition costs	139,238	2,022	—	141,260
Reinsurance recoverable on unpaid losses	878,766	(100)	—	878,666
Prepaid reinsurance premiums	123,894	—	—	123,894
Goodwill and Intangible assets, net	304,627	81,646	—	386,273
Corporate and other assets	—	—	2,411,670	2,411,670
Total assets	$2,120,765	$175,483	$2,411,670	$4,707,918

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December 31, 2014	Property and Casualty	Accident and Health	Corporate and Other	Total
Premiums and other receivables, net	$576,980	$70,463	$—	$647,443
Deferred acquisition costs	119,167	6,832	—	125,999
Reinsurance recoverable on unpaid losses	911,790	8	—	911,798
Prepaid reinsurance premiums	102,761	—	—	102,761
Goodwill and Intangible assets, net	260,739	58,862	—	319,601
Corporate and other assets	—	—	2,217,114	2,217,114
Total assets	$1,971,437	$136,165	$2,217,114	$4,324,716

The following tables show an analysis of the Company's gross and net premiums written and net earned premium by geographical location for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,			
	2015			2014
	NGHC	Reciprocal Exchanges	Total	Total
Gross premium written - North America	$488,930	$76,729	$565,659	$418,729
Gross premium written - Europe	10,022	—	10,022	49,744
Total	$498,952	$76,729	$575,681	$468,473
Net premium written - North America	$189,336	$30,766	$220,102	$161,184
Net premium written - Bermuda	234,454	—	234,454	186,865
Net premium written - Europe	24,854	—	24,854	70,507
Total	$448,644	$30,766	$479,410	$418,556
Net earned premium - North America	$175,943	$22,248	$198,191	$164,707
Net earned premium - Bermuda	235,345	—	235,345	186,865
Net earned premium - Europe	35,280	—	35,280	39,894
Total	$446,568	$22,248	$468,816	$391,466

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	Six Months Ended June 30,			
	2015			2014
	NGHC	Reciprocal Exchanges	Total	Total
Gross premium written - North America	$1,017,001	$137,966	$1,154,967	$1,034,640
Gross premium written - Europe	64,169	—	64,169	79,975
Total	$1,081,170	$137,966	$1,219,136	$1,114,615
Net premium written - North America	$390,996	$49,403	$440,399	$571,319
Net premium written - Bermuda	464,867	—	464,867	301,271
Net premium written - Europe	104,169	—	104,169	113,451
Total	$960,032	$49,403	$1,009,435	$986,041
Net earned premium - North America	$342,120	$64,144	$406,264	$374,053
Net earned premium - Bermuda	463,067	—	463,067	301,271
Net earned premium - Europe	78,650	—	78,650	73,994
Total	$883,837	$64,144	$947,981	$749,318

The following tables show an analysis of the Company's gross premium written, net premium written and net earned premium by product type for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
Gross Premium Written	2015	2014	2015	2014
Property and Casualty				
Personal Auto	$289,264	$288,654	$627,540	$637,338
Homeowners	74,438	34,018	160,121	216,085
RV/Packaged	43,096	42,148	80,646	80,693
Commercial Auto	50,482	37,269	91,828	71,553
Other	7,214	5,774	11,220	8,802
Property and Casualty Total	$464,494	$407,863	$971,355	$1,014,471
Accident and Health Total	34,458	60,610	109,815	100,144
NGHC Total	$498,952	$468,473	$1,081,170	$1,114,615
Reciprocal Exchanges				
Personal Auto	$25,773	$—	$43,464	$—
Homeowners	43,909	—	80,722	—
Other	7,047	—	13,780	—
Reciprocal Exchanges Total	$76,729	$—	$137,966	$—
Total	$575,681	$468,473	$1,219,136	$1,114,615

NATIONAL GENERAL HOLDINGS CORP.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Shares and Per Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
Net Premium Written	2015	2014	2015	2014
Property and Casualty				
Personal Auto	$252,406	$244,938	$547,649	$521,589
Homeowners	75,456	34,018	145,846	216,085
RV/Packaged	42,774	40,206	79,668	76,363
Commercial Auto	46,258	33,639	84,251	63,760
Other	5,944	5,295	9,684	8,297
Property and Casualty Total	$422,838	$358,096	$867,098	$886,094
Accident and Health Total	25,806	60,460	92,934	99,947
NGHC Total	$448,644	$418,556	$960,032	$986,041
Reciprocal Exchanges				
Personal Auto	$25,696	$—	$42,135	$—
Homeowners	(2,041)	—	(6,823)	—
Other	7,111	—	14,091	—
Reciprocal Exchanges Total	$30,766	$—	$49,403	$—
Total	$479,410	$418,556	$1,009,435	$986,041

	Three Months Ended June 30,		Six Months Ended June 30,	
Net Earned Premium	2015	2014	2015	2014
Property and Casualty				
Personal Auto	$267,112	$244,126	$534,643	$451,328
Homeowners	63,227	49,024	127,350	106,777
RV/Packaged	37,576	36,720	73,552	70,861
Commercial Auto	37,429	28,146	72,051	52,921
Other	4,957	3,607	8,799	6,955
Property and Casualty Total	$410,301	$361,623	$816,395	$688,842
Accident and Health Total	36,267	29,843	67,442	60,476
NGHC Total	$446,568	$391,466	$883,837	$749,318
Reciprocal Exchanges				
Personal Auto	$23,541	$—	$46,471	$—
Homeowners	(5,528)	—	9,886	—
Other	4,235	—	7,787	—
Reciprocal Exchanges Total	$22,248	$—	$64,144	$—
Total	$468,816	$391,466	$947,981	$749,318

17. Subsequent Events

On July 15, 2015, the Company entered into a master transaction agreement (the “Master Transaction Agreement”) with QBE Investments (North America), Inc. (“QBE Parent”) and its subsidiary, QBE Holdings, Inc. (“Seller” and together with QBE Parent, “QBE”), pursuant to which the Company agreed to purchase QBE’s lender placed insurance business

(“LPI Business”), including certain of QBE’s affiliates engaged in the LPI Business. In addition, Integon National, the Company’s wholly-owned subsidiary, expects to enter into a loss portfolio reinsurance agreement and quota share reinsurance agreement with an affiliate of

NATIONAL GENERAL HOLDINGS CORP.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Shares and Per Share Data)

QBE, pursuant to which Integon National, as reinsurer, will provide loss portfolio and 100% quota share reinsurance coverage with respect to the LPI Business.

The aggregate consideration for the transaction is approximately $90,000. The acquisition is expected to close in the third quarter of 2015, pending the receipt of regulatory approvals and the satisfaction of other customary closing conditions.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q.

Note on Forward-Looking Statements

This Form 10-Q contains certain forward-looking statements that are intended to be covered by the safe harbors created by The Private Securities Litigation Reform Act of 1995. When we use words such as “anticipate,” “intend,” “plan,” “believe,” “estimate,” “expect,” or similar expressions, we do so to identify forward-looking statements. Examples of forward-looking statements include the plans and objectives of management for future operations, including those relating to future growth of our business activities and availability of funds, and are based on current expectations that involve assumptions that are difficult or impossible to predict accurately and many of which are beyond our control. There can be no assurance that actual developments will be those anticipated by us. Actual results may differ materially from those expressed or implied in these statements as a result of significant risks and uncertainties, including, but not limited to, non-receipt of expected payments from insureds or reinsurers, changes in interest rates, a downgrade in the financial strength ratings of our insurance subsidiaries, the effect of the performance of financial markets on our investment portfolio, our ability to accurately underwrite and price our products and to maintain and establish accurate loss reserves, estimates of the fair value of our life settlement contracts, development of claims and the effect on loss reserves, accuracy in projecting loss reserves, the cost and availability of reinsurance coverage, the effects of emerging claim and coverage issues, changes in the demand for our products, our degree of success in integrating of acquired businesses, the effect of general economic conditions, state and federal legislation, regulations and regulatory investigations into industry practices, risks associated with conducting business outside the United States, developments relating to existing agreements, disruptions to our business relationships with AmTrust Financial Services, Inc., ACP Re Ltd., Maiden Holdings, Ltd., or third party agencies, breaches in data security or other disruptions with our technology, heightened competition, changes in pricing environments, and changes in asset valuations. Additional information about these risks and uncertainties, as well as others that may cause actual results to differ materially from those projected, is contained in our filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2014, and our quarterly reports on Form 10-Q. The projections and statements in this report speak only as of the date of this report and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Overview

We are a specialty personal lines insurance holding company. Through our subsidiaries, we provide a variety of insurance products, including personal and commercial automobile, homeowners and umbrella, supplemental health, and other niche insurance products. We sell insurance products with a focus on underwriting profitability through a combination of our customized and predictive analytics and our technology driven low cost infrastructure.

We manage our business through two segments: Property and Casualty ("P&C") and Accident and Health ("A&H"). We transact business primarily through our fifteen regulated domestic insurance subsidiaries: Integon Casualty Insurance Company, Integon General Insurance Corporation, Integon Indemnity Corporation, Integon National Insurance Company (“Integon National”), Integon Preferred Insurance Company, New South Insurance Company, MIC General Insurance Corporation, National General Insurance Company, National General Assurance Company, National General Insurance Online, Inc., National Health Insurance Company, Personal Express Insurance Company, Imperial Fire and Casualty Insurance Company, National Automotive Insurance Company and Agent Alliance Insurance Company. Our insurance subsidiaries have been assigned an "A-" (Excellent) group rating by A.M. Best.

We currently conduct a limited amount of business outside the United States, primarily in Bermuda, Luxembourg and Sweden.

The operating results of property and casualty insurance companies are subject to quarterly and yearly fluctuations due to the effect of competition on pricing, the frequency and severity of losses, the effect of weather and natural disasters on losses, general economic conditions, the general regulatory environment in states in which an insurer operates, state regulation of premium rates, changes in fair value of investments, and other factors such as changes in tax laws. The property and casualty industry has been highly cyclical with periods of high premium rates and shortages of underwriting capacity followed by periods of severe price competition and excess capacity. While these cycles can have a large impact on a company’s ability to grow and retain business, we have sought to focus on niche markets and regions where we are able to maintain premium rates at generally consistent levels and maintain underwriting discipline throughout these cycles. We believe that the nature of our P&C insurance products, including their relatively low limits, the relatively short duration of time between when claims are reported and when they are settled, and the broad geographic distribution of our customers, have allowed us to grow and retain our business throughout these cycles. In addition, we have limited our exposure to catastrophe losses through reinsurance. With regard to seasonality, we tend to experience higher claims and claims expense in our P&C segment during periods of severe or inclement weather.

We evaluate our operations by monitoring key measures of growth and profitability, including net loss ratio, net combined ratio (non-GAAP) and operating leverage. We target a net combined ratio (non-GAAP) of 95.0% or lower over the near term, and between 90% and 95% over the long term, while seeking to maintain optimal operating leverage in our insurance subsidiaries commensurate with our A.M. Best rating objectives. To achieve our targeted net combined ratio (non-GAAP) we continually seek ways to reduce our operating costs and lower our expense ratio. For the six months ended June 30, 2015, our annualized operating leverage (the ratio of net earned premium to average total stockholders' equity) was 1.6x, which was within our planned target operating leverage of between 1.5x and 2.0x.

Investment income is also an important part of our business. Because we often do not settle claims until several months or longer after we receive the original policy premiums, we are able to invest cash from premiums for significant periods of time. We invest our capital and surplus in accordance with state and regulatory guidelines. Our net investment income was $34.5 million and $20.5 million for the six months ended June 30, 2015 and 2014, respectively. We held 7.7% and 6.6%, of total invested assets in cash and cash equivalents as of June 30, 2015 and December 31, 2014, respectively.

Our most significant balance sheet liability is our unpaid loss and loss adjustment expense ("LAE") reserves. As of June 30, 2015 and December 31, 2014, our reserves, net of reinsurance recoverables, were $674.9 million and $650.4 million, respectively. We record reserves for estimated losses under insurance policies that we write and for LAE related to the investigation and settlement of policy claims. Our reserves for loss and LAE represent the estimated cost of all reported and unreported loss and LAE incurred and unpaid at any time based on known facts and circumstances. Our reserves, excluding life reserves, for loss and LAE incurred and unpaid are not discounted using present value factors. Our loss reserves are reviewed quarterly by internal actuaries and at least annually by our external actuaries. Reserves are based on estimates of the most likely ultimate cost of individual claims. These estimates are inherently uncertain. Judgment is required to determine the relevance of our historical experience and industry information under current facts and circumstances. The interpretation of this historical and industry data can be impacted by external forces, principally frequency and severity of future claims, the length of time needed to achieve ultimate settlement of claims, inflation of medical costs, insurance policy coverage interpretations, jury determinations and legislative changes. Accordingly, our reserves may prove to be inadequate to cover our actual losses. If we change our estimates, these changes would be reflected in our results of operations during the period in which they are made, with increases in our reserves resulting in decreases in our earnings.

Recent Acquisitions

On April 1, 2015, we closed our acquisition of Assigned Risk Solutions Ltd., a New Jersey based managing general agency that services assigned risk, personal auto, and commercial lines of business, for a purchase price of approximately $48.0 million in cash and potential future earnout payments.

On January 23, 2015, we closed our acquisition of Healthcare Solutions Team, LLC ("HST"), an Illinois based healthcare insurance general agency. We paid approximately $15.0 million on the acquisition date and agreed to pay potential future earn out payments based on the overall profitability of HST and the business underwritten by our insurance subsidiaries which is produced by HST.

Principal Revenue and Expense Items

Gross premium written. Gross premium written represents premium from each insurance policy that we write, including as a servicing carrier for assigned risk plans, during a reporting period based on the effective date of the individual policy, prior to ceding reinsurance to third parties.

Net premium written. Net premium written is gross premium written less that portion of premium that we cede to third-party reinsurers under reinsurance agreements. The amount ceded under these reinsurance agreements is based on a contractual formula contained in the individual reinsurance agreement.

Change in unearned premium. Change in unearned premium is the change in the balance of the portion of premium that we have written but have yet to earn during the relevant period because the policy is unexpired.

Net earned premium. Net earned premium is the earned portion of our net premium written. We generally earn insurance premium on a pro rata basis over the term of the policy. At the end of each reporting period, premium written that is not earned is classified as unearned premium, which is earned in subsequent periods over the remaining term of the policy. Our policies typically have a term of six months or one year. For a six-month policy written on January 1, 2015, we would earn half of the premium in the first quarter of 2015 and the other half in the second quarter of 2015.

Ceding commission income. Ceding commission income is a commission we receive based on the earned premium ceded to third-party reinsurers to reimburse us for our acquisition, underwriting and other operating expenses. We earn commissions on reinsurance premium ceded in a manner consistent with the recognition of the earned premium on the underlying insurance policies, generally on a pro rata basis over the terms of the policies reinsured. The portion of ceding commission income which represents reimbursement of successful acquisition costs related to the underlying policies is recorded as an offset to acquisition and other underwriting expenses. The ceding commission ratio is equal to ceding commission income divided by net earned premium.

Service and fee income. We currently generate policy service and fee income from installment fees, late payment fees, and other finance and processing fees related to policy cancellation, policy reinstatement, and non-sufficient fund check returns. These fees are generally designed to offset expenses incurred in the administration of our insurance business, and are generated as follows. Installment fees are charged to permit a policyholder to pay premiums in installments rather than in a lump sum. Late payment fees are charged when premiums are remitted after the due date and any applicable grace periods. Policy cancellation fees are charged to policyholders when a policy is terminated by the policyholder prior to the expiration of the policy's term or renewal term, as applicable. Reinstatement fees are charged to reinstate a policy that has lapsed, generally as a result of non-payment of premiums. Non-sufficient fund fees are charged when the customer's payment is returned by the financial institution.

All fee income is recognized as follows. An installment fee is recognized at the time each policy installment bill is due. A late payment fee is recognized when the customer's payment is not received after the listed due date and any applicable grace period. A policy cancellation fee is recognized at the time the customer's policy is cancelled. A policy reinstatement fee is recognized when the customer's policy is reinstated. A non-sufficient fund fee is recognized when the customer's payment is returned by the financial institution. The amounts charged are primarily intended to compensate us for the administrative costs associated with processing and administering policies that generate insurance premium; however, the amounts of fees charged are not dependent on the amount or period of insurance coverage provided and do not entail any obligation to return any portion of those funds. The direct and indirect costs associated with generating fee income are not separately tracked.

We also collect service fees in the form of commissions and general agent fees by selling policies issued by third-party insurance companies. We also collect management fees in connection with our management of the Reciprocal Exchanges. We do not bear insurance underwriting risk with respect to these policies. Commission income and general agent fees are recognized, net of an allowance for estimated policy cancellations, at the date the customer is initially billed or as of the effective date of the insurance policy, whichever is later. The allowance for estimated third-party cancellations is periodically evaluated and adjusted as necessary.

Net investment income and realized gains and (losses). We invest our statutory surplus funds and the funds supporting our insurance liabilities primarily in cash and cash equivalents, fixed-maturity and equity securities. Our net investment income includes interest and dividends earned on our invested assets. We report net realized gains and losses on our investments separately from our net investment income. Net realized gains occur when we sell our investment securities for more than their costs or amortized costs, as applicable. Net realized losses occur when we sell our investment securities for less than their costs or amortized costs, as applicable, or we write down the investment securities as a result of other-than-temporary impairment loss. We classify equity securities and our fixed-maturity securities as available-for-sale. We report net unrealized gains (losses) on those securities classified as available-for-sale separately within other comprehensive income.

Loss and loss adjustment expenses. Loss and LAE represent our largest expense item and, for any given reporting period, include estimates of future claim payments, changes in those estimates from prior reporting periods and costs associated with investigating, defending and servicing claims. These expenses fluctuate based on the amount and types of risks we insure. We record loss and LAE related to estimates of future claim payments based on case-by-case valuations and statistical analyses. We seek to establish all reserves at the most likely ultimate exposure based on our historical claims experience. It is typical for our more serious bodily injury claims to take several years to settle, and we revise our estimates as we receive additional information about the condition of claimants and the costs of their medical treatment. Our ability to estimate loss and LAE accurately at the time of pricing our insurance policies is a critical factor in our profitability.

Acquisition costs and other underwriting expenses. Acquisition costs and other underwriting expenses consist of policy acquisition and marketing expenses, salaries and benefits expenses. Policy acquisition expenses comprise commissions directly attributable to those agents, wholesalers or brokers that produce premiums written on our behalf and promotional fees directly attributable to our affinity relationships. Acquisition costs also include costs that are related to the successful acquisition of new or renewal insurance contracts including comprehensive loss underwriting exchange reports, motor vehicle reports, credit score checks, and policy issuance costs.

General and administrative expenses. General and administrative expenses is composed of all other operating expenses, including various departmental salaries and benefits expenses for employees that are directly involved in the maintenance of policies, information systems, and accounting for insurance transactions, and other insurance expenses such as federal excise tax, postage, telephones and internet access charges, as well as legal and auditing fees and board and bureau charges. In addition, general and administrative expenses includes those charges that are related to the amortization of tangible and intangible assets and non-insurance activities in which we engage.

Interest expense. Interest expense represents amounts we incur on our outstanding indebtedness at the then-applicable interest rates.

Income tax expense. We incur federal, state and local income tax expenses as well as income tax expenses in certain foreign jurisdictions in which we operate.

Net operating expense. These expenses consist of the sum of general and administrative expenses and acquisition costs and other underwriting expenses less ceding commission income and service and fee income.

Underwriting income. Underwriting income is a measure of an insurance company’s overall operating profitability before items such as investment income, interest expense and income taxes. Underwriting income is calculated as net earned premium plus ceding commission income and service and fee income less loss and LAE, acquisition costs and other underwriting expenses, and general and administrative expenses.

Equity in earnings (losses) from unconsolidated subsidiaries. This represents primarily our share in earnings or losses of our investment in four companies that own life settlement contracts, which includes the gain realized upon a mortality event and the change in fair value of the investments in life settlements as evaluated at the end of each reporting period. These unconsolidated subsidiaries determine the fair value of life settlement contracts based upon an estimate of the discounted cash flow of the anticipated death benefits incorporating a number of factors, such as current life expectancy assumptions, expected premium payment obligations and increased cost assumptions, credit exposure to the insurance companies that issued the life insurance policies and the rate of return that a buyer would require on the policies. The gain realized upon a mortality event is the difference between the death benefit received and the recorded fair value of that particular policy.

Insurance Ratios

Net loss ratio. The net loss ratio is a measure of the underwriting profitability of an insurance company’s business. Expressed as a percentage, this is the ratio of loss and LAE incurred to net earned premium.

Net operating expense ratio (non-GAAP). The net operating expense ratio (non-GAAP) is one component of an insurance company’s operational efficiency in administering its business. Expressed as a percentage, this is the ratio of net operating expense to net earned premium.

Net combined ratio (non-GAAP). The net combined ratio (non-GAAP) is a measure of an insurance company’s overall underwriting profit. This is the sum of the net loss and net operating expense ratio (non-GAAP). If the net combined ratio (non-GAAP) is at or above 100 percent, an insurance company cannot be profitable without investment income, and may not be profitable if investment income is insufficient.

Net operating expense ratio and net combined ratio are considered non-GAAP financial measures under applicable SEC rules because a component of those ratios, net operating expense, is calculated by offsetting acquisition costs and other underwriting expenses and general and administrative expenses by ceding commission income and service and fee income, and is therefore a non-GAAP measure. Management uses net operating expense ratio (non-GAAP) and net combined ratio (non-GAAP) to evaluate financial performance against historical results and establish targets on a consolidated basis. Other companies may calculate these measures differently, and, therefore, their measures may not be comparable to those used by the Company’s management. For a reconciliation showing the total amounts by which acquisition costs and other underwriting expenses and general and administrative expenses were offset by ceding commission income and service and fee income in the calculation of net operating expense, see “Results of Operations - Consolidated Results of Operations for the Three and Six Months Ended June 30, 2015 and 2014 (Unaudited)” below.

Personal Lines Quota Share

Effective March 1, 2010, Integon National entered into a 50% quota share reinsurance treaty (the “Personal Lines Quota Share”), pursuant to which Integon National ceded 50% of the gross premium written of its P&C business (excluding premium ceded to state-run reinsurance facilities) to a group of affiliated reinsurers consisting of a subsidiary of AmTrust Financial Services, Inc. ("AmTrust"), ACP Re Ltd. ("ACP Re") and Maiden Insurance. Quota share reinsurance refers to reinsurance under which the insurer (the “ceding company,” which under the Personal Lines Quota Share is Integon National) transfers, or cedes, a fixed percentage of liabilities, premium and related losses for each policy covered on a pro rata basis in accordance with the terms and conditions of the relevant agreement. The reinsurer pays the ceding company a ceding commission on the premiums ceded to compensate the ceding company for various expenses, such as underwriting and policy acquisition expenses, that the ceding company incurs in connection with the ceded business.

The Personal Lines Quota Share provided that the reinsurers, severally, in accordance with their participation percentages, received 50% of our P&C gross premium written (excluding premium ceded to state-run reinsurance facilities) and assumed 50% of the related losses and allocated LAE. The participation percentages were: Maiden Insurance, 25%; ACP Re, 15%; and AmTrust, 10%.

Effective August 1, 2013, as permitted by the Personal Lines Quota Share, we terminated our cession of P&C premium to our quota share reinsurers and now retain 100% of such P&C gross premium written and related losses with respect to all new and renewal P&C policies bound after August 1, 2013. We continued to cede 50% of P&C gross premium written and related losses with respect to policies in effect as of July 31, 2013 to the quota share reinsurers until the expiration of such policies, which was completed as of July 31, 2014.

Critical Accounting Policies

Our discussion and analysis of our results of operations, financial condition and liquidity are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities as of the date of the financial statements. As more information becomes known, these estimates and assumptions could change, which would have an impact on actual results that may differ materially from these estimates and judgments under different assumptions. We have not made any changes in estimates or judgments that have had a significant effect on the reported amounts as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

Consolidated Results of Operations for the Three Months Ended June 30, 2015 and 2014 (Unaudited)

	Three Months Ended June 30, 2015				2014
	NGHC	Reciprocal Exchanges	Eliminations	Total	Total
	(Amounts in Thousands)				
Gross premium written	$498,952	$76,729	$—	$575,681	$468,473
Ceded premiums	(50,308)	(45,963)	—	(96,271)	(49,917)
Net premium written	$448,644	$30,766	$—	$479,410	$418,556
Change in unearned premium	(2,076)	(8,518)	—	(10,594)	(27,090)
Net earned premium	$446,568	$22,248	$—	$468,816	$391,466
Ceding commission income	46	9,924	—	9,970	1,557
Service and fee income	67,343	947	(10,732)	57,558	38,486
Underwriting expenses:					
Loss and loss adjustment expense	271,584	15,245	—	286,829	255,604
Acquisition costs and other underwriting expenses	88,912	7,611	(21)	96,502	74,418
General and administrative expenses	118,328	11,541	(10,711)	119,158	77,059
Total underwriting expenses	$478,824	$34,397	$(10,732)	$502,489	$407,081
Underwriting income (loss)	$35,133	$(1,278)	$—	$33,855	$24,428
Net investment income	16,154	2,181	—	18,335	11,321
Net realized gain (loss) on investments	935	(546)	—	389	—
Other revenue	(1,415)	—	—	(1,415)	100
Equity in earnings (losses) of unconsolidated subsidiaries	1,654	—	—	1,654	(2,610)
Interest expense	(4,804)	(3,797)	—	(8,601)	(2,519)
Income (loss) before provision (benefit) for income taxes	$47,657	$(3,440)	$—	$44,217	$30,720
Less: Provision (benefit) for income taxes	9,110	(1,219)	—	7,891	424
Net income (loss)	$38,547	$(2,221)	$—	$36,326	$30,296
Less: Net loss (income) attributable to non-controlling interest	(20)	2,221	—	2,201	38
Net income attributable NGHC	$38,527	$—	$—	$38,527	$30,334
Net loss ratio	60.8%	68.5%		61.2%	65.3%
Net operating expense ratio (non-GAAP)	31.3%	37.2%		31.6%	28.5%
Net combined ratio (non-GAAP)	92.1%	105.7%		92.8%	93.8%

	Three Months Ended June 30, 2015				2014
Reconciliation of net operating expense ratio (non-GAAP):	NGHC	Reciprocal Exchanges	Eliminations	Total	Total
	(Amounts in Thousands)				
Total expenses	$483,628	$38,194	$(10,732)	$511,090	$409,600
Less: Loss and loss adjustment expense	271,584	15,245	—	286,829	255,604
Less: Interest expense	4,804	3,797	—	8,601	2,519

Less: Ceding commission income	46	9,924	—	9,970	1,557
Less: Service and fee income	67,343	947	(10,732)	57,558	38,486
Net operating expense	$139,851	$8,281	$—	$148,132	$111,434
Net earned premium	$446,568	$22,248	$—	$468,816	$391,466
Net operating expense ratio (non-GAAP)	31.3%	37.2%		31.6%	28.5%

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Consolidated Results of Operations for the Six Months Ended June 30, 2015 and 2014 (Unaudited)

	Six Months Ended June 30, 2015				2014
	NGHC	Reciprocal Exchanges	Eliminations	Total	Total
	(Amounts in Thousands)				
Gross premium written	$1,084,760	$137,966	$(3,590)	$1,219,136	$1,114,615
Ceded premiums	(124,728)	(88,563)	3,590	(209,701)	(128,574)
Net premium written	$960,032	$49,403	$—	$1,009,435	$986,041
Change in unearned premium	(76,195)	14,741	—	(61,454)	(236,723)
Net earned premium	$883,837	$64,144	$—	$947,981	$749,318
Ceding commission income	1,099	13,951	—	15,050	6,927
Service and fee income	129,996	1,742	(19,310)	112,428	75,192
Underwriting expenses:					
Loss and loss adjustment expense	550,266	43,249	—	593,515	480,951
Acquisition costs and other underwriting expenses	175,541	10,872	(26)	186,387	148,791
General and administrative expenses	218,204	25,925	(19,284)	224,845	153,258
Total underwriting expenses	$944,011	$80,046	$(19,310)	$1,004,747	$783,000
Underwriting income (loss)	$70,921	$(209)	$—	$70,712	$48,437
Net investment income	30,263	4,220	—	34,483	20,535
Net realized gain on investments	1,429	147	—	1,576	—
Other revenue	(170)	—	—	(170)	107
Equity in earnings (losses) of unconsolidated subsidiaries	6,612	—	—	6,612	(1,487)
Interest expense	(10,187)	(7,494)	—	(17,681)	(3,112)
Income (loss) before provision (benefit) for income taxes	$98,868	$(3,336)	$—	$95,532	$64,480
Less: Provision (benefit) for income taxes	17,529	(1,251)	—	16,278	7,760
Net income (loss)	$81,339	$(2,085)	$—	$79,254	$56,720
Less: Net loss (income) attributable to non-controlling interest	(44)	2,085	—	2,041	6
Net income attributable NGHC	$81,295	$—	$—	$81,295	$56,726
Net loss ratio	62.3 %	67.4 %		62.6 %	64.2 %
Net operating expense ratio (non-GAAP)	29.7 %	32.9 %		29.9 %	29.4 %
Net combined ratio (non-GAAP)	92.0 %	100.3 %		92.5 %	93.6 %

Reconciliation of net operating expense ratio (non-GAAP):	Six Months Ended June 30, 2015				2014
	NGHC	Reciprocal Exchanges	Eliminations	Total	Total
	(Amounts in Thousands)				
Total expenses	$954,198	$87,540	$(19,310)	$1,022,428	$786,112
Less: Loss and loss adjustment expense	550,266	43,249	—	593,515	480,951
Less: Interest expense	10,187	7,494	—	17,681	3,112
Less: Ceding commission income	1,099	13,951	—	15,050	6,927
Less: Service and fee income	129,996	1,742	(19,310)	112,428	75,192

Net operating expense	$262,650	$21,104	$—	$283,754	$219,930
Net earned premium	$883,837	$64,144	$—	$947,981	$749,318
Net operating expense ratio (non-GAAP)	29.7 %	32.9 %		29.9 %	29.4 %

During 2013, we terminated the Personal Lines Quota Share on a run-off basis (the "Quota Share Runoff") pursuant to which we historically ceded 50% of our P&C gross premium written and related losses (excluding premium ceded to state-run reinsurance facilities) to our quota share reinsurers. Effective July 31, 2014, no additional premium is being ceded under the Personal Lines Quota Share.

Effective January 1, 2014, we entered into the Tower Cut-Through Reinsurance Agreement and effective September 15, 2014, we entered into the PL Reinsurance Agreement (such reinsurance agreements collectively, the "Tower Reinsurance Agreements") under which during the six months ended June 30, 2014, we assumed unearned premium relating to in-force personal lines business and reinsured new and renewal personal lines policies written after January 1, 2014. In addition, as of September 15, 2014, in connection with the acquisition of the Management Companies for the Reciprocal Exchanges, the financial position and results of operations of the Reciprocal Exchanges are consolidated into our accounts.

On June 27, 2014, we purchased certain assets of Imperial Management Corporation ("Imperial"), including its underwriting subsidiaries Imperial Fire & Casualty Insurance Company and National Automotive Insurance Company, its retail agency subsidiary ABC Insurance Agencies, and its managing general agency subsidiary RAC Insurance Partners.

As a result of the Quota Share Runoff, the Tower Reinsurance Agreements, the Imperial acquisition, and the consolidation of the Reciprocal Exchanges, comparisons between our 2015 and 2014 results will be less meaningful.

Consolidated Results of Operations for the Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014 (Unaudited)

Gross premium written. Gross premium written increased by $107.2 million from $468.5 million for the three months ended June 30, 2014 to $575.7 million for the three months ended June 30, 2015, due to an increase of $133.4 million in premiums received from the P&C segment primarily as a result of an increase in Tower premium retention (increase of $26.6 million), the consolidation of the Reciprocal Exchanges (increase of $76.7 million) and organic growth (increase of $23.9 million). Premiums received from the A&H segment decreased $26.2 million primarily due to a decrease in premiums received from our EHC business (decrease of $39.7 million) driven by (i) adverse foreign currency movements and (ii) the prior year's quarter including both a portion of year-to-date reinsured premium and being the initial quarter that the EHC business was written on our paper, partially offset by organic growth (increase of $13.6 million).

Net premium written. Net premium written increased by $60.9 million from $418.6 million for the three months ended June 30, 2014 to $479.4 million for the three months ended June 30, 2015. Net premium written for the P&C segment increased by $95.5 million for the three months ended June 30, 2015 compared to the same period in 2014 as a result of an increase in Tower premium retention (increase of $19.9 million), Imperial premium (increase of $13.0 million), the Quota Share Runoff (increase of $12.3 million), the consolidation of the Reciprocal Exchanges (increase of $30.8 million) and organic growth (increase of $19.5 million). Net premium written for the A&H segment decreased by $34.7 million primarily due to a decrease in our EHC business (decrease of $39.7 million) driven by (i) adverse foreign currency movements and (ii) the prior year's quarter including both a portion of year-to-date reinsured premium and being the initial quarter that the EHC business was written on our paper, partially offset by organic growth (increase of $5.0 million).

Net earned premium. Net earned premium increased by $77.4 million, or 19.8%, from $391.5 million for the three months ended June 30, 2014 to $468.8 million for the three months ended June 30, 2015. The increase by segment was: P&C - $70.9 million and A&H - $6.4 million. The increase in the P&C segment was primarily attributable to an increase in Tower premium retention (increase of $11.9 million), the Quota Share Runoff (increase of $12.3 million), Imperial premium (increase of $15.4 million), the consolidation of the Reciprocal Exchanges (increase of $22.2 million) and organic growth (increase of $9.1 million). The increase in the A&H segment was primarily due to organic growth.

Ceding commission income. Ceding commission income increased from $1.6 million for the three months ended June 30, 2014 to $10.0 million for the three months ended June 30, 2015, reflecting the consolidation of the Reciprocal Exchanges, partially offset by a decrease from the Quota Share Runoff. Our consolidated ceding commission ratio, which includes the Reciprocal Exchanges, increased from 0.4% to 2.1%. Excluding the Reciprocal Exchanges, the ceding commission ratio was 0.0% for the three months ended June 30, 2015. The Reciprocal Exchanges' ceding commission ratio was 44.6% for the three months ended June 30, 2015.

Service and fee income. Service and fee income increased by $19.1 million, or 49.6%, from $38.5 million for the three months ended June 30, 2014 to $57.6 million for three months ended June 30, 2015. The increase was primarily attributable to the increase of $2.6 million in service and fee income related to our A&H segment as a result of organic growth and an increase of $16.5 million related to our P&C segment as a result of increased general agent fees and organic growth.

The components of service and fee income are as follows:

	Three Months Ended June 30,		
(amounts in thousands)	2015	2014	Change
Installment fees	$8,307	$7,322	$985
Commission revenue	15,035	14,878	157
General agent fees	19,305	7,842	11,463
Late payment fees	2,987	2,987	—
Finance and processing fees	7,330	3,369	3,961
Other	4,594	2,088	2,506
Total	$57,558	$38,486	$19,072

Loss and loss adjustment expense; net loss ratio. Loss and LAE increased by $31.2 million, or 12.2%, from $255.6 million for the three months ended June 30, 2014 to $286.8 million for the three months ended June 30, 2015, primarily reflecting the Quota Share Runoff, the Imperial acquisition and the consolidation of the Reciprocal Exchanges. The changes by segment were: P&C - increased $29.7 million and A&H - increased $1.5 million. Loss and LAE for the three months ended June 30, 2015 included $1.0 million of unfavorable development on prior accident year loss and LAE reserves primarily attributable to loss emergence in the A&H segment, of which $0.4 million related to domestic medical stop loss programs and $0.5 million related to European A&H policies produced by our Euro Accident Health & Care Insurance Aktiebolag ("EHC") business. Loss and LAE for the three months ended June 30, 2014 included $6.6 million of unfavorable development on prior accident year loss and LAE reserves caused by $2.0 million of loss emergence in the P&C segment attributable to claims for private passenger automobile liability and personal injury protection and $4.6 million of loss emergence in the A&H segment, of which $2.9 million related to domestic medical stop loss programs and $1.7 million related to European A&H policies produced by our EHC business. Our consolidated net loss ratio, which includes the Reciprocal Exchanges, decreased from 65.3% for the three months ended June 30, 2014 to 61.2% for the three months ended June 30, 2015 primarily due to product mix changes. Excluding the Reciprocal Exchanges, the net loss ratio was 60.8% for the three months ended June 30, 2015. The Reciprocal Exchanges' net loss ratio was 68.5% for the three months ended June 30, 2015, including no development on prior accident year loss and LAE reserves.

Acquisition costs and other underwriting expenses. Acquisition costs and other underwriting expenses increased by $22.1 million, or 29.7%, from $74.4 million for the three months ended June 30, 2014 to $96.5 million for the three months ended June 30, 2015 primarily due to an increase in Tower premium retention, Quota Share Runoff and the consolidation of the Reciprocal Exchanges.

General and administrative expenses. General and administrative expenses increased by $42.1 million, or 54.6%, from $77.1 million for the three months ended June 30, 2014 to $119.2 million for the three months ended June 30, 2015 primarily as a result of an increase in Tower premium retention, the Imperial acquisition and approximately $7.2 million of expenses related to transition and integration costs for the Tower Personal Lines business.

Net operating expense; net operating expense ratio (non-GAAP). Net operating expense increased by $36.7 million, or 32.9% from $111.4 million for the three months ended June 30, 2014 to $148.1 million for the three months ended June 30, 2015. The consolidated net operating expense ratio (non-GAAP), which includes the Reciprocal Exchanges, increased to 31.6% in the three months ended June 30, 2015 from 28.5% in the three months ended June 30, 2014 primarily as a result of increased general and administrative expenses, and increased acquisition costs and other underwriting expenses, partially offset by increased service and fee income and maturation of the A&H business.

Excluding the Reciprocal Exchanges, the net operating expense ratio was 31.3% for the three months ended June 30, 2015. The Reciprocal Exchanges' net operating expense ratio was 37.2% for the three months ended June 30, 2015.

Net investment income. Net investment income increased by $7.0 million, or 62.0%, from $11.3 million for the three months ended June 30, 2014 to $18.3 million for the three months ended June 30, 2015 primarily due to an increase in average invested assets as a result of our capital raising activities in the first half of 2014 and our issuance of Series B preferred stock in the first half of 2015.

Net realized gains on investments. Net realized gains on investments increased by $0.4 million from $0.0 million for the three months ended June 30, 2014 to a $0.4 million gain for the three months ended June 30, 2015 primarily due to net realized gains on the sale of investments of $1.9 million for the three months ended June 30, 2015, partially offset by the recognition of a $1.5 million OTTI charge in the three months ended June 30, 2015 relating to an investment based on our qualitative and quantitative OTTI review.

Equity in earnings of unconsolidated subsidiaries. Equity in earnings of unconsolidated subsidiaries, which primarily relates to our 50% interest in life settlement entities, increased $4.3 million, from $2.6 million in losses for the three months ended June 30, 2014 to $1.7 million in earnings for the three months ended June 30, 2015, due to the change in fair market value of the life settlement contracts.

Interest expense. Interest expense for the three months ended June 30, 2015 and 2014 was $8.6 million and $2.5 million, respectively, increasing primarily due to our May 2014 issuance of $250.0 million aggregate principal amount of 6.75% notes and the consolidation of the Reciprocal Exchanges, as the second quarter of 2014 results did not reflect a full quarter of interest payments on the debt.

Provision for income taxes. Consolidated income tax expense, which includes the Reciprocal Exchanges, increased by $7.5 million, from $0.4 million for the three months ended June 30, 2014, reflecting an effective tax rate of 1.3%, to $7.9 million for the three months ended June 30, 2015, reflecting an effective tax rate of 18.5%. Income tax expense included a tax benefit of $2.6 million and $8.5 million for the three months ended June 30, 2015 and 2014, respectively, attributable to the reduction of the deferred tax liability associated with the equalization reserves of our Luxembourg reinsurers. The effect of this tax benefit reduced the effective tax rate for the three months ended June 30, 2015 and 2014 by 5.6% and 25.5%, respectively.

NGHC, excluding the Reciprocal Exchanges, had income tax expense of $9.1 million for the three months ended June 30, 2015, reflecting an effective tax rate of 19.8%.

The Reciprocal Exchanges had a pre-tax loss of $3.4 million for the three months ended June 30, 2015. A full valuation allowance is recorded on the Reciprocal Exchanges. The Reciprocal Exchanges' valuation allowance as of June 30, 2015 was $21.5 million.

Consolidated Results of Operations for the Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014 (Unaudited)

Gross premium written. Gross premium written increased by $104.5 million from $1,114.6 million for the six months ended June 30, 2014 to $1,219.1 million for the six months ended June 30, 2015 due to an increase of $94.9 million in premiums received from the P&C segment primarily as a result of an increase in Imperial premium (increase of $44.3 million), the consolidation of the Reciprocal Exchanges (increase of $134.4 million) and organic growth (increase of $24.8 million), partially offset by a decrease in our Tower business (decrease of $110.5 million) which included a large one-time unearned premium reserve assumption of $158.8 million in 2014. Premiums received from the A&H segment increased $9.7 million primarily as a result of organic growth.

Net premium written. Net premium written increased by $23.4 million from $986.0 million for the six months ended June 30, 2014 to $1,009.4 million for the six months ended June 30, 2015. Net premium written for the P&C segment increased by $30.4 million for the six months ended June 30, 2015 compared to the same period in 2014 primarily as a result of an increase in Imperial premium (increase of $40.8 million), the Quota Share Runoff (increase of $42.2 million), the consolidation of the Reciprocal Exchanges (increase of $49.4 million) and organic growth (increase of $22.0 million), partially offset by a decrease in our Tower business (decrease of $124.1 million) which included a large one-time unearned premium reserve assumption of $158.8 million in 2014. Net premium written for the A&H segment decreased by $7.0 million, primarily as a result of a decrease in our EHC business (decrease of $15.8

million), partially offset by organic growth (increase of $8.7 million).

Net earned premium. Net earned premium increased by $198.7 million, or 26.5%, from $749.3 million for the six months ended June 30, 2014 to $948.0 million for the six months ended June 30, 2015. The increase by segment was: P&C - $191.7 million and A&H - $7.0 million. The increase in the P&C segment was primarily attributable to an increase in Tower premium retention (increase of $18.8 million), the Quota Share Runoff (increase of $42.2 million), Imperial premium (increase of $42.5 million), the consolidation of the Reciprocal Exchanges (increase of $64.1 million) and organic growth (increase of $24.1 million). The increase in the A&H segment was primarily due to organic growth.

Ceding commission income. Ceding commission income increased from $6.9 million for the six months ended June 30, 2014 to $15.1 million for the six months ended June 30, 2015, reflecting the consolidation of the Reciprocal Exchanges, partially offset by a decrease from the Quota Share Runoff. Our consolidated ceding commission ratio, which includes the Reciprocal Exchanges, increased from 0.9% to 1.6%. Excluding the Reciprocal Exchanges, the ceding commission ratio was 0.1% for the six months ended June 30, 2015. The Reciprocal Exchanges' ceding commission ratio was 21.7% for the six months ended June 30, 2015.

Service and fee income. Service and fee income increased by $37.2 million, or 49.5%, from $75.2 million for the six months ended June 30, 2014 to $112.4 million for the six months ended June 30, 2015. The increase was primarily attributable to the increase of $5.0 million in service and fee income related to our A&H segment as a result of organic growth and an increase of $32.3 million related to our P&C segment as a result of increased general agent fees and organic growth.

The components of service and fee income are as follows:

	Six Months Ended June 30,		
(amounts in thousands)	2015	2014	Change
Installment fees	$16,432	$14,205	$2,227
Commission revenue	29,277	29,738	(461)
General agent fees	35,432	15,167	20,265
Late payment fees	5,933	5,485	448
Finance and processing fees	16,811	6,509	10,302
Other	8,543	4,088	4,455
Total	$112,428	$75,192	$37,236

Loss and loss adjustment expense; net loss ratio. Loss and LAE increased by $112.6 million, or 23.4%, from $481.0 million for the six months ended June 30, 2014 to $593.5 million for the six months ended June 30, 2015, primarily reflecting the Quota Share Runoff, the Imperial acquisition and the consolidation of the Reciprocal Exchanges. The changes by segment were: P&C - increased $106.8 million and A&H - increased $5.7 million. Loss and LAE for the six months ended June 30, 2015 included $2.1 million of unfavorable development on prior accident year loss and LAE reserves primarily attributable to loss emergence in the A&H segment, of which $1.3 million related to domestic medical stop loss programs and $0.7 million related to European A&H policies produced by our EHC business. Loss and LAE for the six months ended June 30, 2014 included $14.4 million of unfavorable development on prior accident year loss and LAE reserves caused by $3.7 million of loss emergence in the P&C segment attributable to claims for private passenger automobile liability and personal injury protection and $10.7 million of loss emergence in the A&H segment, of which $6.3 million related to domestic medical stop loss programs and $4.4 million related to European A&H policies produced by our EHC business. Our consolidated net loss ratio, which includes the Reciprocal Exchanges, decreased from 64.2% for the six months ended June 30, 2014 to 62.6% for the six months ended June 30, 2015 primarily due to product mix changes. Excluding the Reciprocal Exchanges, the net loss ratio was 62.3% for the six months ended June 30, 2015. The Reciprocal Exchanges' net loss ratio was 67.4% for the six months ended June 30, 2015, including no development on prior accident year loss and LAE reserves.

Acquisition costs and other underwriting expenses. Acquisition costs and other underwriting expenses increased by $37.6 million, or 25.3%, from $148.8 million for the six months ended June 30, 2014 to $186.4 million for the six months ended June 30, 2015 primarily due to an increase in Tower premium retention, Quota Share Runoff and the consolidation of the Reciprocal Exchanges, partially offset by the consolidation of our EHC business as all new and renewal policies placed by EHC after April 1, 2014 are underwritten by our European insurance subsidiaries.

General and administrative expenses. General and administrative expenses increased by $71.6 million, or 46.7%, from $153.3 million for the six months ended June 30, 2014 to $224.8 million for the six months ended June 30, 2015 primarily as a result of an increase in Tower premium retention, the Imperial acquisition and approximately $7.2 million of expenses related to transition and integration costs for the Tower Personal Lines business.

Net operating expense; net operating expense ratio (non-GAAP). Net operating expense increased by $63.8 million, or 29.0% from $219.9 million for the six months ended June 30, 2014 to $283.8 million for the six months ended June 30, 2015. The consolidated net operating expense ratio (non-GAAP), which includes the Reciprocal Exchanges, increased to 29.9% in the six months ended June 30, 2015 from 29.4% in the six months ended June 30, 2014 primarily as a result of increased general and administrative expenses, and increased acquisition costs and other underwriting expenses, partially offset by increased service and fee income and maturation of the A&H business. Excluding the Reciprocal Exchanges, the net operating expense ratio was 29.7% for the six months ended June 30, 2015. The Reciprocal Exchanges' net operating expense ratio was 32.9% for the six months ended June 30, 2015.

Net investment income. Net investment income increased by $13.9 million, or 67.9%, from $20.5 million for the six months ended June 30, 2014 to $34.5 million for the six months ended June 30, 2015 primarily due to an increase in average invested assets as a result of our capital raising activities in the first half of 2014 and our issuance of Series B preferred stock in the first half of 2015.

Net realized gains on investments. Net realized gains on investments increased by $1.6 million from $0.0 million for the six months ended June 30, 2014 to a $1.6 million gain for the six months ended June 30, 2015 primarily due to net realized gains on the sale of investments of $4.1 million for the six months ended June 30, 2015, partially offset by the recognition of a $2.5 million OTTI charge in the six months ended June 30, 2015 relating to investments based on our qualitative and quantitative OTTI review.

Equity in earnings of unconsolidated subsidiaries. Equity in earnings of unconsolidated subsidiaries, which primarily relates to our 50% interest in life settlement entities, increased $8.1 million, from $1.5 million in losses for the six months ended June 30, 2014 to $6.6 million in earnings for the six months ended June 30, 2015, due to the change in fair market value of the life settlement contracts.

Interest expense. Interest expense for the six months ended June 30, 2015 and 2014 was $17.7 million and $3.1 million, respectively, increasing primarily due to our May 2014 issuance of $250.0 million aggregate principal amount of 6.75% notes and the consolidation of the Reciprocal Exchanges, as the second quarter of 2014 results did not reflect a full quarter of interest payments on the debt.

Provision for income taxes. Consolidated income tax expense, which includes the Reciprocal Exchanges, increased by $8.5 million, or 109.8%, from $7.8 million for the six months ended June 30, 2014, reflecting an effective tax rate of 11.8%, to $16.3 million for the six months ended June 30, 2015, reflecting an effective tax rate of 18.3%. Income tax expense included a tax benefit of $12.3 million and $12.7 million for the six months ended June 30, 2015 and 2014, respectively, attributable to the reduction of the deferred tax liability associated with the equalization reserves of our Luxembourg reinsurers. The effect of this tax benefit reduced the effective tax rate for the six months ended June 30, 2015 and 2014 by 13.8% and 19.3%, respectively.

NGHC, excluding the Reciprocal Exchanges, had income tax expense of $17.5 million for the six months ended June 30, 2015, reflecting an effective tax rate of 19.0%.

The Reciprocal Exchanges had a pre-tax loss of $3.3 million for the six months ended June 30, 2015. A full valuation allowance is recorded on the Reciprocal Exchanges. The Reciprocal Exchanges' valuation allowance as of June 30, 2015 was $21.5 million.

P&C Segment - Results of Operations for the Three Months Ended June 30, 2015 and 2014 (Unaudited)

	Three Months Ended June 30,				
	2015				2014
	NGHC	Reciprocal Exchanges	Eliminations	Total	Total
	(Amounts in Thousands)				
Gross premium written	$464,494	$76,729	$—	$541,223	$407,863
Ceded premiums	(41,656)	(45,963)	—	(87,619)	(49,767)
Net premium written	$422,838	$30,766	$—	$453,604	$358,096
Change in unearned premium	(12,537)	(8,518)	—	(21,055)	3,527
Net earned premium	$410,301	$22,248	$—	$432,549	$361,623
Ceding commission income	(225)	9,924	—	9,699	1,557
Service and fee income	49,671	947	(10,732)	39,886	23,389
Underwriting expenses:					
Loss and loss adjustment expense	245,454	15,245	—	260,699	231,008
Acquisition costs and other underwriting expenses	77,293	7,611	(21)	84,883	61,440
General and administrative expenses	104,297	11,541	(10,711)	105,127	64,715
Total underwriting expenses	$427,044	$34,397	$(10,732)	$450,709	$357,163
Underwriting income (loss)	$32,703	$(1,278)	$—	$31,425	$29,406
Net loss ratio	59.8%	68.5%		60.3%	63.9%
Net operating expense ratio (non-GAAP)	32.2%	37.2%		32.5%	28.0%
Net combined ratio (non-GAAP)	92.0%	105.7%		92.8%	91.9%

	Three Months Ended June 30,				
Reconciliation of net operating expense ratio (non-GAAP):	2015				2014
	NGHC	Reciprocal Exchanges	Eliminations	Total	Total
	(Amounts in Thousands)				
Total underwriting expenses	$427,044	$34,397	$(10,732)	$450,709	$357,163
Less: Loss and loss adjustment expense	245,454	15,245	—	260,699	231,008
Less: Ceding commission income	(225)	9,924	—	9,699	1,557
Less: Service and fee income	49,671	947	(10,732)	39,886	23,389
Net operating expense	$132,144	$8,281	$—	$140,425	$101,209
Net earned premium	$410,301	$22,248	$—	$432,549	$361,623
Net operating expense ratio (non-GAAP)	32.2%	37.2%		32.5%	28.0%

P&C Segment - Results of Operations for the Six Months Ended June 30, 2015 and 2014 (Unaudited)

	Six Months Ended June 30, 2015				2014
	NGHC	Reciprocal Exchanges	Eliminations	Total	Total
	(Amounts in Thousands)				
Gross premium written	$974,945	$137,966	$(3,590)	$1,109,321	$1,014,471
Ceded premiums	(107,847)	(88,563)	3,590	(192,820)	(128,377)
Net premium written	$867,098	$49,403	$—	$916,501	$886,094
Change in unearned premium	(50,703)	14,741	—	(35,962)	(197,252)
Net earned premium	$816,395	$64,144	$—	$880,539	$688,842
Ceding commission income	546	13,951	—	14,497	6,927
Service and fee income	94,905	1,742	(19,310)	77,337	45,062
Underwriting expenses:					
Loss and loss adjustment expense	504,033	43,249	—	547,282	440,438
Acquisition costs and other underwriting expenses	152,630	10,872	(26)	163,476	117,213
General and administrative expenses	190,026	25,925	(19,284)	196,667	128,236
Total underwriting expenses	$846,689	$80,046	$(19,310)	$907,425	$685,887
Underwriting income (loss)	$65,157	$(209)	$—	$64,948	$54,944
Net loss ratio	61.7%	67.4%		62.2%	63.9%
Net operating expense ratio (non-GAAP)	30.3%	32.9%		30.5%	28.1%
Net combined ratio (non-GAAP)	92.0%	100.3%		92.7%	92.0%

Reconciliation of net operating expense ratio (non-GAAP):	Six Months Ended June 30, 2015				2014
	NGHC	Reciprocal Exchanges	Eliminations	Total	Total
	(Amounts in Thousands)				
Total underwriting expenses	$846,689	$80,046	$(19,310)	$907,425	$685,887
Less: Loss and loss adjustment expense	504,033	43,249	—	547,282	440,438
Less: Ceding commission income	546	13,951	—	14,497	6,927
Less: Service and fee income	94,905	1,742	(19,310)	77,337	45,062
Net operating expense	$247,205	$21,104	$—	$268,309	$193,460
Net earned premium	$816,395	$64,144	$—	$880,539	$688,842
Net operating expense ratio (non-GAAP)	30.3%	32.9%		30.5%	28.1%

P&C Segment Results of Operations for the Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014 (Unaudited)

Gross premium written. Gross premium written increased by $133.4 million, or 32.7%, from $407.9 million for the three months ended June 30, 2014 to $541.2 million for the three months ended June 30, 2015 primarily as a result of an increase in Tower premium retention (increase of $26.6 million), the consolidation of the Reciprocal Exchanges (increase of $76.7 million) and organic growth (increase of $23.9 million).

Net premium written. Net premium written increased by $95.5 million from $358.1 million for the three months ended June 30, 2014 to $453.6 million for the three months ended June 30, 2015 primarily as a result of an increase in Tower premium retention (increase of $19.9 million), Imperial premium (increase of $13.0 million), the Quota Share Runoff (increase of $12.3 million), the consolidation of the Reciprocal Exchanges (increase of $30.8 million) and organic growth (increase of $19.5 million).

Net earned premium. Net earned premium increased by $70.9 million, or 19.6%, from $361.6 million for the three months ended June 30, 2014 to $432.5 million for the three months ended June 30, 2015 primarily as a result of an increase in Tower premium retention (increase of $11.9 million), the Quota Share Runoff (increase of $12.3 million), Imperial premium (increase of $15.4 million), the consolidation of the Reciprocal Exchanges (increase of $22.2 million) and organic growth (increase of $9.1 million).

Ceding commission income. Our ceding commission income increased by $8.1 million, from $1.6 million for the three months ended June 30, 2014 to $9.7 million for the three months ended June 30, 2015 reflecting the consolidation of the Reciprocal Exchanges, partially offset by a decrease from the Quota Share Runoff. Our P&C segment ceding commission ratio, which includes the Reciprocal Exchanges, increased from 0.4% for the three months ended June 30, 2014 to 2.2% for the three months ended June 30, 2015. Excluding the Reciprocal Exchanges, the ceding commission ratio was approximately 0.0% for the three months ended June 30, 2015. The Reciprocal Exchanges' ceding commission ratio was 44.6% for the three months ended June 30, 2015.

Service and fee income. Service and fee income increased by $16.5 million, or 70.5%, from $23.4 million for the three months ended June 30, 2014 to $39.9 million for the three months ended June 30, 2015 as a result of increased general agent fees and organic growth.

Loss and loss adjustment expense; net loss ratio. Loss and LAE increased by $29.7 million, or 12.9%, from $231.0 million for the three months ended June 30, 2014 to $260.7 million for the three months ended June 30, 2015 primarily reflecting the Quota Share Runoff, the Imperial acquisition and the consolidation of the Reciprocal Exchanges. Our P&C segment net loss ratio, which includes the Reciprocal Exchanges, decreased from 63.9% for the three months ended June 30, 2014 to 60.3% for the three months ended June 30, 2015 primarily due to product mix changes. Excluding the Reciprocal Exchanges, the net loss ratio was 59.8% for the three months ended June 30, 2015. The Reciprocal Exchanges' net loss ratio was 68.5% for the three months ended June 30, 2015.

Acquisition costs and other underwriting expenses. Acquisition costs and other underwriting expenses increased by $23.4 million from $61.4 million for the three months ended June 30, 2014 to $84.9 million for the three months ended June 30, 2015. The increase was primarily due to an increase in Tower premium retention, Quota Share Runoff and the consolidation of the Reciprocal Exchanges.

General and administrative expenses. General and administrative expenses increased by $40.4 million from $64.7 million for the three months ended June 30, 2014 to $105.1 million for the three months ended June 30, 2015 primarily as a result of an increase in Tower premium retention, the Imperial acquisition and approximately $7.2 million of expenses related to transition and integration costs for the Tower Personal Lines business.

Net operating expense; net operating expense ratio (non-GAAP). Net operating expense increased by $39.2 million, or 38.7%, from $101.2 million for the three months ended June 30, 2014 to $140.4 million for the three months ended June 30, 2015. The P&C segment net operating expense ratio (non-GAAP), which includes the Reciprocal Exchanges, increased from 28.0% for the three months ended June 30, 2014 to 32.5% for the three months ended June 30, 2015 primarily as a result of increased general and administrative expenses, and increased acquisition costs and other underwriting expenses, partially offset by increased service and fee income. Excluding the Reciprocal Exchanges, the net operating expense ratio was 32.2% for the three months ended June 30, 2015. The Reciprocal Exchanges' net operating expense ratio was 37.2% for the three months ended June 30, 2015.

Underwriting income. Underwriting income increased from $29.4 million for the three months ended June 30, 2014 to $31.4 million for the three months ended June 30, 2015 primarily as a result of the Imperial acquisition. The P&C segment combined ratio, which includes the Reciprocal Exchanges, for the three months ended June 30, 2015 increased to 92.8% compared to 91.9% for the same period in 2014. Excluding the Reciprocal Exchanges, the combined ratio was 92.0% for the three months ended June 30, 2015. The Reciprocal Exchanges' combined ratio was 105.7% for the three months ended June 30, 2015.

P&C Segment Results of Operations for the Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014 (Unaudited)

Gross premium written. Gross premium written increased by $94.9 million, or 9.3%, from $1,014.5 million for the six months ended June 30, 2014 to $1,109.3 million for the six months ended June 30, 2015 primarily as a result of an increase in Imperial premium (increase of $44.3 million), the consolidation of the Reciprocal Exchanges (increase of $134.4 million) and organic growth (increase of $24.8 million), partially offset by a decrease in our Tower business (decrease of $110.5 million) which included a large one-time unearned premium reserve assumption of $158.8 million in 2014.

Net premium written. Net premium written increased by $30.4 million from $886.1 million for the six months ended June 30, 2014 to $916.5 million for the six months ended June 30, 2015 primarily as a result of an increase in Imperial premium (increase of $40.8 million), the Quota Share Runoff (increase of $42.2 million), the consolidation of the Reciprocal Exchanges (increase of

$49.4 million) and organic growth (increase of $22.0 million), partially offset by a decrease in our Tower business (decrease of $124.1 million) which included a large one-time unearned premium reserve assumption of $158.8 million in 2014.

Net earned premium. Net earned premium increased by $191.7 million, or 27.8%, from $688.8 million for the six months ended June 30, 2014 to $880.5 million for the six months ended June 30, 2015 primarily as a result of an increase in Tower premium retention (increase of $18.8 million), the Quota Share Runoff (increase of $42.2 million), Imperial premium (increase of $42.5 million), the consolidation of the Reciprocal Exchanges (increase of $64.1 million) and organic growth (increase of $24.1 million).

Ceding commission income. Our ceding commission income increased by $7.6 million, or 109.3%, from $6.9 million for the six months ended June 30, 2014 to $14.5 million for the six months ended June 30, 2015 reflecting the consolidation of the Reciprocal Exchanges, partially offset by a decrease from the Quota Share Runoff. Our P&C segment ceding commission ratio, which includes the Reciprocal Exchanges, increased from 1.0% for the six months ended June 30, 2014 to 1.6% for the six months ended June 30, 2015. Excluding the Reciprocal Exchanges, the ceding commission ratio was 0.1% for the six months ended June 30, 2015. The Reciprocal Exchanges' ceding commission ratio was 21.7% for the six months ended June 30, 2015.

Service and fee income. Service and fee income increased by $32.3 million, or 71.6%, from $45.1 million for the six months ended June 30, 2014 to $77.3 million for the six months ended June 30, 2015 as a result of increased general agent fees and organic growth.

Loss and loss adjustment expense; net loss ratio. Loss and LAE increased by $106.8 million, or 24.3%, from $440.4 million for the six months ended June 30, 2014 to $547.3 million for the six months ended June 30, 2015 primarily reflecting the Quota Share Runoff, the Imperial acquisition and the consolidation of the Reciprocal Exchanges. Our P&C segment net loss ratio, which includes the Reciprocal Exchanges, decreased from 63.9% for the six months ended June 30, 2014 to 62.2% for the six months ended June 30, 2015 primarily due to product mix changes. Excluding the Reciprocal Exchanges, the net loss ratio was 61.7% for the six months ended June 30, 2015. The Reciprocal Exchanges' net loss ratio was 67.4% for the six months ended June 30, 2015.

Acquisition costs and other underwriting expenses. Acquisition costs and other underwriting expenses increased by $46.3 million from $117.2 million for the six months ended June 30, 2014 to $163.5 million for the six months ended June 30, 2015. The increase was primarily due to an increase in Tower premium retention, Quota Share Runoff and the consolidation of the Reciprocal Exchanges.

General and administrative expenses. General and administrative expenses increased by $68.4 million from $128.2 million for the six months ended June 30, 2014 to $196.7 million for the six months ended June 30, 2015 primarily as a result of an increase in Tower premium retention, the Imperial acquisition and approximately $7.2 million of expenses related to transition and integration costs for the Tower Personal Lines business.

Net operating expense; net operating expense ratio (non-GAAP). Net operating expense increased by $74.8 million, or 38.7%, from $193.5 million for the six months ended June 30, 2014 to $268.3 million for the six months ended June 30, 2015. The P&C segment net operating expense ratio (non-GAAP), which includes the Reciprocal Exchanges, increased from 28.1% for the six months ended June 30, 2014 to 30.5% for the six months ended June 30, 2015 primarily as a result of increased general and administrative expenses, and increased acquisition costs and other underwriting expenses, partially offset by increased service and fee income. Excluding the Reciprocal Exchanges, the net operating expense ratio was 30.3% for the six months ended June 30, 2015. The Reciprocal Exchanges' net operating expense ratio was 32.9% for the six months ended June 30, 2015.

Underwriting income. Underwriting income increased from $54.9 million for the six months ended June 30, 2014 to $64.9 million for the six months ended June 30, 2015 primarily as a result of the Imperial acquisition. The P&C segment combined ratio, which includes the Reciprocal Exchanges, for the six months ended June 30, 2015 increased to 92.7% compared to 92.0% for the same period in 2014. Excluding the Reciprocal Exchanges, the combined ratio was 92.0% for the six months ended June 30, 2015. The Reciprocal Exchanges' combined ratio was 100.3% for the six months ended June 30, 2015.

A&H Segment - Results of Operations for the Three and Six Months Ended June 30, 2015 and 2014 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Amounts in Thousands)			
Gross premium written	$34,458	$60,610	$109,815	$100,144
Ceded premiums	(8,652)	(150)	(16,881)	(197)
Net premium written	$25,806	$60,460	$92,934	$99,947
Change in unearned premium	10,461	(30,617)	(25,492)	(39,471)
Net earned premium	$36,267	$29,843	$67,442	$60,476
Ceding commission income	271	—	553	—
Service and fee income	17,672	15,097	35,091	30,130
Underwriting expenses:				
Loss and loss adjustment expense	26,130	24,596	46,233	40,513
Acquisition costs and other underwriting expenses	11,619	12,978	22,911	31,578
General and administrative expenses	14,031	12,344	28,178	25,022
Total underwriting expenses	$51,780	$49,918	$97,322	$97,113
Underwriting income (loss)	$2,430	$(4,978)	$5,764	$(6,507)
Net loss ratio	72.0 %	82.4 %	68.6 %	67.0 %
Net operating expense ratio (non-GAAP)	21.3 %	34.3 %	22.9 %	43.8 %
Net combined ratio (non-GAAP)	93.3 %	116.7 %	91.5 %	110.8 %

Reconciliation of net operating expense ratio (non-GAAP):	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Amounts in Thousands)			
Total underwriting expenses	$51,780	$49,918	$97,322	$97,113
Less: Loss and loss adjustment expense	26,130	24,596	46,233	40,513
Less: Ceding commission income	271	—	553	—
Less: Service and fee income	17,672	15,097	35,091	30,130
Net operating expense	$7,707	$10,225	$15,445	$26,470
Net earned premium	$36,267	$29,843	$67,442	$60,476
Net operating expense ratio (non-GAAP)	21.3 %	34.3 %	22.9 %	43.8 %

A&H Segment Results of Operations for the Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014 (Unaudited)

Gross premium written. Gross premium written decreased by $26.2 million, from $60.6 million for the three months ended June 30, 2014 to $34.5 million for the three months ended June 30, 2015 primarily due to a decrease in premiums received from our EHC business (decrease of $39.7 million) driven by (i) adverse foreign currency movements and (ii) the prior year's quarter including both a portion of year-to-date reinsured premium and being the initial quarter that the EHC business was written on our paper, partially offset by organic growth (increase of $13.6 million).

Net premium written. Net premium written decreased by $34.7 million, from $60.5 million for the three months ended June 30, 2014 to $25.8 million for the three months ended June 30, 2015 primarily due to a decrease in our EHC business (decrease of $39.7 million) driven by (i) adverse foreign currency movements and (ii) the prior year's quarter including both a portion of year-to-date reinsured premium and being the initial quarter that the EHC business was written on our paper, partially offset by organic growth (increase of $5.0 million).

Net earned premium. Net earned premium increased by $6.4 million, from $29.8 million for the three months ended June 30, 2014 to $36.3 million for the three months ended June 30, 2015 primarily due to organic growth.

Service and fee income. Service and fee income increased by $2.6 million, or 17.1%, from $15.1 million for the three months ended June 30, 2014 to $17.7 million for the three months ended June 30, 2015 as a result of organic growth.

Loss and loss adjustment expense; net loss ratio. Loss and LAE increased by $1.5 million, from $24.6 million for the three months ended June 30, 2014 to $26.1 million for the three months ended June 30, 2015. Our net loss ratio decreased from 82.4% for the three months ended June 30, 2014 to 72.0% for the three months ended June 30, 2015. The loss ratio decrease in the three months ended June 30, 2015 was primarily due to maturation of the A&H business.

Acquisition costs and other underwriting expenses. Acquisition costs and other underwriting expenses decreased by $1.4 million from $13.0 million for the three months ended June 30, 2014 to $11.6 million for the three months ended June 30, 2015.

General and administrative expenses. General and administrative expenses increased by $1.7 million from $12.3 million for the three months ended June 30, 2014 to $14.0 million for the three months ended June 30, 2015.

Net operating expense; net operating expense ratio (non-GAAP). Net operating expense decreased by $2.5 million from $10.2 million for the three months ended June 30, 2014 to $7.7 million for the three months ended June 30, 2015. The net operating expense ratio (non-GAAP) decreased from 34.3% for the three months ended June 30, 2014 to 21.3% for the three months ended June 30, 2015 primarily as a result of increased A&H premiums and higher service and fee income.

Underwriting income (loss). Underwriting income increased from a loss of $5.0 million for the three months ended June 30, 2014 to income of $2.4 million for the three months ended June 30, 2015 due to maturation of the A&H business. The combined ratio for the three months ended June 30, 2015 decreased to 93.3% compared to 116.7% for the same period in 2014. The combined ratio was lower due to improved profitability driven by a reduced expense ratio reflecting continued maturation of the A&H business and higher service and fee income.

A&H Segment Results of Operations for the Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014 (Unaudited)

Gross premium written. Gross premium written increased by $9.7 million, from $100.1 million for the six months ended June 30, 2014 to $109.8 million for the six months ended June 30, 2015 primarily as a result of organic growth.

Net premium written. Net premium written decreased by $7.0 million, from $99.9 million for the six months ended June 30, 2014 to $92.9 million for the six months ended June 30, 2015 primarily as a result of a decrease in our EHC business (decrease of $15.8 million), partially offset by organic growth (increase of $8.7 million).

Net earned premium. Net earned premium increased by $7.0 million, from $60.5 million for the six months ended June 30, 2014 to $67.4 million for the six months ended June 30, 2015 due to organic growth.

Service and fee income. Service and fee income increased by $5.0 million, or 16.5%, from $30.1 million for the six months ended June 30, 2014 to $35.1 million for the six months ended June 30, 2015 as a result of organic growth.

Loss and loss adjustment expense; net loss ratio. Loss and LAE increased by $5.7 million, from $40.5 million for the six months ended June 30, 2014 to $46.2 million for the six months ended June 30, 2015. Our net loss ratio increased from 67.0% for the six months ended June 30, 2014 to 68.6% for the six months ended June 30, 2015. The loss ratio increase in the six months ended June 30, 2015 was primarily driven by product mix shift.

Acquisition costs and other underwriting expenses. Acquisition costs and other underwriting expenses decreased by $8.7 million from $31.6 million for the six months ended June 30, 2014 to $22.9 million for the six months ended June 30, 2015 primarily due to the consolidation of our EHC business as all new and renewal policies placed by EHC after April 1, 2014 are underwritten by our European insurance subsidiaries.

General and administrative expenses. General and administrative expenses increased by $3.2 million from $25.0 million for the six months ended June 30, 2014 to $28.2 million for the six months ended June 30, 2015.

Net operating expense; net operating expense ratio (non-GAAP). Net operating expense decreased by $11.0 million from $26.5 million for the six months ended June 30, 2014 to $15.4 million for the six months ended June 30, 2015. The net operating expense ratio (non-GAAP) decreased from 43.8% for the six months ended June 30, 2014 to 22.9% for the six months ended June 30, 2015 primarily as a result of increased A&H premiums and higher service and fee income.

Underwriting income (loss). Underwriting income increased from a loss of $6.5 million for the six months ended June 30, 2014 to income of $5.8 million for the six months ended June 30, 2015 due to maturation of the A&H business. The combined ratio for the six months ended June 30, 2015 decreased to 91.5% compared to 110.8% for the same period in 2014. The combined ratio was lower due to improved profitability driven by a reduced expense ratio reflecting continued maturation of the A&H business and higher service and fee income.

Investment Portfolio

Our investment strategy emphasizes, first, the preservation of capital and, second, maximization of an appropriate risk-adjusted return. We seek to maximize investment returns using investment guidelines that stress prudent allocation among cash and cash equivalents, fixed-maturity securities and, to a lesser extent, equity securities. Cash and cash equivalents include cash on deposit, commercial paper, pooled short-term money market funds and certificates of deposit with an original maturity of 90 days or less. Our fixed-maturity securities include obligations of the U.S. Treasury or U.S. government agencies, obligations of U.S. and Canadian corporations, mortgages guaranteed by the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, Federal Farm Credit entities, and asset-backed securities and commercial mortgage obligations. Our equity securities include common and preferred stock of U.S. and Canadian corporations.

The average yield on our investment portfolio was 3.6% and 3.4% and the average duration of the portfolio was 5.19 and 5.31 years for the six months ended June 30, 2015 and 2014, respectively.

The cost or amortized cost, fair value, and gross unrealized gains and losses on available-for-sale securities were as follows:

June 30, 2015	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
	(amounts in thousands)				
Equity securities:					
Common stock	$50,934	$2,460	$(2,476	)	$50,918
Preferred stock	6,504	23	(82	)	6,445
Fixed maturities:					
U.S. Treasury	17,205	1,099	(7	)	18,297
States and political subdivision bonds	164,522	3,204	(1,024	)	166,702
Foreign government	10,771	—	(1,152	)	9,619
Corporate bonds	950,507	29,343	(14,137	)	965,713
Residential mortgage-backed securities	397,971	7,204	(1,017	)	404,158
Commercial mortgage-backed securities	190,873	1,071	(2,210	)	189,734
Total	$1,789,287	$44,404	$(22,105	)	$1,811,586
Less: Securities pledged	68,942	231	(347	)	68,826
Total net of Securities pledged	$1,720,345	$44,173	$(21,758	)	$1,742,760
NGHC	$1,561,862	$43,646	$(18,890	)	$1,586,618
Reciprocal Exchanges	227,425	758	(3,215	)	224,968
Total	$1,789,287	$44,404	$(22,105	)	$1,811,586

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December 31, 2014	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(amounts in thousands)			
Equity securities:				
Common stock	$47,269	$1,004	$(7,349)	$40,924
Preferred stock	7,755	65	(125)	7,695
Fixed maturities:				
U.S. Treasury	37,446	1,536	(3)	38,979
Federal agencies	98	—	—	98
States and political subdivision bonds	172,617	4,961	(169)	177,409
Foreign government	6,194	—	(658)	5,536
Corporate bonds	839,436	36,525	(8,699)	867,262
Residential mortgage-backed securities	459,596	11,132	(92)	470,636
Commercial mortgage-backed securities	79,579	1,602	(189)	80,992
Asset-backed securities	5,461	—	(91)	5,370
Total	$1,655,451	$56,825	$(17,375)	$1,694,901
Less: Securities pledged	47,546	1,910	—	49,456
Total net of Securities pledged	$1,607,905	$54,915	$(17,375)	$1,645,445
NGHC	$1,430,578	$55,031	$(16,264)	$1,469,345
Reciprocal Exchanges	224,873	1,794	(1,111)	225,556
Total	$1,655,451	$56,825	$(17,375)	$1,694,901

The increase in gross unrealized losses from $17.4 million at December 31, 2014 to $22.1 million at June 30, 2015 resulted from fluctuations in market interest rates.

The tables below summarize the credit quality of our fixed maturities, securities pledged and preferred securities as of June 30, 2015 and December 31, 2014, as rated by Standard & Poor’s.

June 30, 2015	NGHC			Reciprocal Exchanges		
	Cost or Amortized Cost	Fair Value	Percentage of Fixed Maturities and Preferred Securities	Cost or Amortized Cost	Fair Value	Percentage of Fixed Maturities and Preferred Securities
	(amounts in thousands)					
U.S. Treasury	$13,504	$14,562	0.9 %	$3,701	$3,735	1.7 %
AAA	300,993	305,988	19.9 %	13,487	13,269	5.9 %
AA, AA+, AA-	296,148	300,202	19.6 %	28,642	28,670	12.7 %
A, A+, A-	325,933	337,568	22.0 %	54,232	53,809	23.9 %
BBB, BBB+, BBB-	398,322	403,095	26.3 %	72,498	71,244	31.7 %
BB+ and lower	176,028	174,285	11.3 %	54,865	54,241	24.1 %
Total	$1,510,928	$1,535,700	100.0 %	$227,425	$224,968	100.0 %

December 31, 2014	NGHC Cost or Amortized Cost	Fair Value	Percentage of Fixed Maturities and Preferred Securities		Reciprocal Exchanges Cost or Amortized Cost	Fair Value	Percentage of Fixed Maturities and Preferred Securities	
	(amounts in thousands)							
U.S. Treasury	$19,068	$20,475	1.4	%	$18,378	$18,504	8.2	%
AAA	359,424	370,058	25.9	%	24,956	25,027	11.1	%
AA, AA+, AA-	275,905	282,443	19.8	%	—	—	—	%
A, A+, A-	300,789	318,955	22.3	%	99,754	100,412	44.5	%
BBB, BBB+, BBB-	328,594	335,745	23.5	%	48,440	48,486	21.5	%
BB+ and lower	99,529	100,745	7.1	%	33,345	33,127	14.7	%
Total	$1,383,309	$1,428,421	100.0	%	$224,873	$225,556	100.0	%

The tables below summarize the investment quality of our corporate bond holdings and industry concentrations as of June 30, 2015 and December 31, 2014.

June 30, 2015	AAA		AA+, AA, AA-		A+,A,A-		BBB+, BBB, BBB-		BB+ or Lower		Fair Value	% of Corporate Bonds Portfolio	
					(amounts in thousands)								
Corporate Bonds:													
Financial Institutions	0.1	%	3.2	%	24.5	%	9.7	%	3.1	%	$391,819	40.6	%
Industrials	—	%	3.5	%	10.7	%	33.4	%	6.4	%	522,087	54.0	%
Utilities/Other	—	%	—	%	0.3	%	3.4	%	1.7	%	51,807	5.4	%
Total	0.1	%	6.7	%	35.5	%	46.5	%	11.2	%	$965,713	100.0	%
NGHC	0.1	%	6.6	%	31.2	%	39.2	%	9.4	%	$835,829	86.5	%
Reciprocal Exchanges	—	%	0.1	%	4.3	%	7.3	%	1.8	%	129,884	13.5	%
Total	0.1	%	6.7	%	35.5	%	46.5	%	11.2	%	$965,713	100.0	%

December 31, 2014	AAA		AA+, AA, AA-		A+,A,A-		BBB+, BBB, BBB-		BB+ or Lower		Fair Value	% of Corporate Bonds Portfolio	
					(amounts in thousands)								
Corporate Bonds:													
Financial Institutions	1.4	%	3.6	%	26.9	%	8.9	%	2.5	%	$376,236	43.3	%
Industrials	—	%	2.4	%	9.4	%	31.7	%	5.9	%	427,592	49.4	%
Utilities/Other	—	%	—	%	2.2	%	3.1	%	2.0	%	63,434	7.3	%
Total	1.4	%	6.0	%	38.5	%	43.7	%	10.4	%	$867,262	100.0	%
NGHC	1.4	%	6.0	%	34.0	%	38.6	%	8.3	%	$762,822	88.3	%
Reciprocal Exchanges	—	%	—	%	4.5	%	5.1	%	2.1	%	104,440	11.7	%
Total	1.4	%	6.0	%	38.5	%	43.7	%	10.4	%	$867,262	100.0	%

The amortized cost and fair value of available-for-sale fixed maturities and securities pledged, held as of June 30, 2015, by contractual maturity, are shown in the table below. Actual maturities may differ from contractual maturities because some borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

June 30, 2015	NGHC Cost or Amortized Cost	Fair Value	Reciprocal Exchanges Cost or Amortized Cost	Fair Value	Total Cost or Amortized Cost	Fair Value
	(amounts in thousands)					
Due in one year or less	$10,376	$10,354	$767	$766	$11,143	$11,120
Due after one year through five years	224,073	238,663	13,591	13,528	237,664	252,191
Due after five years through ten years	669,281	673,236	113,451	112,192	782,732	785,428
Due after ten years	86,618	87,075	24,848	24,517	111,466	111,592
Mortgage-backed securities	515,577	521,442	73,267	72,450	588,844	593,892
Total	$1,505,925	$1,530,770	$225,924	$223,453	$1,731,849	$1,754,223

Gross Unrealized Losses. The tables below summarize the gross unrealized losses on equity securities and fixed maturities by the length of time the security had continuously been in an unrealized loss position as of June 30, 2015 and December 31, 2014:

June 30, 2015	Less Than 12 Months Fair Market Value	Unrealized Losses	No. of Positions Held	12 Months or More Fair Market Value	Unrealized Losses	No. of Positions Held	Total Fair Market Value	Unrealized Losses
	(amounts in thousands)							
Common stock	$33,276	$(2,476)	4	$—	$—	—	$33,276	$(2,476)
Preferred stock	5,494	(82)	2	—	—	—	5,494	(82)
U.S. Treasury	194	(7)	1	—	—	—	194	(7)
States and political subdivision bonds	54,287	(915)	61	1,709	(109)	4	55,996	(1,024)
Foreign government	9,619	(1,152)	1	—	—	—	9,619	(1,152)
Corporate bonds	300,909	(11,807)	139	25,198	(2,330)	9	326,107	(14,137)
Residential mortgage-backed securities	90,727	(978)	18	1,787	(39)	5	92,514	(1,017)
Commercial mortgage-backed securities	131,148	(2,210)	51	—	—	—	131,148	(2,210)
Total	$625,654	$(19,627)	277	$28,694	$(2,478)	18	$654,348	$(22,105)
NGHC	$498,640	$(16,412)	175	$28,694	$(2,478)	18	$527,334	$(18,890)
Reciprocal Exchanges	127,014	(3,215)	102	—	—	—	127,014	(3,215)
Total	$625,654	$(19,627)	277	$28,694	$(2,478)	18	$654,348	$(22,105)

	Less Than 12 Months			12 Months or More			Total	
December 31, 2014	Fair Market Value	Unrealized Losses	No. of Positions Held	Fair Market Value	Unrealized Losses	No. of Positions Held	Fair Market Value	Unrealized Losses
	(amounts in thousands)							
Common stock	$33,717	$(7,349)	3	$—	$—	—	$33,717	$(7,349)
Preferred stock	—	—	—	4,878	(125)	1	4,878	(125)
U.S. Treasury	6,343	(3)	5	—	—	—	6,343	(3)
States and political subdivision bonds	16,320	(92)	39	8,341	(77)	8	24,661	(169)
Foreign government	5,536	(658)	1	—	—	—	5,536	(658)
Corporate bonds	116,880	(5,594)	108	23,592	(3,105)	10	140,472	(8,699)
Residential mortgage-backed securities	15,598	(34)	17	1,975	(58)	3	17,573	(92)
Commercial mortgage-backed securities	33,735	(189)	10	—	—	—	33,735	(189)
Asset-backed securities	4,869	(91)	3	—	—	—	4,869	(91)
Total	$232,998	$(14,010)	186	$38,786	$(3,365)	22	$271,784	$(17,375)
NGHC	$142,313	$(12,899)	97	$38,786	$(3,365)	22	$181,099	$(16,264)
Reciprocal Exchanges	90,685	(1,111)	89	—	—	—	90,685	(1,111)
Total	$232,998	$(14,010)	186	$38,786	$(3,365)	22	$271,784	$(17,375)

There were 295 and 208 securities at June 30, 2015 and December 31, 2014, respectively, that account for the gross unrealized loss, none of which we deemed to be an other-than-temporary impairment ("OTTI") loss. Significant factors influencing our determination that none of the securities were OTTI included the magnitude of unrealized losses in relation to cost, the nature of the investment and management's intent not to sell these securities and our determination that it was more likely than not that we would not be required to sell these investments before anticipated recovery of fair value to our cost basis.

For the three and six months ended June 30, 2015, we recognized OTTI of $1.5 million and $2.5 million, respectively, on investments based on our qualitative and quantitative review.

Restricted Cash and Investments. In order to conduct business in certain states, we are required to maintain letters of credit or assets on deposit to support state-mandated regulatory requirements and certain third party agreements. We also utilize trust accounts to collateralize business with our reinsurance counterparties. Assets held on deposit or in trust accounts are primarily in the form of cash or certain high-grade securities. The fair values of our restricted assets as of June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015	December 31, 2014
	(amounts in thousands)	
Restricted cash	$10,489	$7,937
Restricted investments - fixed maturities at fair value	50,389	56,049
Total restricted cash and investments	$60,878	$63,986

Other. We enter into reverse repurchase and repurchase agreements, which are accounted for as either collateralized lending or borrowing transactions and are recorded at contract amounts which approximate fair value. For the collateralized borrowing transactions (i.e., repurchase agreements), we receive cash or securities that we invest or hold in short-term or fixed income securities.

As of June 30, 2015 and December 31, 2014, we had no collateralized lending transaction principal outstanding.

As of June 30, 2015, we had collateralized borrowing transaction principal outstanding of $61.2 million at an interest rate of 0.45%. As of December 31, 2014, we had collateralized borrowing transaction principal outstanding of $46.8 million at interest rates between 0.30% and 0.35%. Interest expense associated with the repurchase borrowing agreements for the three and six months ended June 30, 2015 was $0.0 million and $0.1 million, respectively, and for the three and six months ended June 30, 2014 was $0.1 million and $0.1 million, respectively. We had $68.8 million and $49.5 million of collateral pledged in support for these agreements as of June 30, 2015 and December 31, 2014, respectively.

Investment in Entities Holding Life Settlement Contracts

A life settlement contract is a contract between the owner of a life insurance policy and a third party who obtains the ownership and beneficiary rights of the underlying life insurance policy. During 2010, we formed Tiger Capital LLC (“Tiger”) with a subsidiary of AmTrust for the purpose of acquiring certain life settlement contracts. In 2011, we formed AMT Capital Alpha, LLC (“AMT Alpha”) with a subsidiary of AmTrust for the purpose of acquiring additional life settlement contracts. In the first quarter of 2013, we acquired a 50% interest in AMT Capital Holdings, S.A. (“AMTCH”), the other 50% of which is owned by AmTrust. Additionally, in December 2013, we formed AMT Capital Holdings II, S.A. ("AMTCH II") with AmTrust for the purpose of acquiring additional life settlement contracts. We have a 50% ownership interest in each of Tiger, AMT Alpha, AMTCH and AMTCH II (collectively, the “LSC Entities”). The LSC Entities may also acquire premium finance loans made in connection with the borrowers’ purchase of life insurance policies that are secured by the policies. The LSC Entities acquire the underlying policies through the borrowers’ voluntary surrender of the policy in satisfaction of the loan or foreclosure. A third party serves as the administrator for two of the life settlement contract portfolios, for which it receives an administrative fee. The third-party administrator is eligible to receive a percentage of profits after certain time and performance thresholds have been met.

The LSC Entities account for investments in life settlements in accordance with ASC 325-30, "Investments in Insurance Contracts", which states that an investor shall elect to account for its investments in life settlement contracts by using either the investment method or the fair value method. The election is made on an instrument-by-instrument basis and is irrevocable. The LSC Entities have elected to account for these investments using the fair value method.

As of June 30, 2015, we have a 50% ownership interest in the LSC Entities that hold certain life settlement contracts, and the fair value of these contracts owned by the LSC Entities is $267.4 million, with our proportionate interest being $133.7 million. Total capital contributions of approximately $1.1 million and $21.8 million were made to the LSC Entities during the six months ended June 30, 2015 and 2014, respectively, for which we contributed approximately $0.6 million and $10.9 million in those same periods. The LSC Entities used the contributed capital to pay premiums and purchase policies.

As of June 30, 2015, the face value amounts of the 259 life insurance policies disclosed in the table below was approximately $1.6 billion. As of June 30, 2015, the LSC Entities owned no premium finance loans.

The following table describes details of our investment in LSC Entities as of June 30, 2015. This table shows the gross amounts for the portfolio of life insurance policies owned by the LSC Entities, in which we and AmTrust each own a 50% interest.

(amounts in thousands, except number of life settlement contracts) Expected Maturity Term in Years	Number of Life Settlement Contracts	Fair Value[(1)]	Face Value
As of June 30, 2015			
0 - 1	—	$—	$—
1 - 2	—	—	—
2 - 3	3	10,162	17,500
3 - 4	11	44,902	93,000
4 - 5	8	15,429	41,500
Thereafter	237	196,900	1,493,313
Total	259	$267,393	$1,645,313

(1) The LSC Entities determined the fair value as of June 30, 2015 based on 216 policies out of 259 policies, as the LSC Entities assigned no value to 43 of the policies as of June 30, 2015. The LSC Entities estimated the fair value of a life insurance policy using a cash flow model with an appropriate discount rate. In some cases, the cash flow model calculates the value of an individual policy to be negative, and therefore the fair value of the policy is zero as no liability exists when a negative value is calculated. The LSC Entities are not contractually bound to pay the premium on its life settlement contracts and, therefore, would not pay a willing buyer to assume title of these contracts. Additionally, certain of the LSC Entities' acquired policies were structured to have low premium payments at inception of the policy term, which later escalate greatly towards the tail end of the policy term. At the current time, the LSC Entities expense all premiums paid, even on policies with zero fair value. Once the premium payments escalate, the LSC Entities may allow the policies to lapse. In the event that death benefits are realized in the time frame between initial acquisition and premium escalation, it is a benefit to cash flow of the LSC Entities.

For the contracts where the LSC Entities determined the fair value to be negative and therefore assigned a fair value of zero, the table below details the amount of premiums paid and the death benefits received during the twelve months preceding June 30, 2015:

(amounts in thousands, except number of life settlement contracts)	June 30, 2015
Number of policies with a negative value from discounted cash flow model as of period end	43
Premiums paid for the preceding twelve month period for period ended	$5,155
Death benefit received	$—

Premiums to be paid by the LSC Entities, in which we have 50% ownership interests, for each of the five succeeding fiscal years to keep the life insurance policies in force as of June 30, 2015, are as follows:

(amounts in thousands)	Premiums Due on Life Settlement Contracts
2015	$42,720
2016	63,745
2017	40,870
2018	40,239
2019	38,497
Thereafter	535,530
	$761,601

For additional information about the fair value of the life settlement contracts, see Note 6, "Equity Investments in Unconsolidated Subsidiaries" in the notes to our condensed consolidated financial statements. For additional information about the risks inherent in determining the fair value of the portfolio of life insurance policies, see Item 1A, “Risk Factors-Risks Relating to Our Business Generally-A portion of our financial assets consists of life settlement contracts that are subject to certain risks” of our Annual Report on Form 10-K for the year ended December 31, 2014.

Liquidity and Capital Resources

We are organized as a holding company with fifteen domestic insurance company subsidiaries, various foreign insurance and reinsurance subsidiaries, as well as various other non-insurance subsidiaries. Our principal sources of operating funds are premiums, service and fee income, investment income and proceeds from sales and maturities of investments. The primary sources of cash for the management companies of the Reciprocal Exchanges are management fees for acting as the attorneys-in-fact for the exchanges. Our primary uses of operating funds include payments of claims and operating expenses. Currently, we pay claims using cash flow from operations and invest our excess cash primarily in fixed-maturity and, to a lesser extent, equity securities. Except as set forth below, we expect that projected cash flows from operations, as well as the net proceeds from our debt and equity issuances, will provide us with sufficient liquidity to fund our anticipated growth by providing capital to increase the surplus of our insurance subsidiaries, as well as to pay claims and operating expenses, and to pay interest and principal on debt and debt facilities and other holding company expenses for the foreseeable future. However, if our growth attributable to potential acquisitions, internally generated growth, or a combination of these factors, exceeds our expectations, we may have to raise additional capital. If we cannot obtain adequate capital on favorable terms or at all, we may be unable to support future growth or operating requirements and, as a result, our business, financial condition and results of operations could be adversely affected. To support our current and future policy writings, especially in light of the termination of the Personal Lines Quota Share Agreement, and our entry into the Tower Reinsurance Agreements, we have raised substantial capital using a combination of debt and equity, and we may raise additional capital over the next twelve months.

We may generate liquidity through the issuance of debt or equity securities or financing through borrowings under credit facilities, or a combination thereof. During the first half of 2015, we issued 6,600,000 depositary shares, each representing a 1/40th interest in a share of our 7.50% Non-Cumulative Preferred Stock, Series B (equivalent to 165,000 shares of Series B Preferred Stock). The total net proceeds we received from the issuance was approximately $159.6 million, after deducting the issuance expenses payable by us. We also have a $135.0 million credit agreement under which there were no amounts outstanding as of June 30, 2015. The proceeds of borrowings under the credit agreement may be used for working capital, acquisitions and general corporate purposes. See "Preferred Stock" and "Revolving Credit Agreements" below.

Our insurance subsidiaries are subject to statutory and regulatory restrictions imposed on insurance companies by their states of domicile which limit the amount of cash dividends or distributions that they may pay to us unless special permission is received from the insurance regulator of the relevant domiciliary state. The aggregate limit imposed by the various domiciliary states of our insurance subsidiaries was approximately $284.1 million and $286.3 million as of June 30, 2015 and December 31, 2014, respectively, taking into account dividends paid in the prior twelve month periods. During the six months ended June 30, 2015 and 2014, there were $16.6 million and $1.0 million, respectively, of dividends or return of capital paid by the insurance subsidiaries to National General Management Corp. ("Management Corp.") or the Company.

We forecast claim payments based on our historical experience. We seek to manage the funding of claim payments by actively managing available cash and forecasting cash flows on both a short-term and long-term basis. Cash payments for claims were $576.7 million and $343.5 million in the six months ended June 30, 2015 and 2014, respectively. Historically, we have funded claim payments from cash flow from operations (principally premiums), net of amounts ceded to our third party reinsurers. We presently expect to maintain sufficient cash flow from operations to meet our anticipated claim obligations and operating and capital expenditure needs. Our cash and investment portfolio has increased from $1,998.7 million at December 31, 2014 to $2,175.1 million at June 30, 2015. We do not anticipate selling securities in our investment portfolio to pay claims or to fund operating expenses. Should circumstances arise that would require us to do so, we may incur losses on such sales, which would adversely affect our results of operations and financial condition and could reduce investment income in future periods.

Pursuant to an amended and restated management services agreement dated as of January 1, 2012 between Management Corp., on one hand, and certain of our other direct and indirect subsidiaries, on the other hand, such subsidiaries have delegated to Management Corp. underwriting duties, claims services, actuarial services, policyholder services, accounting, information technology and certain other administrative functions. The subsidiaries that are party to this agreement pay to Management Corp. a quarterly fee calculated as a percentage of the premium written by each such subsidiary, plus reimbursement for certain expenses. During the six months ended June 30, 2015 and 2014, Management Corp. was paid approximately $17.4 million and $13.8 million, respectively, in management fees.

Pursuant to a tax allocation agreement by and among us and certain of our direct and indirect subsidiaries, we compute and pay federal income taxes on a consolidated basis. Each subsidiary party to this agreement computes and pays to us its respective share of the federal income tax liability primarily based on separate return calculations.

The LSC Entities in which we own a 50% interest also purchase life settlement contracts that require the LSC Entities to make premium payments on individual life insurance policies in order to keep the policies in force. We presently expect to maintain sufficient cash flow to make future capital contributions to the LSC Entities to permit them to make future premium payments.

The following table is a summary of our statement of cash flows:

(amounts in thousands)	Six Months Ended June 30, 2015	2014
Cash and Cash equivalents provided by (used in):		
Operating activities	$84,274	$234,226
Investing activities	(217,566)	(544,807)
Financing activities	168,891	348,707
Effect of exchange rate changes on cash and cash equivalents	(153)	—
Net Increase in Cash and Cash Equivalents	$35,446	$38,126

Comparison of the Six Months Ended June 30, 2015 and 2014

Net cash provided by operating activities was approximately $84.3 million for the six months ended June 30, 2015, compared with $234.2 million provided by operating activities for the same period in 2014. For the six months ended June 30, 2015, net cash provided by operating activities decreased $150.0 million, primarily as a result of an increase in premiums and other receivables driven by the Tower Reinsurance Agreements, the Quota Share Runoff and the EHC business.

Net cash used in investing activities was $217.6 million for the six months ended June 30, 2015, compared with net cash used in investing activities of $544.8 million for the six months ended June 30, 2014. For the six months ended June 30, 2015, net cash used in investing activities decreased primarily due to a decrease of $236.0 million in the purchases of fixed-maturity investments, a decrease of $41.8 million in the purchases of short term investments and an increase of $140.1 million in the proceeds from the sale and maturity of fixed-maturity investments, partially offset by a $40.6 million decrease in the proceeds from the sale of short-term investments and an increase of $45.6 million in cash used for acquisitions.

Net cash provided by financing activities was $168.9 million for the six months ended June 30, 2015, compared with net cash provided by financing activities of $348.7 million for the six months ended June 30, 2014. For the six months ended June 30, 2015, cash provided by financing activities decreased versus the comparable period in 2014 primarily due to: (i) the issuance of common stock in our February 2014 private placement; (ii) the May 2014 sale of our $250.0 million aggregate principal amount of 6.75% Notes; and (iii) the June 2014 issuance of 2,200,000 shares of 7.50% Non-Cumulative Series A Preferred Stock, partially offset by our March and April 2015 issuances of 7.50% Non-Cumulative Series B Preferred Stock.

Condensed Consolidating Balance Sheet Information

The following tables present the condensed consolidating balance sheets as of June 30, 2015 and December 31, 2014 (amounts in thousands):

	June 30, 2015		
	NGHC	Reciprocal Exchanges	Total
ASSETS			
Investments:			
Fixed maturities, available-for-sale, at fair value	$1,461,944	$223,453	$1,685,397
Equity securities, available-for-sale, at fair value	55,848	1,515	57,363
Short-term investments	50	9,261	9,311
Equity investment in unconsolidated subsidiaries	178,557	—	178,557
Other investments	7,607	—	7,607
Securities pledged	68,826	—	68,826
Total investments	1,772,832	234,229	2,007,061
Cash and cash equivalents	132,791	35,270	168,061
Accrued investment income	13,463	1,976	15,439
Premiums and other receivables, net	711,439	54,716	766,155
Deferred acquisition costs	122,232	19,028	141,260
Reinsurance recoverable on unpaid losses	836,627	42,039	878,666
Prepaid reinsurance premiums	64,847	59,047	123,894
Notes receivable from related party	125,000	—	125,000
Due from affiliate	24,701	—	24,701
Premises and equipment, net	28,709	—	28,709
Intangible assets, net	264,863	7,567	272,430
Goodwill	113,843	—	113,843
Prepaid and other assets	18,351	24,348	42,699
Total assets	$4,229,698	$478,220	$4,707,918
LIABILITIES AND STOCKHOLDERS’ EQUITY			
Liabilities:			
Unpaid loss and loss adjustment expense reserves	$1,429,244	$124,328	$1,553,572
Unearned premiums	808,395	137,380	945,775
Unearned service contract and other revenue	9,336	35,145	44,481
Reinsurance payable	83,008	6,675	89,683
Accounts payable and accrued expenses	165,912	22,923	188,835
Due to affiliate	—	38,056	38,056
Securities sold under agreements to repurchase, at contract value	61,154	—	61,154
Deferred tax (asset) liability	(7,559)	38,855	31,296
Income tax payable	46,500	35	46,535
Notes payable	250,337	52,547	302,884
Other liabilities	93,697	14,809	108,506
Total liabilities	2,940,024	470,753	3,410,777
Stockholders’ equity:			
Common stock	937	—	937
Preferred stock	220,000	—	220,000
Additional paid-in capital	688,967	—	688,967
Accumulated other comprehensive income	14,993	—	14,993

Retained earnings	364,609	—	364,609
Total National General Holdings Corp. Stockholders' Equity	1,289,506	—	1,289,506
Non-controlling interest	168	7,467	7,635
Total stockholders’ equity	1,289,674	7,467	1,297,141
Total liabilities and stockholders' equity	$4,229,698	$478,220	$4,707,918

	December 31, 2014		
	NGHC	Reciprocal Exchanges	Total
ASSETS			
Investments:			
Fixed maturities, available-for-sale, at fair value	$1,374,087	$222,739	$1,596,826
Equity securities, available-for-sale, at fair value	45,802	2,817	48,619
Short-term investments	50	10,490	10,540
Equity investment in unconsolidated subsidiaries	155,900	—	155,900
Other investments	4,764	—	4,764
Securities pledged	49,456	—	49,456
Total investments	1,630,059	236,046	1,866,105
Cash and cash equivalents	123,178	9,437	132,615
Accrued investment income	12,553	1,898	14,451
Premiums and other receivables, net	589,205	58,238	647,443
Deferred acquisition costs	121,514	4,485	125,999
Reinsurance recoverable on unpaid losses	888,215	23,583	911,798
Prepaid reinsurance premiums	75,837	26,924	102,761
Notes receivable from related party	125,000	—	125,000
Due from affiliate	5,129	—	5,129
Premises and equipment, net	30,583	—	30,583
Intangible assets, net	237,404	11,433	248,837
Goodwill	70,764	—	70,764
Prepaid and other assets	43,160	71	43,231
Total assets	$3,952,601	$372,115	$4,324,716
LIABILITIES AND STOCKHOLDERS’ EQUITY			
Liabilities:			
Unpaid loss and loss adjustment expense reserves	$1,450,305	$111,848	$1,562,153
Unearned premiums	744,438	119,998	864,436
Unearned service contract and other revenue	8,527	—	8,527
Reinsurance payable	97,830	13,811	111,641
Accounts payable and accrued expenses	189,430	17,691	207,121
Due to affiliate	—	1,552	1,552
Securities sold under agreements to repurchase, at contract value	46,804	—	46,804
Deferred tax liability	29,133	38,402	67,535
Income tax payable	29,532	1,059	30,591
Notes payable	250,708	48,374	299,082
Other liabilities	46,114	5,710	51,824
Total liabilities	2,892,821	358,445	3,251,266
Stockholders’ equity:			
Common stock	934	—	934
Preferred stock	55,000	—	55,000
Additional paid-in capital	690,736	—	690,736
Accumulated other comprehensive income	20,192	—	20,192
Retained earnings	292,832	—	292,832
Total National General Holdings Corp. Stockholders' Equity	1,059,694	—	1,059,694
Non-controlling interest	86	13,670	13,756
Total stockholders’ equity	1,059,780	13,670	1,073,450

Total liabilities and stockholders' equity	$3,952,601	$372,115	$4,324,716

Other Material Changes in Financial Position

(amounts in thousands)	June 30, 2015	December 31, 2014
Selected Assets:		
Premiums and other receivables, net	$766,155	$647,443
Prepaid reinsurance premiums	$123,894	$102,761
Selected Liabilities:		
Unearned premiums	$945,775	$864,436
Reinsurance payable	$89,683	$111,641

During the six months ended June 30, 2015, premiums and other receivables, net increased $118.7 million compared to December 31, 2014 primarily due to the increase in Tower premium retention, the ARS acquisition, the Quota Share Runoff and the EHC business. Prepaid reinsurance premiums increased $21.1 million compared to December 31, 2014 primarily due to the Tower Reinsurance Agreements.

During the six months ended June 30, 2015, unearned premiums increased $81.3 million compared to December 31, 2014 primarily due to the increase in Tower premium retention and the EHC business. Reinsurance payable decreased $22.0 million compared to December 31, 2014 primarily due to the Tower Reinsurance Agreements, the Imperial acquisition and the EHC business.

Reinsurance

Our insurance subsidiaries utilize reinsurance agreements to transfer portions of the underlying risk of the business we write to various affiliated and third-party reinsurance companies. Reinsurance does not discharge or diminish our obligation to pay claims covered by the insurance policies we issue; however, it does permit us to recover certain incurred losses from our reinsurers and our reinsurance recoveries reduce the maximum loss that we may incur as a result of a covered loss event. We believe it is important to ensure that our reinsurance partners are financially strong and they generally carry at least an A.M. Best rating of ‘‘A-’’ (Excellent) at the time we enter into our reinsurance agreements. We also enter reinsurance relationships with third-party captives formed by agents as a mechanism for sharing risk and profit. The total amount, cost and limits relating to the reinsurance coverage we purchase may vary from year to year based upon a variety of factors, including the availability of quality reinsurance at an acceptable price and the level of risk that we choose to retain for our own account.

For a more detailed description of our reinsurance arrangements, see ‘‘Reinsurance’’ in ‘‘Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations’’ in our Annual Report on Form 10-K for the year ended December 31, 2014.

6.75% Notes due 2024

On May 23, 2014, we sold $250.0 million aggregate principal amount of our 6.75% Notes due 2024 to certain purchasers in a private placement.

The 6.75% Notes bear interest at a rate equal to 6.75% per year, payable semiannually in arrears on May 15th and November 15th of each year, beginning on November 15, 2014. The 6.75% Notes are our general unsecured obligations and rank equally in right of payment with our other existing and future senior unsecured indebtedness and senior in right of payment to any of our indebtedness that is contractually subordinated to the 6.75% Notes. The 6.75% Notes are also effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness and are structurally subordinated to the existing and future indebtedness of our subsidiaries (including trade payables). The 6.75% Notes mature on May 15, 2024, unless earlier redeemed or purchased by us.

The Indenture contains customary covenants, such as reporting of annual and quarterly financial results, and restrictions on certain mergers and consolidations. The Indenture also includes covenants relating to the incurrence of debt if our consolidated leverage ratio would exceed 0.35 to 1.00, a limitation on liens, a limitation on the disposition of stock of certain of our subsidiaries and a limitation on transactions with certain of our affiliates. We were in compliance with all covenants contained in the Indenture as of June 30, 2015. The net proceeds we received from the issuance was approximately $245.0 million, after deducting the issuance expenses.

Interest expense on the 6.75% Notes for the three and six months ended June 30, 2015 was $4.3 million and $8.5 million, respectively. Interest expense on the 6.75% Notes for the three and six months ended June 30, 2014 was $1.7 million and $1.7 million, respectively.

Preferred Stock

Series A Preferred Stock

On June 25, 2014, we issued 2,200,000 shares of 7.50% Non-Cumulative Preferred Stock ("Series A Preferred Stock") in a public offering. Dividends on the Series A Preferred Stock when, as and if declared by the Company's Board of Directors (the "Board") or a duly authorized committee of the Board, will be payable on the liquidation preference amount of $25.00 per share, on a non-cumulative basis, quarterly in arrears on the 15th day of January, April, July and October of each year (each, a "dividend payment date"), commencing on October 15, 2014, at an annual rate of 7.50%. Dividends on the Series A Preferred Stock are not cumulative. Accordingly, in the event dividends are not declared on the Series A Preferred Stock for payment on any dividend payment date, then those dividends will not accumulate and will not be payable. If the Company has not declared a dividend before the dividend payment date for any dividend period, the Company will have no obligation to pay dividends for that dividend period, whether or not dividends on the Series A Preferred Stock are declared for any future dividend payment. The net proceeds we received from the issuance was approximately $53.2 million, after deducting the underwriting discount and issuance expenses.

Series B Preferred Stock

On March 27, 2015, we completed a public offering of 6,000,000 of our depositary shares, each representing a 1/40th interest in a share of our 7.50% Non-Cumulative Preferred Stock, Series B, $0.01 par value per share (the "Series B Preferred Stock"), with a liquidation preference of $1,000 per share (equivalent to $25 per depositary share). Each depositary share entitles the holder to a proportional fractional interest in all rights and preferences of the Series B Preferred Stock represented thereby (including any dividend, liquidation, redemption and voting rights). Dividends on the Series B Preferred Stock represented by the depositary shares will be payable on the liquidation preference amount, on a non-cumulative basis, when, as and if declared by our Board of Directors, at a rate of 7.50% per annum, quarterly in arrears, on January 15, April 15, July 15, and October 15 of each year, beginning on July 15, 2015, from and including the date of original issuance. The Series B Preferred Stock represented by the depositary shares is not redeemable prior to April 15, 2020. After that date, we may redeem at our option, in whole or in part, the Series B Preferred Stock represented by the depositary shares at a redemption price of $1,000 per share (equivalent to $25 per depositary share) plus any declared and unpaid dividends for prior dividend periods and accrued but unpaid dividends (whether or not declared) for the then current dividend period. A total of 6,000,000 depositary shares (equivalent to 150,000 shares of Series B Preferred Stock) were issued. Net proceeds from this offering were $145.3 million. We incurred $5.0 million in underwriting discount and commissions and expenses, which were recognized as a reduction to additional paid-in capital.

On April 6, 2015, the underwriters exercised their over-allotment option with respect to an additional 600,000 depositary shares (equivalent to 15,000 shares of Series B Preferred Stock), on the same terms and conditions as the original March 27, 2015 issuance. Net proceeds from this additional offering were $14.5 million. We incurred an additional $0.5 million in underwriting discount and commissions, which were recognized as a reduction to additional paid-in capital.

Revolving Credit Agreements

On May 30, 2014, we entered into a $135.0 million credit agreement (the “Credit Agreement”), among JPMorgan Chase Bank, N.A., as Administrative Agent, KeyBank National Association as Syndication Agent, and Associated Bank, National Association and First Niagara Bank, N.A., as Co-Documentation Agents. The credit facility is a revolving credit facility with a letter of credit sublimit of $10.0 million and an expansion feature not to exceed $50.0 million.

The Credit Agreement contains certain restrictive covenants customary for facilities of this type (subject to negotiated exceptions and baskets), including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. There are also financial covenants that require us to maintain a minimum consolidated net worth, a maximum consolidated leverage ratio, a minimum fixed charge coverage ratio, a minimum risk-based capital and a minimum statutory surplus. The Credit Agreement also provides for customary events of default, with grace periods where customary, including failure to pay principal when due, failure to pay interest or fees within three business days after becoming due, failure to comply with covenants, breaches of representations and warranties, default under certain other indebtedness, certain insolvency or receivership events affecting us and our subsidiaries, the occurrence of certain material judgments, or a change in control of the

Company. Upon the occurrence and during the continuation of an event of default, the administrative agent, upon the request of the requisite percentage of the lenders, may terminate the obligations of the lenders to make loans and to issue letters of credit under the Credit Agreement, declare the Company’s obligations under the Credit Agreement to become immediately due and payable and/or exercise any and all remedies and other rights under the Credit Agreement. The Credit Agreement has a maturity date of May 30, 2018.

Borrowings under the Credit Agreement bear interest at either the Alternate Base Rate ("ABR") or LIBOR. ABR borrowings (which are borrowings bearing interest at a rate determined by reference to the ABR) under the Credit Agreement will bear interest at (x) the greatest of (a) the prime rate in effect on such day, (b) the federal funds effective rate on such day plus 0.5 percent or (c) the adjusted LIBOR for a one-month interest period on such day plus 1 percent, plus (y) a margin that is adjusted on the basis of our consolidated leverage ratio. Eurodollar borrowings under the Credit Agreement will bear interest at the adjusted LIBOR for the interest period in effect plus a margin that is adjusted on the basis of our consolidated leverage ratio. Fees payable by us under the Credit Agreement include a letter of credit participation fee (the margin applicable to Eurodollar borrowings), a letter of credit fronting fee with respect to each letter of credit (0.125%) and a commitment fee on the available commitments of the lenders (a range of 0.20% to 0.30% based on our consolidated leverage ratio, and which rate was 0.25% as of June 30, 2015). We were in compliance with all of the covenants under the Credit Agreement as of June 30, 2015.

As of June 30, 2015 and December 31, 2014, there was no outstanding balance on the line of credit. There was no interest expense for the Company's existing and repaid lines of credit for the three or six months ended June 30, 2015. Interest expense for the Company's existing and repaid lines of credit for the three and six months ended June 30, 2014 was $0.7 million and $1.1 million, respectively.

Imperial-related Debt

Our subsidiary, Imperial Fire and Casualty Insurance Company, is the issuer of $5.0 million principal amount of Surplus Notes due 2034 ("Imperial Surplus Notes"). The notes bear interest at an annual rate equal to LIBOR plus 4.05%, payable quarterly. The notes are redeemable by us at a redemption price equal to 100% of their principal amount. Interest expense on the Imperial Surplus Notes for the three and six months ended June 30, 2015 was $0.1 million and $0.1 million, respectively.

Reciprocal Exchanges' Surplus Notes

ACP Re (or subsidiaries thereunder), a related party, holds the surplus notes issued by the Reciprocal Exchanges ("Reciprocal Exchanges' Surplus Notes") when they were originally capitalized. The obligation to repay principal and interest on these surplus notes is subordinated to the Reciprocal Exchanges’ other liabilities, including obligations to policyholders and claimants for benefits under insurance policies. Principal and interest on these surplus notes are payable only with regulatory approval. Interest expense on the Reciprocal Exchanges' Surplus Notes for the three and six months ended June 30, 2015 was $3.8 million and $7.5 million, respectively, which includes amortization of $2.1 million and $4.2 million, respectively. (See Note 15, "Related Party Transactions" in the notes to our condensed consolidated financial statements).

Securities Sold (Purchased) Under Agreements to Repurchase (Sell), at Contract Value

We enter into reverse repurchase and repurchase agreements, which are accounted for as either collateralized lending or borrowing transactions and are recorded at contract amounts which approximate fair value. For the collateralized borrowing transactions (i.e., repurchase agreements), we receive cash or securities that we invest or hold in short-term or fixed income securities.

As of June 30, 2015 and December 31, 2014, we had no collateralized lending transaction principal outstanding.

As of June 30, 2015, we had collateralized borrowing transaction principal outstanding of $61.2 million at an interest rate of 0.45%. As of December 31, 2014, we had collateralized borrowing transaction principal outstanding of $46.8 million at interest rates between 0.30% and 0.35%. Interest expense associated with the repurchase borrowing agreements for the three and six months ended June 30, 2015 was $0.0 million and $0.1 million, respectively, and for the three and six months ended June 30, 2014 was $0.1 million and $0.1 million, respectively. We had $68.8 million and $49.5 million of collateral pledged in support for these agreements as of June 30, 2015 and December 31, 2014, respectively.

Deferred Purchase Obligation

On April 15, 2013, we acquired EHC for an initial purchase price of approximately $23.6 million in cash. The transaction also includes a deferred purchase price arrangement whereby, once EBITDA (including EBITDA of a Company affiliate which underwrites products sold by EHC) when combined with EHC's equity at closing exceeds the initial purchase price, the seller will be entitled to receive an amount corresponding to fifty percent of EHC's EBITDA (including EBITDA of a Company affiliate which underwrites products sold by EHC) for each of the fiscal years 2015, 2016, 2017 and 2018. We currently estimate the total purchase price including the deferred arrangement to be approximately $37.3 million, of which the deferred purchase price arrangement will be approximately $13.7 million. EHC is a limited liability company incorporated and registered under the laws of Sweden and primarily administers accident and health business in that region. During the first quarter of 2015, we made an advance on the deferred purchase price arrangement of approximately $2.4 million.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Liquidity Risk. Liquidity risk represents our potential inability to meet all payment obligations when they become due. We maintain sufficient cash and marketable securities to fund claim payments and operations. We purchase reinsurance coverage to mitigate the risk of an unexpected rise in claims severity or frequency from catastrophic events or a single large loss. The availability, amount and cost of reinsurance depend on market conditions and may vary significantly.

Credit Risk. Credit risk is the potential loss arising principally from adverse changes in the financial condition of the issuers of our fixed-maturity securities and the financial condition of our third party reinsurers. Additionally, we have counter-party credit risk with our repurchase agreement counter-parties.

We address the credit risk related to the issuers of our fixed-maturity securities by investing primarily in fixed-maturity securities that are rated "BBB-" or higher by Standard & Poor's. We also independently monitor the financial condition of all issuers of our fixed-maturity securities. To limit our risk exposure, we employ diversification policies that limit the credit exposure to any single issuer or business sector.

We are subject to credit risk with respect to our third party reinsurers. Although our third party reinsurers are obligated to reimburse us to the extent we cede risk to them, we are ultimately liable to our policyholders on all risks we have ceded. As a result, reinsurance contracts do not limit our ultimate obligations to pay claims covered under the insurance policies we issue and we might not collect amounts recoverable from our reinsurers. We address this credit risk by selecting reinsurers that have an A.M. Best rating of "A-" (Excellent) or better at the time we enter into the agreement and by performing, along with our reinsurance broker, periodic credit reviews of our reinsurers. If one of our reinsurers suffers a credit downgrade, we may consider various options to lessen the risk of asset impairment, including commutation, novation and letters of credit. See Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Reinsurance."

Counter-party credit risk with our repurchase agreement counter-parties is mitigated by obtaining collateral. We obtain collateral in the amount of 105-110% of the value of the securities we have sold with agreement to repurchase. Additionally, repurchase agreements are only transacted with pre-approved counter-parties.

Market Risk. Market risk is the risk of potential economic loss principally arising from adverse changes in the fair value of financial instruments. The major components of market risk affecting us are interest rate risk and equity price risk.

Interest Rate Risk. We had fixed-maturity securities and preferred stock with a fair value of $1,760.7 million and an amortized cost of $1,738.4 million as of June 30, 2015 that are subject to interest rate risk. Interest rate risk is the risk that we may incur losses due to adverse changes in interest rates. Fluctuations in interest rates have a direct impact on the market valuation of our fixed-maturity securities. We manage our exposure to interest rate risk through a disciplined asset and 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. These risks are assessed regularly and balanced within the context of our liability and capital position.

The table below summarizes the interest rate risk by illustrating the sensitivity of the fair value and carrying value of our fixed-maturity securities as of June 30, 2015 to selected hypothetical changes in interest rates, and the associated impact on our stockholders' equity. We anticipate that we will continue to meet our obligations out of income. We classify our fixed-maturity and equity securities as available-for-sale. Temporary changes in the fair value of our fixed-maturity securities impact the carrying value of these securities and are reported in our stockholders' equity as a component of accumulated other comprehensive income, net of deferred taxes.

The selected scenarios with our fixed-maturity securities, excluding $6.4 million of preferred stock, in the table below are not predictions of future events, but rather are intended to illustrate the effect such events may have on the fair value and carrying value of our fixed-maturity securities and on our stockholders' equity, each as of June 30, 2015.

Hypothetical Change in Interest Rates	Fair Value	Estimated Change in Fair Value	Hypothetical Percentage Increase (Decrease) in Stockholders' Equity
	(Amounts in Thousands)		
200 basis point increase	$1,641,953	$(112,270)	(6.4)%
100 basis point increase	1,729,664	(24,559)	(1.4)
No change	1,754,223	—	—
100 basis point decrease	1,924,383	170,160	9.7
200 basis point decrease	2,029,636	275,413	15.7

Changes in interest rates would affect the fair market value of our fixed-rate debt instruments but would not have an impact on our earnings or cash flow. We currently have $307.5 million principal amount of debt instruments of which $250.0 million are fixed-rate debt instruments. A fluctuation of 100 basis points in interest on our variable-rate debt instruments, which are tied to LIBOR, would affect our earnings and cash flows by $0.6 million before income tax, on an annual basis, but would not affect the fair market value of the variable-rate debt.

Off-Balance Sheet Risk. As of June 30, 2015 we did not have any off-balance sheet arrangements that have or are likely to have a material effect on our financial condition or results of operations.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with participation and under the supervision of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports we file or submit under the Exchange Act is timely recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are routinely involved in legal proceedings arising in the ordinary course of business, in particular in connection with claims adjudication with respect to our policies. We believe we have recorded adequate reserves for these liabilities and that there is no individual case pending that is likely to have a material adverse effect on our financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors described in Part I "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 as filed with the SEC.

Item 6. Exhibits

INDEX TO EXHIBITS

The following documents are filed as exhibits to this report:

Exhibit No.	Description
10.1	Master Transaction Agreement, dated as of July 15, 2015, by and among the QBE Investments (North America), Inc., QBE Holdings, Inc. and National General Holdings Corp. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 16, 2015)
12.1	Computation of Ratio of Earnings to Fixed Charges (filed herewith)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.SC. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.SC. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.1	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets at June 30, 2015 and December 31, 2014; (ii) the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2015 and 2014; (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2015 and 2014; (iv) the Condensed Consolidated Statements of Changes in Stockholders' Equity for the six months ended June 30, 2015 and 2014; (v) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014; and (vi) the Notes to Unaudited Condensed Consolidated Financial Statements (submitted electronically herewith)

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

August 6, 2015

NATIONAL GENERAL HOLDINGS CORP.

By: /s/ Michael Karfunkel
Name: Michael Karfunkel
Title: Chairman, President and Chief Executive Officer

By: /s/ Michael Weiner
Name: Michael Weiner
Title: Chief Financial Officer