

# **THIRD QUARTER 2015**

## **INVESTOR CONFERENCE CALL**

November 11, 2015

Nasdaq: CNFR



**Conifer  
Holdings  
Inc.**

## SAFE HARBOR STATEMENT

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This presentation contains “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on our management’s beliefs and assumptions and on information currently available to management. These forward-looking statements include, without limitation, statements regarding our industry, business strategy, plans, goals and expectations concerning our market position, product expansion, future operations, margins, profitability, future efficiencies, and other financial and operating information. When used in this discussion, the words “may,” “believes,” “intends,” “seeks,” “anticipates,” “plans,” “estimates,” “expects,” “should,” “assumes,” “continues,” “potential,” “could,” “will,” “future” and the negative of these or similar terms and phrases are intended to identify forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties, inherent risks and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements represent our management’s beliefs and assumptions only as of the date of this presentation. Our actual future results may be materially different from what we expect due to factors largely outside our control, including the occurrence of severe weather conditions and other catastrophes, the cyclical nature of the insurance industry, future actions by regulators, our ability to obtain reinsurance coverage at reasonable rates and the effects of competition. These and other risks and uncertainties associated with our business are described in the prospectus included in our registration statement on Form S-1 filed with the Securities and Exchange Commission (SEC) on August 12, 2015, including under the heading “Risk Factors,” which should be read in conjunction with this presentation. The company and subsidiaries operate in a dynamic business environment, and therefore the risks identified are not meant to be exhaustive. Risk factors change and new risks emerge frequently. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

# WELCOME TO OUR THIRD QUARTER CALL: INTRODUCTION

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**Broad & Flexible Underwriting Platform Poised for Growth**

**Experienced Management Team & Underwriters with Deep Industry Knowledge**

**Specialty Products to Drive Growth in Underserved Niche Markets**

**Execution of the Business Plan**

# POISED FOR GROWTH

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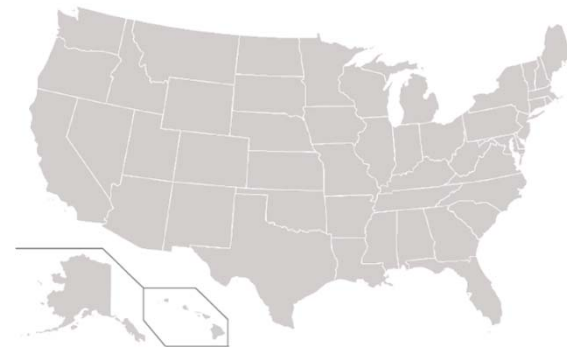
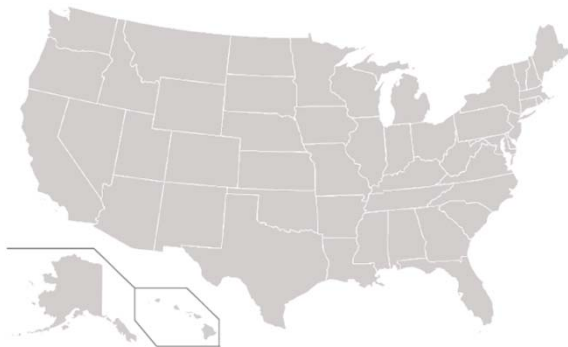
Execution of the Business Plan

## BROAD & FLEXIBLE UNDERWRITING PLATFORM

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- Conifer Holdings formed in 2009 to leverage deep industry knowledge and relationships
  - Demonstrated ability to attract underwriting talent
  - Funded by management from 2009 through 2014
  - Raised \$35 million from private sources in 2014 and completed IPO in August 2015
- Well-developed underwriting platform to pivot between Excess & Surplus (E&S) lines and Admitted opportunities
- Writing policies in all 50 states, utilizing a fronting carrier where we are as yet unlicensed
- Goal is to be licensed on both E&S and Admitted basis in all 50 states



## EXPERIENCED MANAGEMENT TEAM

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## EXPERIENCED MANAGEMENT TEAM & UNDERWRITERS WITH DEEP INDUSTRY KNOWLEDGE

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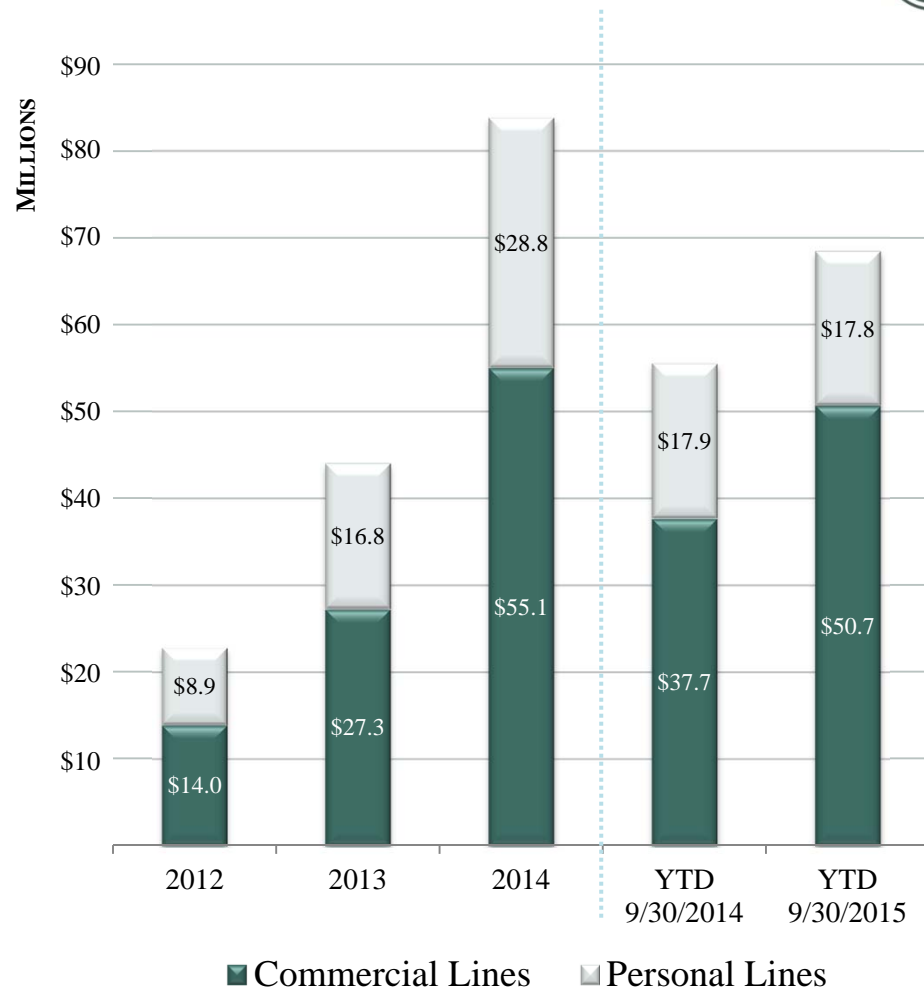
- Executives have an average of over 20 years of insurance industry experience
- Conifer is 30% owned by management – all senior executives are significant investors in Conifer
- Talented underwriting group has a strong track record of growing specialty insurance businesses
- Underwriting team specialties contribute to geographic premium diversity
- Long-standing relationships with highly skilled retail and wholesale agents focused on selling specialty insurance policies

Title	Industry Experience	Underwriting Product Specialty
SVP, Commercial Lines	42 years	Hospitality, Artisan Contractors & Auto Facilities
President, MGA Division	29 years	Low-Value Dwellings
President, Venture Agency Holdings	27 years	Security Services
SVP, Personal Lines	8 years	Homeowners

## ANNUAL GROSS WRITTEN PREMIUM VOLUME



- Gross written premium: volume was up 23.3% for the nine months ended September 30, 2015, compared to the same period in 2014
- Total gross written premium was \$68.5 million for the nine months ended September 30, 2015
- Factors driving premium growth include:
  - Strong commercial lines expertise in hospitality & small business accounts
  - Personal lines focus on CAT-exposed homeowners
- Average account sizes:
  - Commercial Lines: \$5,000
  - Personal Lines: \$1,200





# DRIVING GROWTH: SPECIALTY PRODUCTS IN NICHE MARKETS

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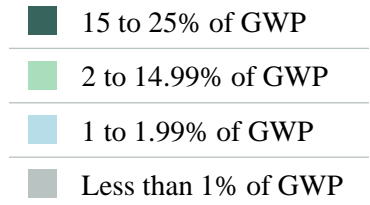
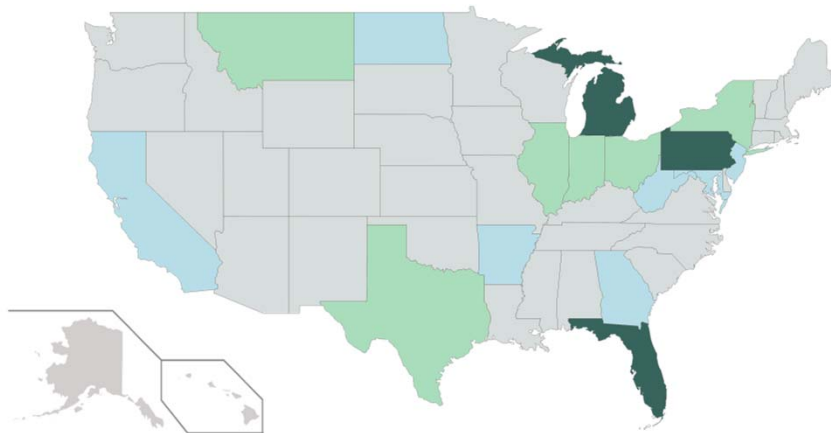
Broad & Flexible Underwriting Platform Poised for Growth

Experienced Management Team & Underwriters with Deep Industry Knowledge

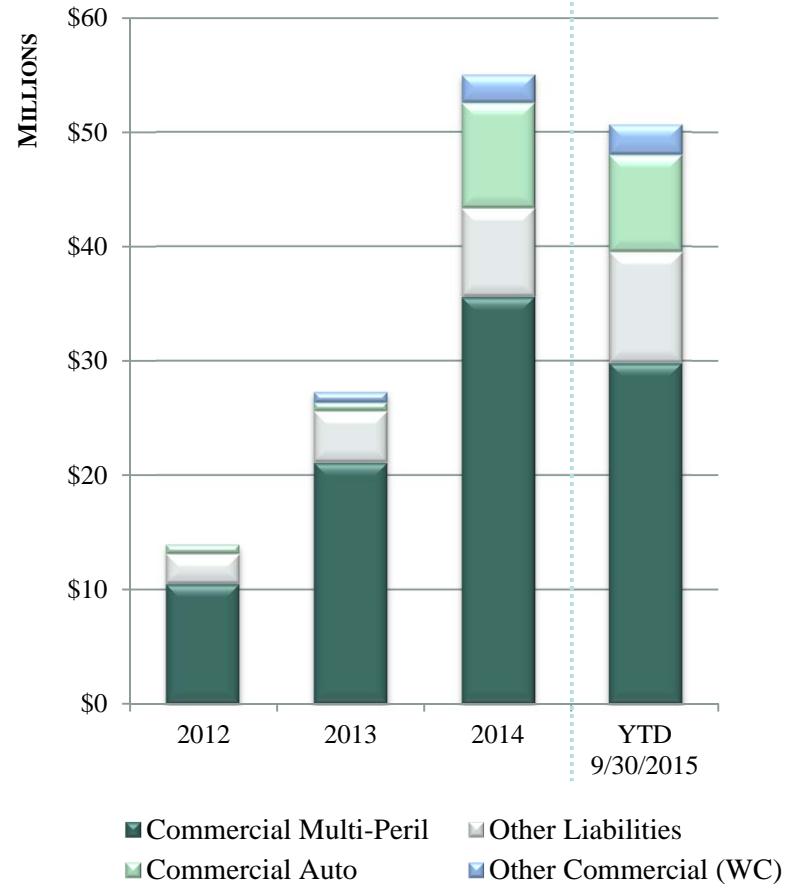
**Specialty Products to Drive Growth in Underserved Niche Markets**

Execution of the Business Plan

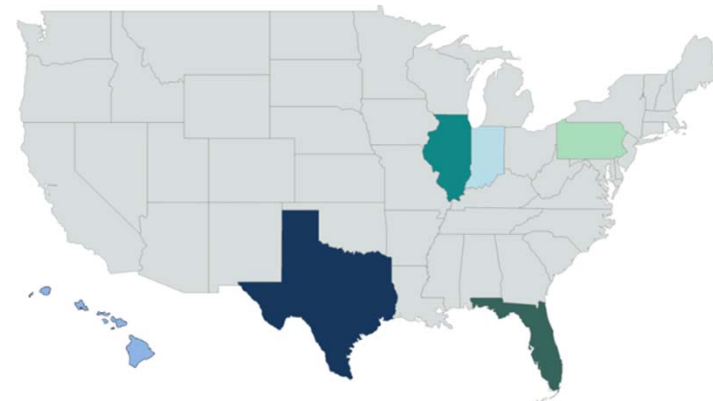
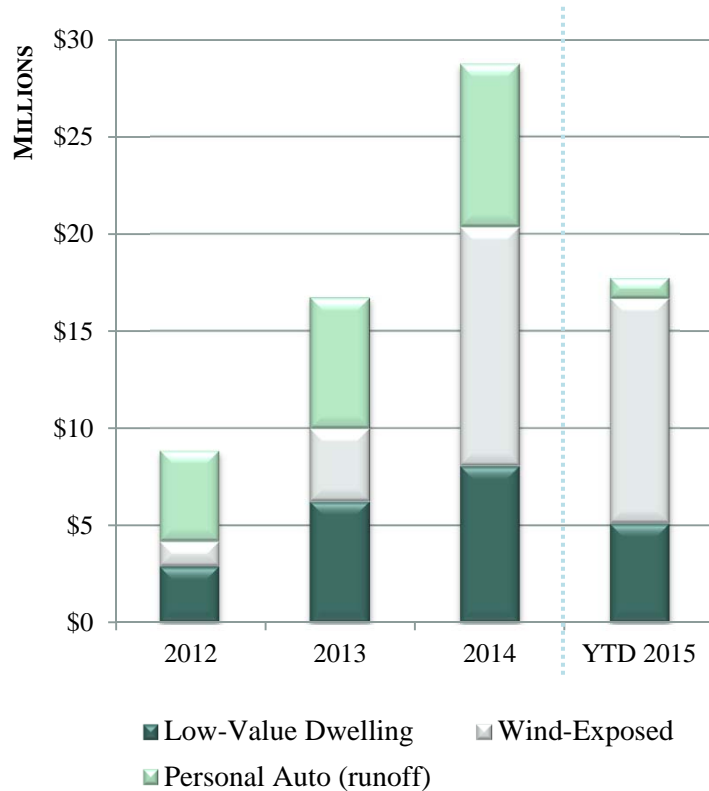
# COMMERCIAL LINES: HOSPITALITY & SECURITY BUSINESS



- **34.5% growth in gross written premium to \$50.7 million** for the nine months ended September 30, 2015
- Focus on niche underserved markets
- Writing in all 50 states
  - Florida, Michigan and Pennsylvania each generated more than 15% of nine month gross written premium
- Average premium / account size of \$5,000



## PERSONAL LINES: LOW-VALUE DWELLING & WIND-EXPOSED HOMEOWNERS



	YTD September 30, 2015	
(\$ in thousands)		
Florida	\$ 6,504	34.5 %
Texas	4,895	28.4 %
Indiana	3,578	20.8 %
Hawaii	1,851	10.8 %
Illinois	749	4.3 %
Pennsylvania	205	1.2 %
<b>Total</b>	<b>\$ 17,782</b>	<b>100.0 %</b>

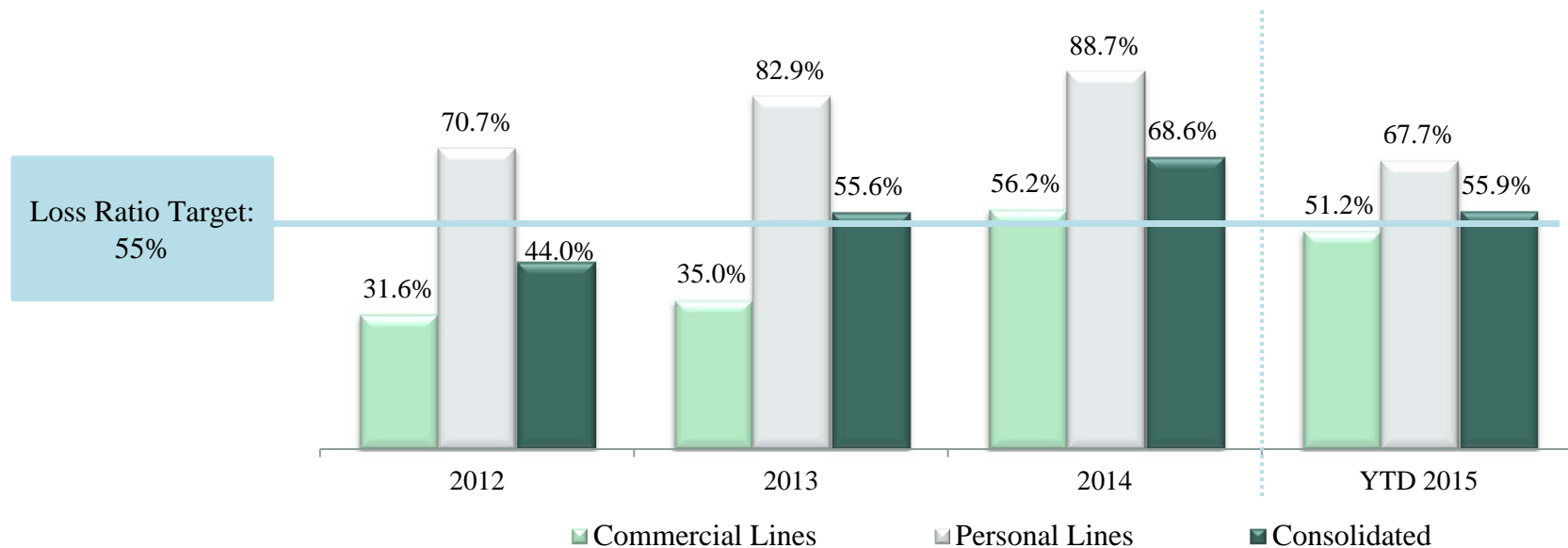
- **\$17.8 million in gross written premium** for the nine months ended September 30, 2015, flat from 2014
- Wind-Exposed Homeowners focusing on coastal exposures in Florida, Hawaii and Texas
- Low-Value Dwelling expanding primarily in southern states, such as Texas and northern Louisiana
- Average account size: approximately \$1,200

## LOSS RATIO IMPROVEMENT: SHIFTING BUSINESS MIX TO DRIVE PROFITABILITY



- Continued improvement expected due to shift in mix toward Commercial Liability, geographic expansion of Low-Value Dwelling, and additional Wind-Exposed Homeowners
- Loss ratio of 53.3% for the three months ended September 30, 2015

### LOSS RATIO



## EXECUTION OF BUSINESS PLAN

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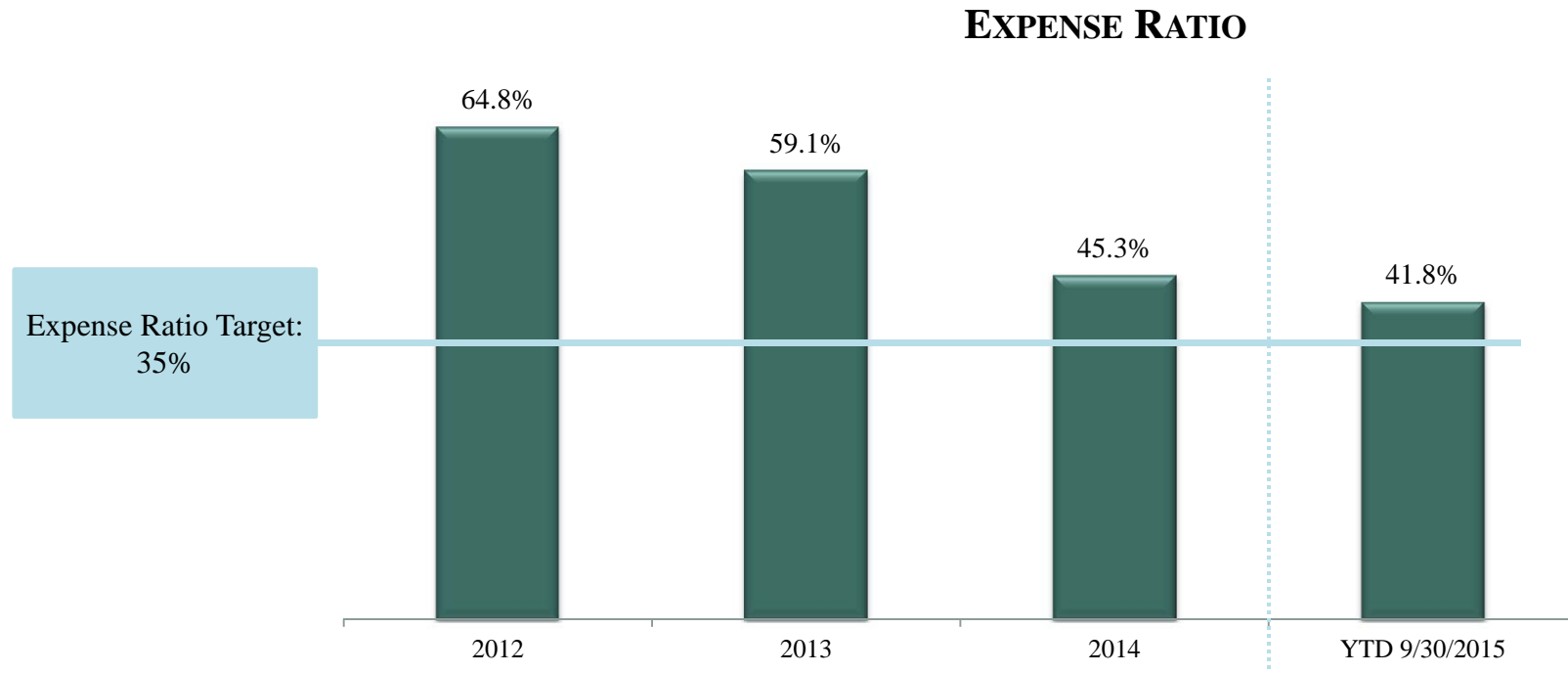
**Execution of the Business Plan**

## EXPENSE RATIO IMPROVEMENT: SCALABLE PLATFORM SUPPORTS LONG-TERM GROWTH

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- Management-funded infrastructure established to support long-term growth
  - Scalable technology possesses high capacity / bandwidth for growth
- Recently hired another experienced underwriting team for hospitality-related business
- Over time, higher A.M. Best ratings will eliminate fronting fees of 3 to 5.5% on subject premium

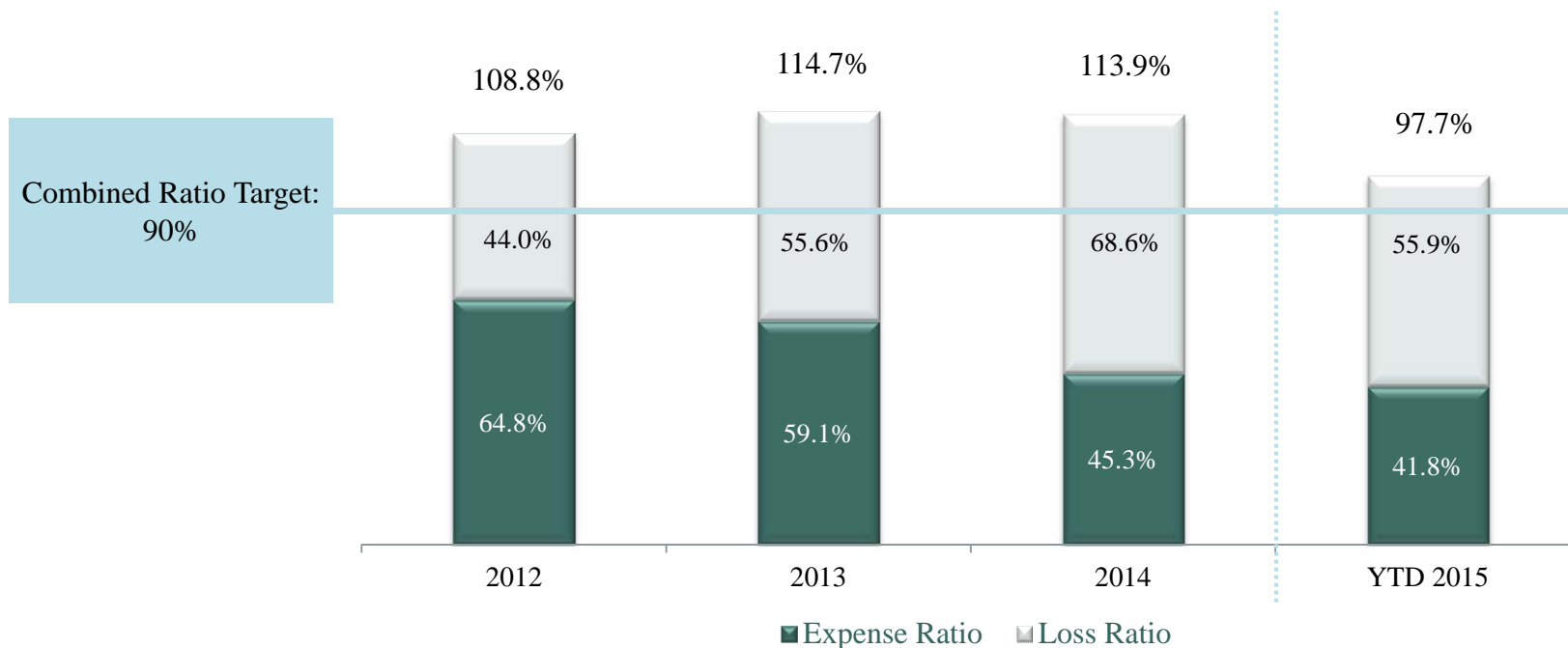


## COMBINED RATIO: REFLECTS BUSINESS MIX



- Over time, expect to achieve combined ratio target through incremental underwriting profitability and improved fixed-cost utilization
- Enhanced mix of business and premium growth should help drive combined ratio improvement
- 20.8 percentage point improvement in combined ratio for the nine months ended September 30, 2015, over the same period in 2014

### COMBINED RATIO

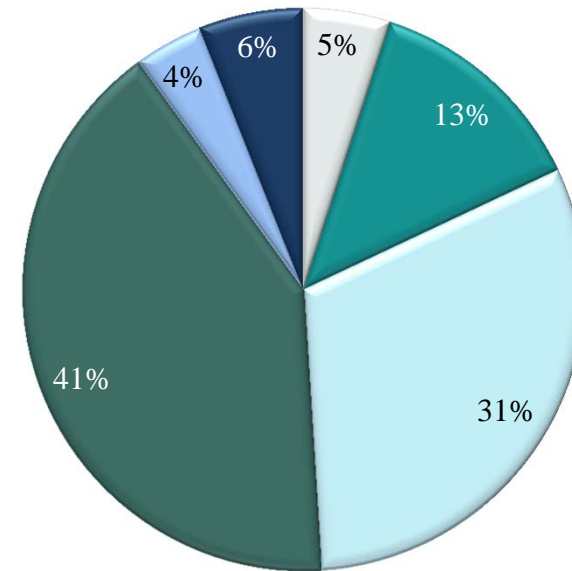


## PRUDENT RISK MANAGEMENT TO PROTECT CAPITAL: CONSERVATIVE INVESTMENT STRATEGY



- Investment philosophy is to maintain a highly liquid portfolio of investment-grade fixed income securities
- Investment portfolio is externally managed, primarily by General Re – NEAM
- Total investment securities of \$108.1 million at September 30, 2015:
  - Average duration: 3.4 years
  - Average tax-equivalent yield: ~2.2%
  - Average credit quality: AA

### PORTFOLIO ALLOCATION



- US Government Obligations
- State and Local Governments
- Corporate Debt
- Commercial Mortgage and Asset-Backed
- Equity Securities
- Short-Term Investments

### FIXED INCOME PORTFOLIO CREDIT RATING

September 30, 2015

	Fair Value (\$ in thousands)	% of Total
AAA	\$ 28,291	27 %
AA	39,604	38 %
A	23,840	23 %
BBB	12,368	12 %
<b>TOTAL FIXED INCOME INVESTMENTS</b>	<b>\$ 104,103</b>	<b>100 %</b>



## NINE-MONTH 2015 INCOME STATEMENT



- Continued to execute business plan and increased production in Hospitality, Small Commercial, Security and Homeowners lines of business
- \$0.19 per share in operating income during third quarter 2015
- \$10.49 per share, or \$80.2 million, of shareholders' equity

(\$ in thousands, except per share data and ratios)	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Gross Written Premium	\$68,505	\$55,580
Net Written Premium	58,207	49,618
Net Earned Premium	47,491	41,203
Net Income (Loss)	2,287	(6,971)
Net Income (Loss) Allocable to Common Shareholders	1,828	(7,042)
EPS, Basic and Diluted	\$0.40	\$(3.02)
Operating Income (Loss)	1,486	(7,218)
Operating Income (Loss) per share	\$0.32	\$(3.09)

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# APPENDIX



**Conifer  
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# LINE OF BUSINESS DETAILS: NINE MONTHS ENDED SEPTEMBER 30, 2015



Nine Months Ended September 30, 2015	Commercial Lines					Personal Lines					
	CMP	Other Liability	Auto	Other	Total	Homeowners		Auto	Total	Corporate & Other	Total
						Low-value Dwelling	Wind- exposed				
Gross written premiums	\$ 29,840	\$ 9,704	\$ 8,510	\$ 2,669	\$ 50,723	\$ 5,119	\$ 11,595	\$ 1,068	\$ 17,782	\$ 0	\$ 68,505
Net written premiums	\$ 24,859	\$ 8,441	\$ 7,468	\$ 2,396	\$ 43,164	\$ 4,196	\$ 9,779	\$ 1,068	\$ 15,043	\$ 0	\$ 58,207
Net earned premiums	\$ 21,049	\$ 5,269	\$ 5,673	\$ 1,788	\$ 33,779	\$ 4,409	\$ 6,706	\$ 2,597	\$ 13,712	\$ 0	\$ 47,491
Other income	308	737	19	0	1,064	165	101	85	351	77	1,492
Segment revenue	21,357	6,006	5,692	1,788	34,843	4,574	6,807	2,682	14,063	77	48,983
Loss and loss adjustment expenses, net	11,788	1,649	3,978	422	17,837	3,305	3,297	2,920	9,522	0	27,359
Policy acquisition costs	4,333	1,231	1,251	288	7,103	1,222	1,030	484	2,736	0	9,839
Operating expenses	2,785	696	325	181	3,987	405	390	1,010	1,805	4,844	10,636
Segment expenses	18,906	3,576	5,554	891	28,927	4,932	4,717	4,414	14,063	4,844	47,834
<b>Segment underwriting gain (loss)</b>	<b>\$ 2,451</b>	<b>\$ 2,430</b>	<b>\$ 138</b>	<b>\$ 897</b>	<b>\$ 5,916</b>	<b>\$ (358)</b>	<b>\$ 2,090</b>	<b>\$ (1,732)</b>	<b>\$ 0</b>	<b>\$ (4,767)</b>	<b>\$ 1,149</b>
Underwriting ratios:											
Loss ratio (1)	55.2%	27.5%	69.9%	23.6%	51.2%	72.3%	48.4%	108.9%	67.7%		55.9%
Expense ratio (2)	33.3%	32.1%	27.7%	26.2%	31.8%	35.6%	20.9%	55.7%	32.3%	9.9%	41.8%
Combined ratio (3)	88.5%	59.5%	97.6%	49.8%	83.0%	107.8%	69.3%	164.6%	100.0%	9.9%	97.7%

(1) The loss ratio is the ratio, expressed as a percentage, of net losses and loss adjustment expenses to net earned premiums and other income.

(2) The expense ratio is the ratio, expressed as a percentage, of policy acquisition costs and operating expenses to net earned premiums and other income.

(3) The combined ratio is the sum of the loss ratio and the expense ratio. A combined ratio under 100% indicates an underwriting profit. A combined ratio over 100% indicates an underwriting loss.

## SUMMARY FINANCIAL STATEMENTS: BALANCE SHEET



Summary Balance Sheet (\$ in thousands, except per share data)	September 30, 2015	December 31, 2014
Cash and invested assets	\$ 121,714	\$ 123,726
Reinsurance recoverables	7,271	5,139
Goodwill and intangible assets	1,432	2,275
<b>Total assets</b>	<b>\$ 172,625</b>	<b>\$ 163,738</b>
Unpaid losses and loss adjustment expenses	32,595	31,531
Unearned premiums	45,683	43,381
Senior debt	9,750	27,562
<b>Total liabilities</b>	<b>\$ 92,461</b>	<b>\$ 113,460</b>
Preferred stock	--	6,119
<b>Total shareholders' equity attributable to Conifer</b>	<b>\$ 80,164</b>	<b>\$ 44,182</b>
<b>Other Data</b>		
Total shareholders' equity per common share outstanding	\$ 10.49	\$ 11.06
Regulatory capital and surplus	69,959	66,585

## SUMMARY FINANCIAL STATEMENTS: INCOME STATEMENT



Operating Results (\$ in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Gross written premiums	\$ 24,242	\$ 18,912	\$ 68,505	\$ 55,580
Ceded written premiums	4,357	(2,695)	(10,298)	(5,962)
<b>Net written premiums</b>	<b>\$ 28,599</b>	<b>\$ 16,217</b>	<b>\$ 58,207</b>	<b>\$ 49,618</b>
Net earned premiums	17,883	14,571	47,491	41,203
Net investment income	505	321	1,460	823
Net realized investment gains	110	94	342	266
Other income	523	387	1,492	1,424
<b>Total revenue</b>	<b>\$ 19,021</b>	<b>\$ 15,373</b>	<b>\$ 50,785</b>	<b>\$ 43,716</b>
Losses and loss adjustment expenses, net	9,813	10,215	27,359	30,477
Policy acquisition costs	4,605	3,738	9,839	10,488
Operating expenses	3,325	3,433	10,636	9,540
Interest expense	181	108	664	360
<b>Total expenses</b>	<b>\$ 17,924</b>	<b>\$ 17,494</b>	<b>\$ 48,498</b>	<b>\$ 50,865</b>
Income (loss) before income taxes	1,097	(2,121)	2,287	(7,149)
Income tax expense (benefit)	(48)	131	--	(178)
<b>Net income (loss)</b>	<b>\$ 1,145</b>	<b>\$ (2,252)</b>	<b>\$ 2,287</b>	<b>\$ (6,791)</b>
Less net income (loss) attributable to noncontrolling interest	(181)	(18)	(81)	28
Net income (loss) attributable to Conifer	1,326	(2,234)	2,368	(6,999)
<b>Net income (loss) allocable to common shareholders</b>	<b>\$ 1,212</b>	<b>\$ (2,250)</b>	<b>\$ 1,828</b>	<b>\$ (7,042)</b>
Income (loss) per share allocable to common shareholders, basic and diluted	0.21	0.89	0.40	(3.02)
<b>Weighted average common shares outstanding, basic and diluted</b>	<b>5,701,794</b>	<b>2,514,229</b>	<b>4,603,451</b>	<b>2,335,315</b>

## INVESTMENT PORTFOLIO DETAILS: SEPTEMBER 30, 2015



(\$ in thousands)	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Fixed income investments:				
U.S. Government obligations	\$ 5,485	\$ 72	\$ (1)	\$ 5,556
State and local government	14,492	270	(41)	14,721
Corporate debt	34,006	206	(193)	34,019
Commercial mortgage and asset-backed	43,000	371	(101)	43,270
Short-term investments	6,537	--	--	6,537
Total fixed income investments	\$ 103,520	\$ 919	\$ (336)	\$ 104,103
Equity securities, common stock	3,324	849	(143)	4,030
<b>TOTAL INVESTMENTS</b>	<b>\$ 106,844</b>	<b>\$ 1,768</b>	<b>\$ (479)</b>	<b>\$ 108,133</b>



# REINSURANCE PROGRAM: PRUDENT RISK MANAGEMENT TO PROTECT CAPITAL



- Retain first \$500,000 of each specific loss/risk
- Reinsurance coverage in excess (XS) of \$500,000 up to policy limits
- Catastrophe (CAT) reinsurance program provides \$100 million of protection
  - Corresponds to the estimated 1-in-200 year probable maximum loss (PML)
  - Net retention of \$6 million for first event
  - Following reinstatement, net retention of \$1 million for each of the next two subsequent events
- 25% quota share arrangement was terminated effective August 1, 2015

