

# 2015 SECOND QUARTER CONFERENCE CALL

September 15, 2015

Nasdaq: CNFR



**Conifer  
Holdings  
Inc.**

## SAFE HARBOR STATEMENT

---



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.



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

Experienced Management Team & Underwriters with Deep Industry Knowledge

Specialty Products to Drive Growth in Underserved Niche Markets

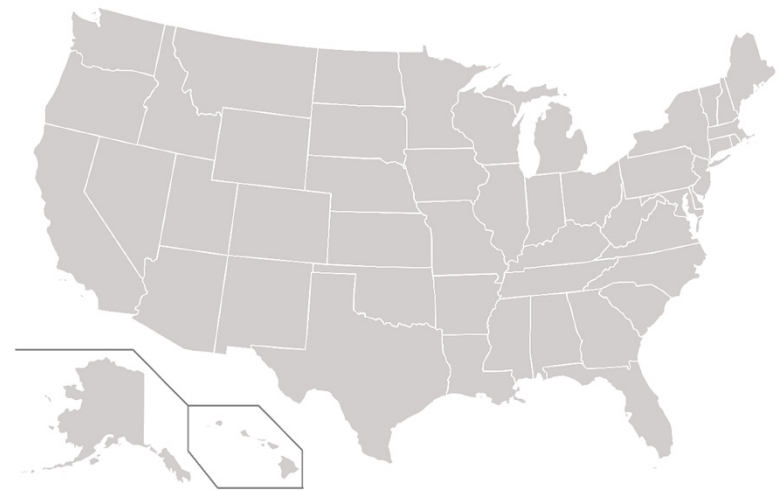
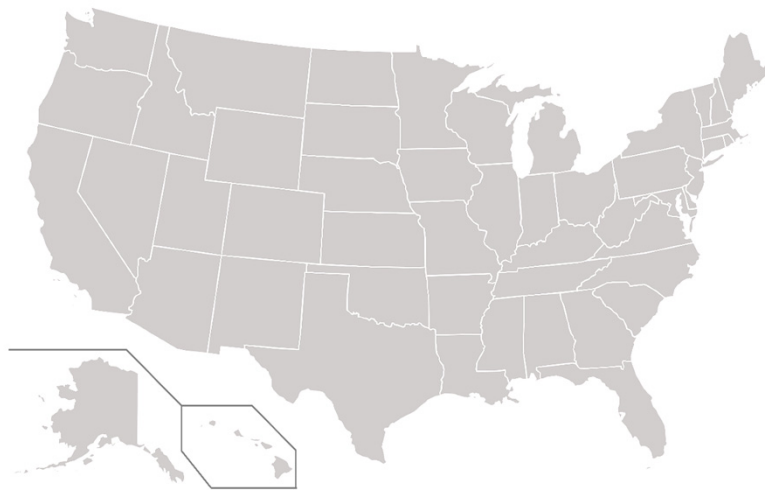
Execution of the Business Plan

## BROAD & FLEXIBLE UNDERWRITING PLATFORM

---



- Well-developed underwriting platform to pivot between Excess & Surplus (E&S) lines and Admitted opportunities
- Licensed to write insurance in 44 states on an E&S basis and 29 states on an Admitted basis with additional licenses expected
- Goal is to be licensed on both E&S and Admitted basis in all 50 states



- IPO completed in August – provides capital to support growth opportunities
  - 3.3 million shares at \$10.50 per share
  - Net proceeds of \$30.6 million

## **WELCOME TO OUR SECOND QUARTER CALL: EXPERIENCED MANAGEMENT TEAM**

---



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

## EXPERIENCED MANAGEMENT TEAM & UNDERWRITERS WITH DEEP INDUSTRY KNOWLEDGE

---



- Executives have an average of over 20 years of insurance industry experience
- Conifer is 33% owned by management – all senior executives are investors in Conifer
- Talented underwriting team with a strong track record of growing specialty insurance businesses

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

## **WELCOME TO OUR SECOND QUARTER CALL: SPECIALTY PRODUCTS – NICHE MARKETS**

---



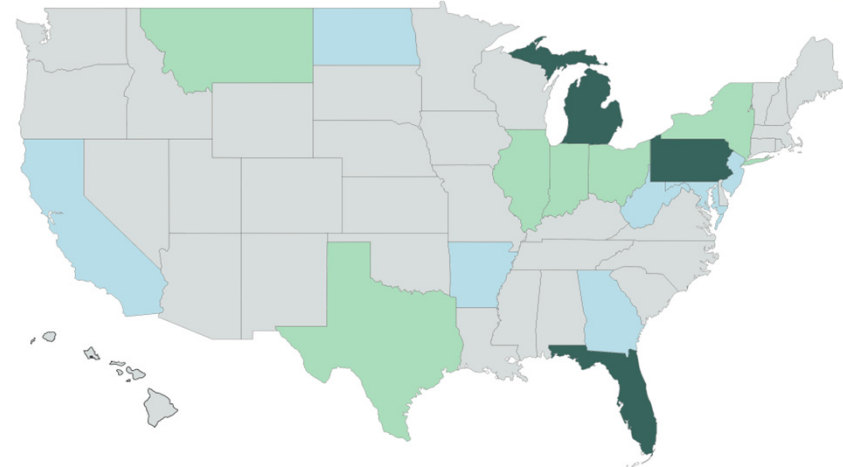
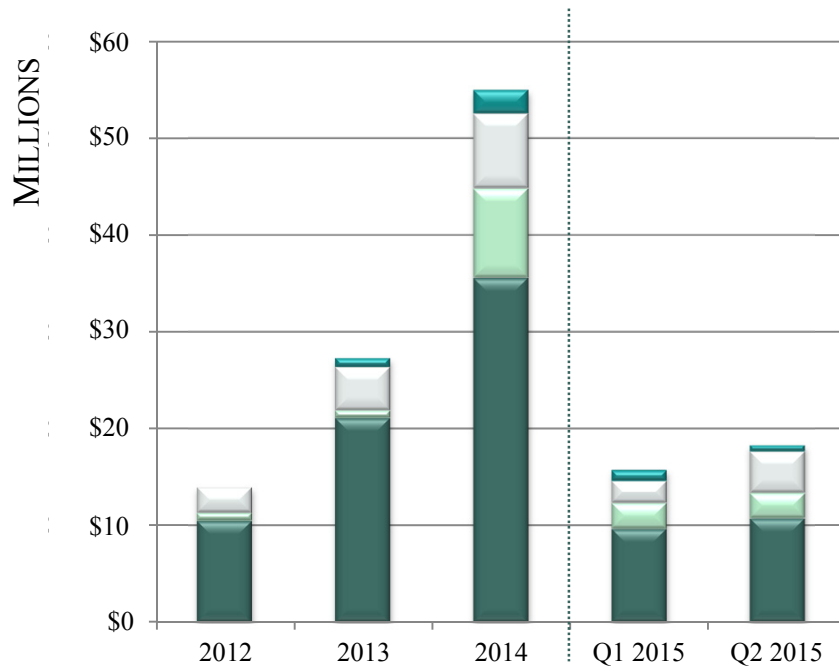
Broad & Flexible Underwriting Platform Poised for Growth

Experienced Management Team & Underwriters with Deep Industry Knowledge

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

Execution of the Business Plan

# COMMERCIAL LINES – GROSS WRITTEN PREMIUM



- Florida, Michigan and Pennsylvania each represented more than 15% of GWP year-to-date June 30, 2015
- Writing in 49 states

■ 15 – 25% of GWP

■ 2 – 14.99% of GWP

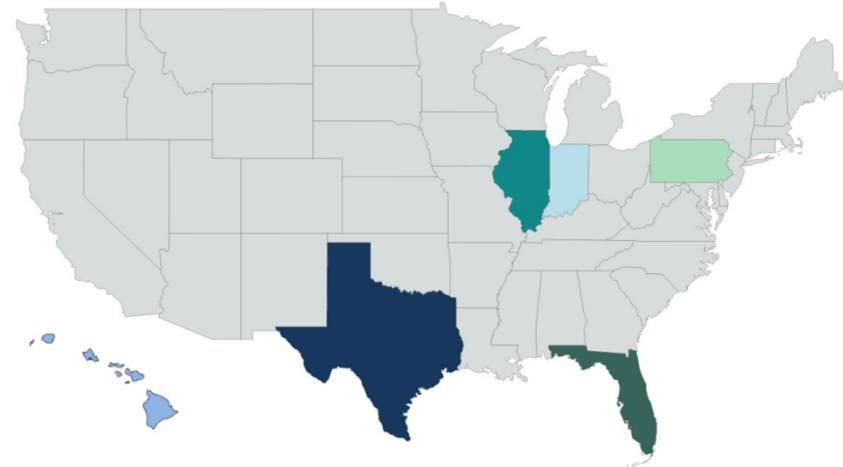
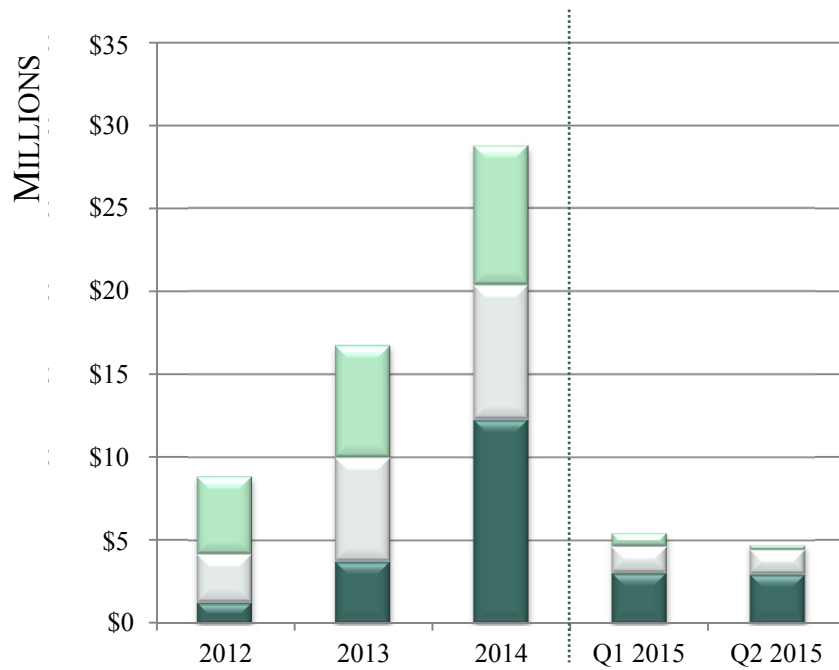
■ 1 – 1.99% of GWP

■ Less than 1% of GWP

■ Commercial Multi-Peril	Includes two or more coverages: ▪ Property, Liability, Commercial Auto
■ Other Liability	General Liability, Liquor Liability, E&O
■ Commercial Auto	Physical Damage & Other Liability
■ Other Commercial	Workers' Compensation



# PERSONAL LINES – GROSS WRITTEN PREMIUM



## YTD 6/30/2015

Florida	\$ 3,119,705	30.6%	
Texas	2,919,537	28.6%	
Indiana	2,397,417	23.5%	
Hawaii	1,103,171	10.8%	
Illinois	515,822	5.1%	
Pennsylvania	138,293	1.4%	
<b>TOTAL</b>	<b>\$ 10,193,945</b>		

Wind-Exposed Homeowners    Coastal exposures in Hawaii, Florida and Texas

Low-Value Dwellings    Coverage for lower total value insurable homes

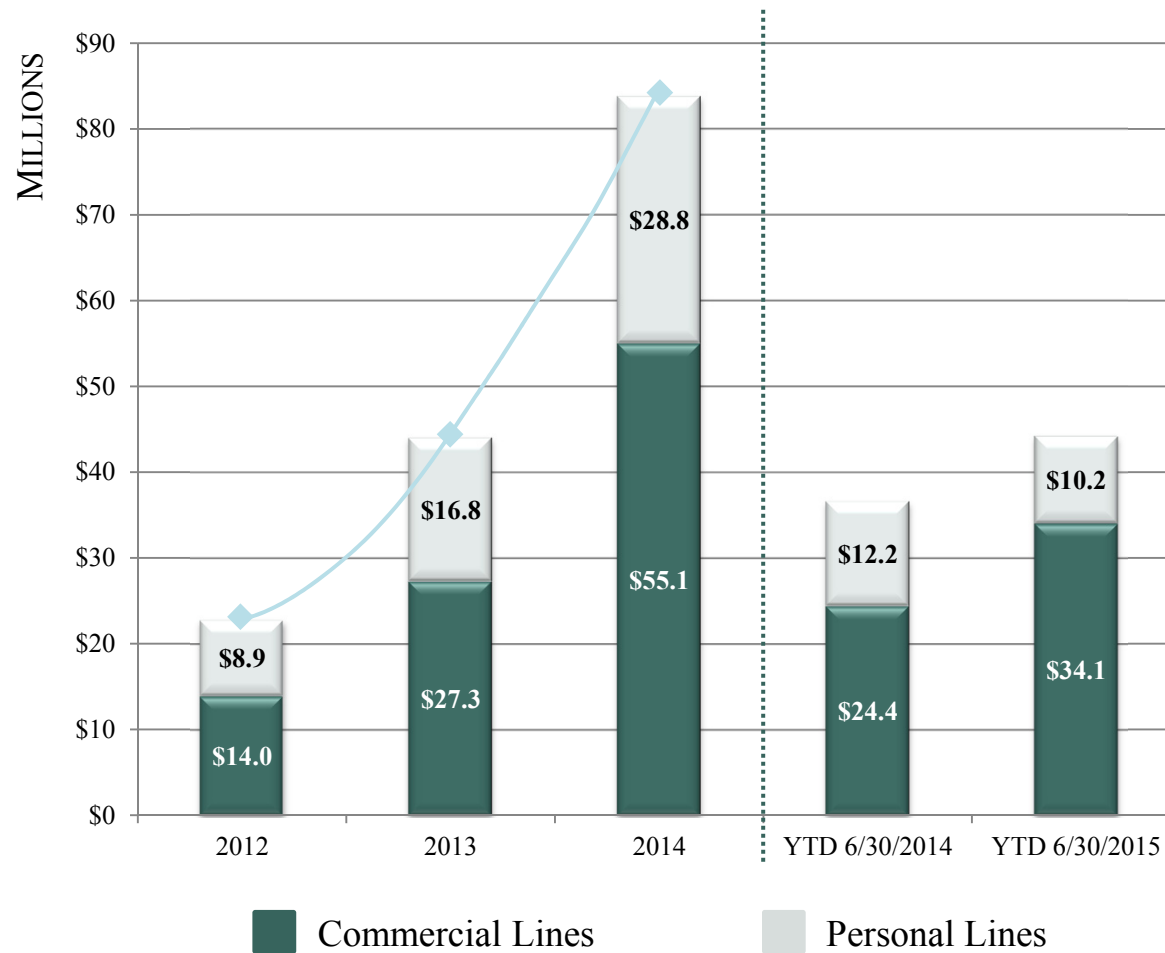
Personal Auto    Discontinued in January 2015  
 Run-off expected to be largely completed by year end

## ANNUAL PREMIUM VOLUME HAS INCREASED 500% SINCE 2011



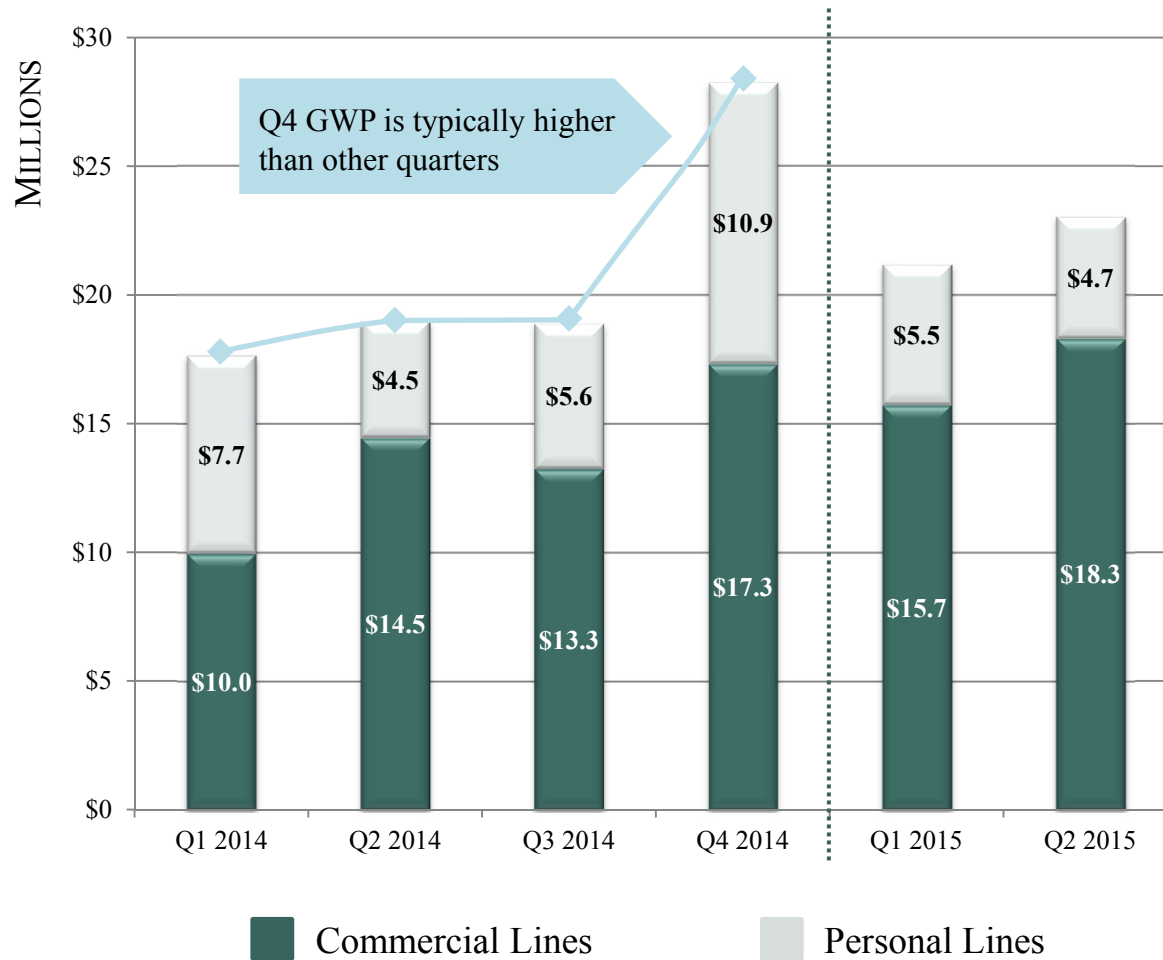
- Premium volume is up 20% year-over-year for first half 2015

### COMMERCIAL & PERSONAL LINES





## COMMERCIAL & PERSONAL LINES



## **WELCOME TO OUR SECOND QUARTER CALL: FINANCIAL REVIEW**

---



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

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

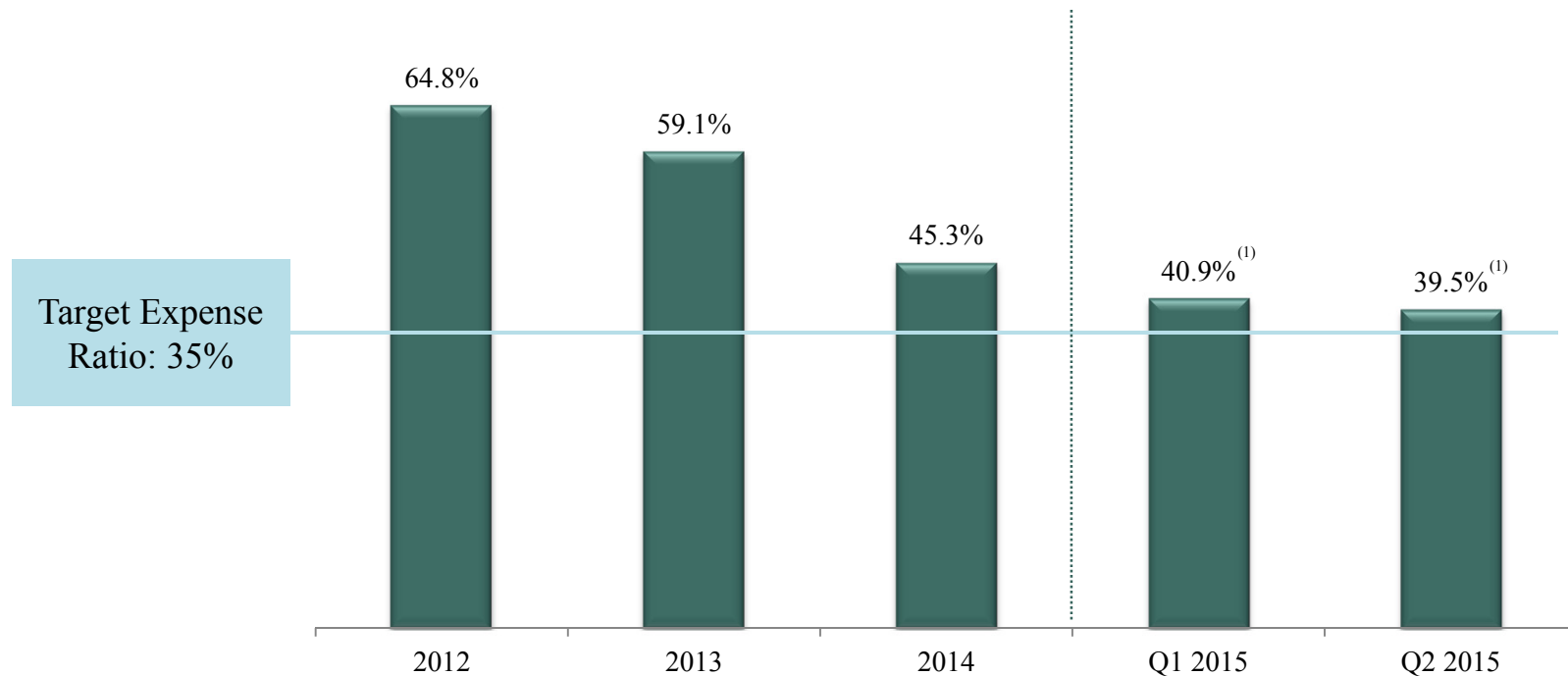
**Specialty Products to Drive Growth in Underserved Niche Markets**

**Execution of the Business Plan**



## EXPENSE RATIO

- Expense ratio continues to decrease as earnings grow more quickly than the more fixed cost structure
- Quota share arrangement increased the expense ratios for Q1 and Q2 by 1.1 and 0.6 percentage points, respectively

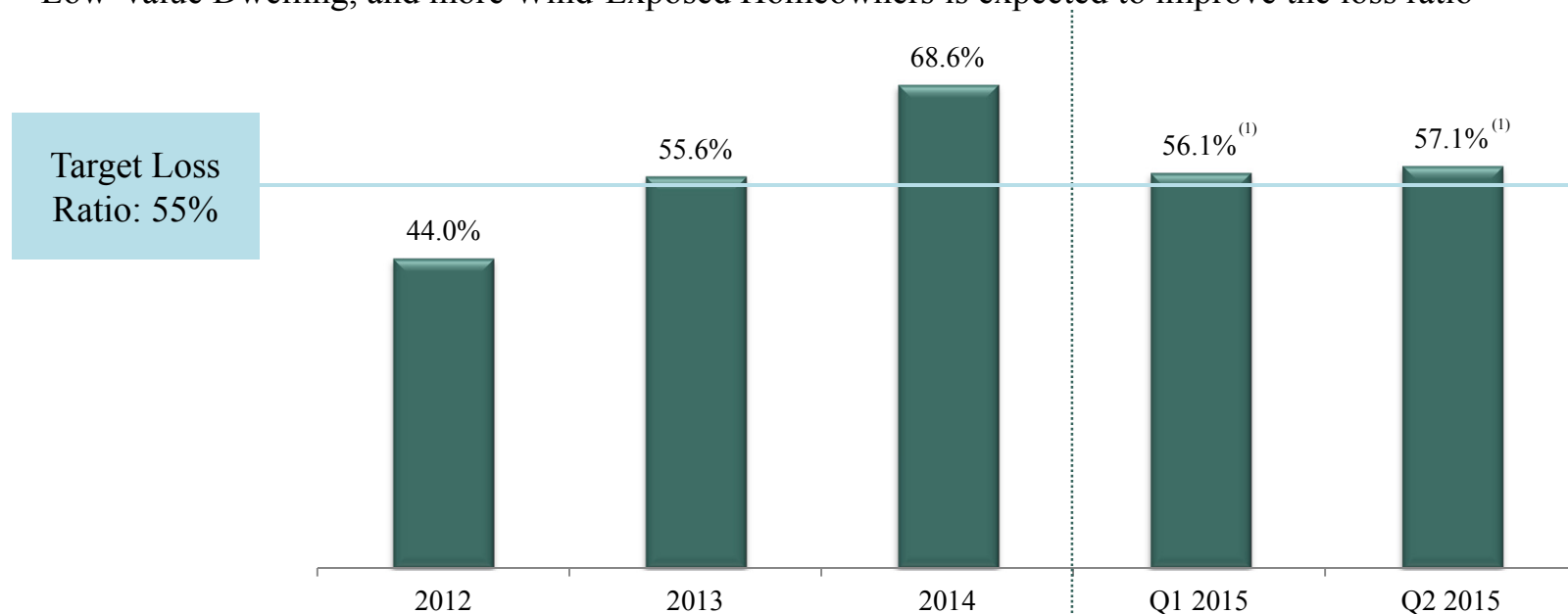


<sup>(1)</sup> The expense ratio displayed is normalized by removing the impact of the quota share arrangement, which did not exist before 2015 and was terminated on 8/1/2015, thus providing for more comparability between periods.



## LOSS RATIO

- In Q1 and Q2, the loss ratio was impacted by 1.1 and 0.5 percentage points, respectively, due to the quota share arrangement
- In Q1 and Q2, Personal Auto contributed 4.8 and 3.1 percentage points, respectively, to the consolidated loss ratio
- Continued shift in the mix of business to more Commercial Liability, geographic expansion of Low-Value Dwelling, and more Wind-Exposed Homeowners is expected to improve the loss ratio



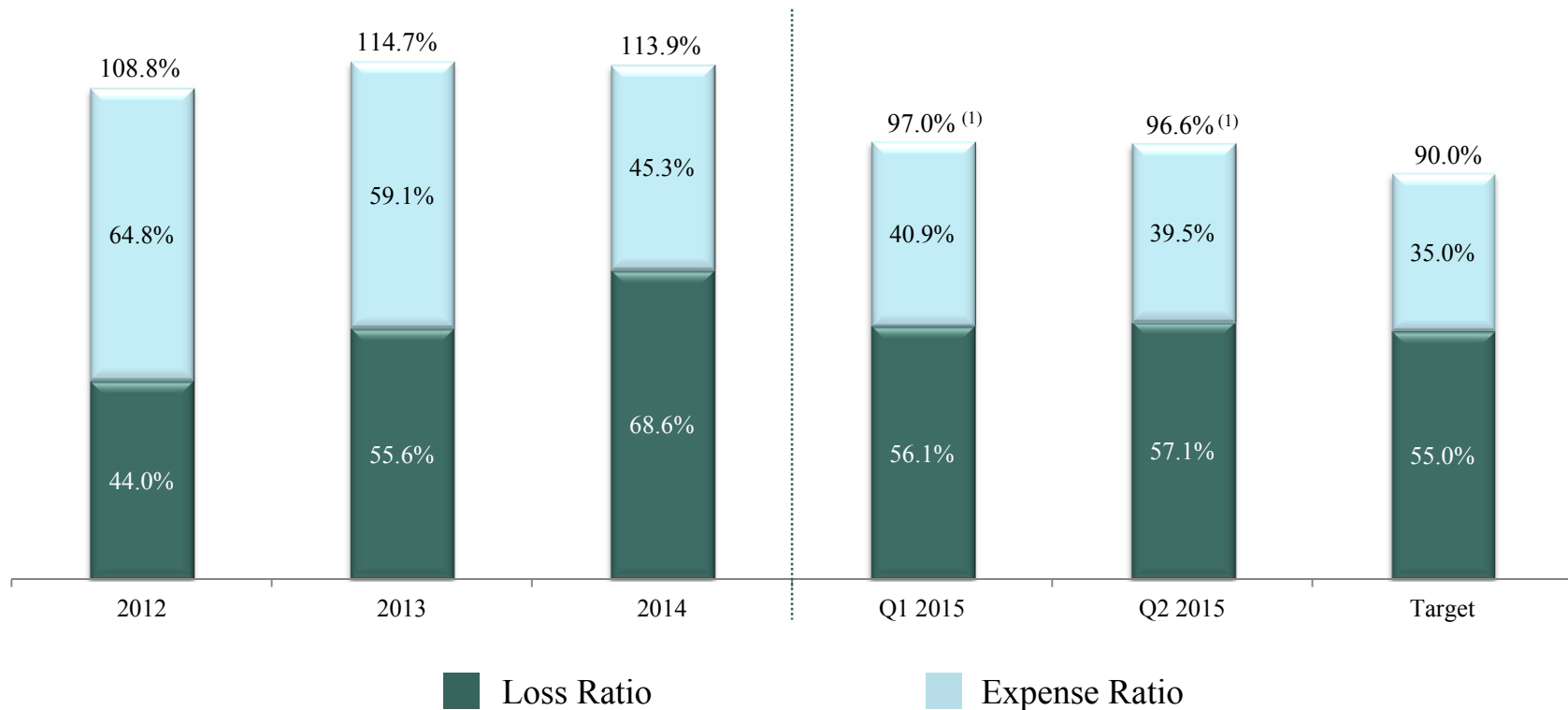
<sup>(1)</sup> The loss ratio displayed is normalized by removing the impact of the quota share arrangement, which did not exist before 2015 and was terminated on 8/1/2015, thus providing for more comparability between periods.

# SCALABLE PLATFORM TO SUPPORT LONG-TERM GROWTH



## COMBINED RATIO

- In Q1 and Q2, the combined ratio was impacted by 2.2 and 1.1 percentage points, respectively, due to the quota share arrangement
- Enhanced mix of business and higher premium growth should help drive combined ratio improvement



<sup>(1)</sup> The loss ratio and expense ratio displayed are normalized by removing the impact of the quota share arrangement, which did not exist before 2015 and was terminated on 8/1/2015, thus providing for more comparability between periods.

## FIRST HALF 2015 UNDERWRITING RESULTS



- During the first six months of 2015, we continued to execute our business plan and increased production in our Hospitality, Small Commercial, Security, and Homeowners lines of business
- We experienced no extraordinary weather-related losses
- Shareholders' equity is reduced by approximately \$4.4 million<sup>(1)</sup> due to the deferred tax asset valuation allowance, which represents a value of \$0.58 per share pro forma<sup>(2)</sup> following the offering

### OPERATING RESULTS

(\$ in thousands, except per share data and ratios)	Six Months Ended June 30,	
	2015	2014
Gross Written Premiums	\$44,263	\$36,668
Net Written Premiums	29,608	33,401
Net Earned Premiums	29,608	26,632
Net Income (Loss)	1,042	(4,719)
EPS, Basic and Diluted	\$0.15	\$(2.13)
Loss Ratio <sup>(3)</sup>	57%	73%
Expense Ratio <sup>(4)</sup>	41%	47%
Combined Ratio <sup>(5)</sup>	98%	120%

(1) Estimated amount as of June 30, 2015, based on a 34% effective tax rate

(2) Using 7,644,523 post-IPO outstanding common shares

(3) Net losses divided by the sum of net earned premiums and other income

(4) Policy acquisition costs and operating expenses divided by the sum of net earned premiums and other income

(5) Sum of loss ratio and expense ratio



## SOURCES & USES / PRO-FORMA CAPITALIZATION



### SOURCES & USES (\$ in millions)

#### Sources from 2015 Capital Raises

Gross IPO Proceeds	\$ 34.6
Fees & Expenses <sup>(2)</sup>	4.0
Net IPO Proceeds	\$ 30.6
Preferred to Common Stock Reinvestment	3.1
<b>Total Sources</b>	<b>\$ 33.7</b>

#### Uses

Debt Repayment	\$ 17.0
Repurchase of all Preferred Stock <sup>(1)</sup>	6.4
Remainder for Corporate and Other	10.3
<b>Total Uses</b>	<b>\$ 33.7</b>

### CAPITALIZATION

(\$ in millions, except per share data and ratios)

	6/30/2015	IPO Adjustment	Pro Forma 6/30/2015
Debt	\$27.5	\$(17.0)	\$10.5
Preferred Stock	6.2	(6.2)	--
Common Equity	44.8	33.7	78.5
Total Capital	\$78.5	\$10.5	\$89.0
Book Value per Common Share	\$11.07		\$10.28
Debt to Equity	61.4%		13.4%
<b>Debt to Total Capital</b>	<b>35.0%</b>		<b>11.8%</b>

<sup>(1)</sup> \$3.1 million of the preferred stock redeemed was reinvested into common stock at the IPO date

<sup>(2)</sup> 7% underwriter's discount and other transaction-related fees and expenses

## WELCOME TO OUR SECOND QUARTER CALL: OPEN FOR QUESTIONS

---



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

Q&A



**Conifer  
Holdings  
Inc.**



## SUMMARY FINANCIAL STATEMENTS: DESCRIPTION & DISCUSSION

---



- Net income: \$1.1 million YTD 6/30/2015
- Improved weather-related loss experience
  - YTD 2015 includes:
    - \$696,000 loss from the nonstandard auto run-off
    - \$736,000 negative impact from quota share reinsurance arrangement (terminated 8/1/2015)
- Improved mix of business (poised for growth in the right areas)
  - Less exposure to Auto and Low-Value Dwelling from the Midwest
  - More Commercial Multi-Peril, Other Liability and Wind-Exposed Homeowners
  - New Low-Value Dwelling and Security Service Liability programs just beginning
- Expense ratio continues to trend toward target of 35%
  - YTD 2014: 45.3%
  - Q1 2015: 42.0% (40.9% without quota share)
  - Q2 2015: 40.1% (39.5% without quota share)
- Post-IPO balance sheet
  - Approximately \$128 million of cash and investments
  - \$17.5 million available line of credit
  - \$78.5 million of common equity
  - Debt to total capital: 11.8%

## SUMMARY FINANCIAL STATEMENTS: BALANCE SHEET



Summary Balance Sheet Data: (\$ in thousands, except per share data)	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Cash and invested assets	\$ 117,270	\$ 123,726
Reinsurance recoverables	6,271	5,139
Goodwill and intangible assets	2,239	2,275
<b>Total assets</b>	<b>\$ 163,678</b>	<b>\$ 163,738</b>
Unpaid losses and loss adjustment expenses	32,357	31,531
Unearned premiums	44,484	43,381
Senior debt	27,462	27,562
<b>Total liabilities</b>	<b>\$ 112,510</b>	<b>\$ 113,460</b>
Preferred stock	6,242	6,119
<b>Total shareholders' equity attributable to Conifer</b>	<b>\$ 51,091</b>	<b>\$ 44,182</b>
<b>Other Data:</b>		
Total shareholders' equity per common share outstanding	\$ 11.07	\$ 11.06
Regulatory capital and surplus	65,464	66,585

## SUMMARY FINANCIAL STATEMENTS: INCOME STATEMENT

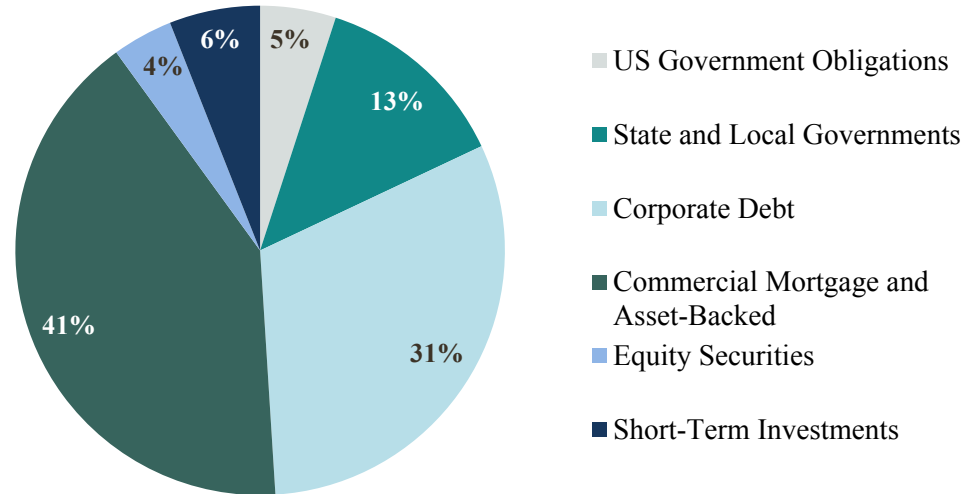


Operating Results: (\$ in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Gross written premiums	\$ 23,059	\$ 19,001	\$ 44,263	\$ 36,668
Ceded written premiums	(7,117)	(2,309)	(14,655)	(3,267)
<b>Net written premiums</b>	<b>\$ 15,942</b>	<b>\$ 16,692</b>	<b>\$ 29,608</b>	<b>\$ 33,401</b>
Net earned premiums	\$ 15,115	\$ 13,957	\$ 29,608	\$ 26,632
Net investment income	469	282	955	502
Net realized investment gains	87	81	232	172
Other income	480	505	969	1,037
<b>Total revenue</b>	<b>\$ 16,151</b>	<b>\$ 14,825</b>	<b>\$ 31,764</b>	<b>\$ 28,343</b>
Losses and loss adjustment expenses, net	\$ 8,976	\$ 9,686	\$ 17,546	\$ 20,262
Policy acquisition costs	2,639	3,519	5,234	6,750
Operating expenses	3,619	3,213	7,311	6,107
Interest expense	239	123	483	252
<b>Total expenses</b>	<b>\$ 15,473</b>	<b>\$ 16,541</b>	<b>\$ 30,574</b>	<b>\$ 33,371</b>
Income (loss) before income taxes	678	(1,716)	1,190	(5,028)
Income tax expense (benefit)	48	(191)	48	(309)
Net income (loss)	630	(1,525)	1,142	(4,719)
Less net income (loss) attributable to noncontrolling interest	51	11	100	46
Net income (loss) attributable to Conifer	\$ 579	\$ (1,536)	\$ 1,042	\$ (4,765)
<b>Net income (loss) allocable to common shareholders</b>	<b>\$ 366</b>	<b>\$ (1,552)</b>	<b>\$ 616</b>	<b>\$ (4,792)</b>
Income (loss) per share allocable to common shareholders, basic and diluted	\$ 0.09	\$ (0.66)	\$ 0.15	\$ (2.13)
<b>Weighted average common shares outstanding, basic and diluted</b>	<b>4,050,042</b>	<b>2,357,220</b>	<b>4,045,482</b>	<b>2,248,599</b>

# PRUDENT RISK MANAGEMENT TO PROTECT CAPITAL: CONSERVATIVE INVESTMENT STRATEGY



## PORTFOLIO ALLOCATION



## INVESTMENT PHILOSOPHY

- Investment philosophy is to maintain a highly liquid portfolio of investment-grade fixed income securities
- Investment portfolio with June 30, 2015 total investment securities of \$108.7 million is externally managed mainly by General Re – NEAM
- Average duration: 3.5 years
- Average tax-equivalent yield: ~2.2%
- Average credit quality: AA

## FIXED INCOME PORTFOLIO CREDIT RATING

	June 30, 2015	
	Amount	% of Total
AAA	\$ 28,680	28%
AA	39,438	38%
A	24,462	23%
BBB	11,928	11%
<b>Total Fixed Income Investments</b>	<b>\$ 104,508</b>	



# REINSURANCE PROGRAM PROTECTS CAPITAL



- We retain the first \$500,000 of each specific-loss risk, and have reinsurance coverage in excess (XS) of that loss up to the policy limits
- Catastrophe (CAT) reinsurance program provides \$100 million of protection, which corresponds to the estimated 1 in 200 year probable maximum loss (PML)
  - Net retention of \$6 million first event
    - Following reinstatement, net retention of \$1 million for each of the next two subsequent events
- 25% quota share arrangement was terminated effective 8/1/2015

