



**Conifer
Holdings
Inc.**

News Release

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Conifer Holdings Reports 2019 First Quarter Financial Results Company to Host Conference Call at 8:30 AM ET on Thursday, May 9, 2019

Birmingham, MI, May 8, 2019 - Conifer Holdings, Inc. (Nasdaq: CNFR) (“Conifer” or the “Company”) today announced results for the first quarter ended March 31, 2019.

First Quarter 2019 Financial Highlights (all comparisons to prior year period)

- Commercial Lines gross written premiums increased 4% in the quarter to \$22.6 million
- Personal Lines gross written premiums decreased 16% to \$1.6 million
- Overall, gross written premium increased 2.0% to \$24.2 million
- Commercial Lines combined ratio was 100.9% (with accident year combined ratio of 96.5%)
- Personal Lines combined ratio was 253.6% (with accident year combined of 148.5%)
- Net loss of \$680,000, or \$0.08 per share based on 8.5 million average shares outstanding
- As of March 31, 2019 book value was \$5.14 per share

Management Comments

James Petcoff, Chairman and CEO, commented, “With the planned changes in our premium mix largely in place, Conifer is in a much better position to selectively grow our top line and achieve greater scale in 2019. We have begun to see favorable trends that will help grow our commercial lines premiums, and are committed to lowering our expense ratio by first reducing our absolute cost, growing our earned premium base, and allowing the Company to achieve greater operating efficiency over time. We believe this will ultimately help to drive long-term sustainable profitability and deliver positive shareholder returns.”

2019 First Quarter Financial Results Overview

	As of and for the		
	Three Months Ended March 31,		
	2019	2018	% Change
	(dollars in thousands, except share and per share amounts)		
Gross written premiums	\$ 24,216	\$ 23,737	2.0%
Net written premiums	20,322	19,845	2.4%
Net earned premiums	21,687	23,800	-8.9%
Net investment income	910	802	13.5%
Net realized investment gains (losses)	19	161	**
Change in fair value of equity investments	1,265	(297)	
Other gains	-	-	**
Net income (loss)	(680)	213	**
Net income (loss) per share, diluted	\$ (0.08)	\$ 0.02	
Adjusted operating income (loss)*	(4,247)	1,780	**
Adjusted operating income (loss) per share, diluted*	\$ (0.50)	\$ 0.21	
Book value per common share outstanding	\$ 5.14	\$ 6.04	
Weighted average shares outstanding, basic and diluted	8,453,570	8,520,328	
Underwriting ratios:			
Loss ratio (1)	66.5%	55.7%	
Expense ratio (2)	41.6%	44.0%	
Combined ratio (3)	<u>108.1%</u>	<u>99.7%</u>	

* The "Definitions of Non-GAAP Measures" section of this release defines and reconciles data that are not based on generally accepted accounting principles.

** Percentage is not meaningful

(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 from underwriting operations.

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

(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.

2019 First Quarter Premiums

Gross Written Premiums

Gross written premiums increased 2.0% in the first quarter of 2019 to \$24.2 million, compared to \$23.7 million in the prior year period. The increase was due to higher commercial lines premiums driven by an increase in the Company's small commercial business group, offset by lower personal lines premiums during the quarter.

Net Earned Premiums

Net earned premiums decreased 8.9% to \$21.7 million for the first quarter of 2019, compared to \$23.8 million for the prior year period. The decrease is largely attributed to lower personal lines net earned premiums during the period.

Commercial Lines Financial and Operational Review

Commercial Lines Financial Review

	<u>Three Months Ended March 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>% Change</u>
	(dollars in thousands)		
Gross written premiums	\$ 22,584	\$ 21,788	3.7%
Net written premiums	19,306	19,422	-0.6%
Net earned premiums	20,698	20,127	2.8%
Underwriting ratios:			
Loss ratio	60.5%	50.6%	
Expense ratio	40.4%	45.7%	
Combined ratio	<u>100.9%</u>	<u>96.3%</u>	
Contribution to combined ratio from net (favorable) adverse prior year development	4.4%	(4.5%)	
Accident year combined ratio (1)	<u>96.5%</u>	<u>100.8%</u>	

(1) The accident year combined ratio is the sum of the loss ratio and the expense ratio, less changes in net ultimate loss estimates from prior accident year loss reserves. The accident year combined ratio provides management with an assessment of the specific policy year's profitability and assists management in their evaluation of product pricing levels and quality of business written.

The Company's commercial lines of business, representing 93.3% of total gross written premiums in the first quarter of 2019, primarily consists of property and liability coverage offered to owner-operated small- to mid-sized businesses, such as hospitality risks including restaurants, bars, taverns and professional organizations.

Commercial lines gross written premiums increased 3.7% to \$22.6 million in the first quarter of 2019, due to growth in the Company's specialty small business line.

For the first quarter of 2019, the commercial lines combined ratio was 100.9%. The commercial lines accident year combined ratio was 96.5% for the quarter.

Personal Lines Financial and Operational Review

Personal Lines Financial Review

	<u>Three Months Ended March 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>% Change</u>
	(dollars in thousands)		
Gross written premiums	\$ 1,632	\$ 1,949	-16.3%
Net written premiums	1,016	423	140.2%
Net earned premiums	989	3,673	-73.1%
Underwriting ratios:			
Loss ratio	187.5%	83.5%	
Expense ratio	<u>66.1%</u>	<u>34.9%</u>	
Combined ratio	<u>253.6%</u>	<u>118.4%</u>	
Contribution to combined ratio from net (favorable) adverse prior year development	105.1%	23.8%	
Accident year combined ratio	<u>148.5%</u>	<u>94.6%</u>	

Personal lines, which consists of low-value dwelling and wind-exposed homeowner's insurance, represented 6.7% of total gross written premiums for the first quarter of 2019. Personal lines gross written premiums decreased 16.3% to \$1.63 million in the first quarter of 2019 compared to the prior year period. This was mainly due to a 47.2% decline in gross written premiums in the wind-exposed lines of business, including Florida homeowners.

This decline is largely due to the Company's strategic initiative to significantly reduce exposure in this line of business.

For the first quarter of 2019, the personal lines reported a \$1.6 million underwriting loss of which \$1.8 million was attributable to wind-exposed homeowners lines, and with the majority stemming from the Florida Homeowners business. This loss was mostly due to \$1.3 million of reserve development on prior years, and \$250,000 of reinstatement premiums related to Hurricane Irma. Due to the planned decline in the wind-exposed business and the related reinstatement costs, net earned premiums were only \$3,000 in the quarter, for the wind-exposed business. This resulted in unusually high loss and expense ratios, which should stabilize as we more fully transition out of wind-exposed lines.

Combined Ratio Analysis

	Three Months Ended	
	March 31,	
	<u>2019</u>	<u>2018</u>
	(dollars in thousands)	
Underwriting ratios:		
Loss ratio	66.5%	55.7%
Expense ratio	<u>41.6%</u>	<u>44.0%</u>
Combined ratio	<u>108.1%</u>	<u>99.7%</u>
Impact to combined ratio from net (favorable) adverse prior year development	9.1%	0.0%
Accident year combined ratio	<u>99.0%</u>	<u>99.7%</u>

Combined Ratio

The Company's combined ratio was 108.1% for the quarter ended March 31, 2019, compared to 99.7% for the same period in 2018. The Company's accident year combined ratio for the quarter ended March 31, 2019 was 99.0%, compared to 99.7% in the prior year period.

Loss Ratio:

- The Company's losses and loss adjustment expenses were \$14.5 million for the three months ending March 31, 2019, compared to \$13.3 million in the prior year period. As a result, Conifer reported a loss ratio of 66.5%, compared to 55.7% in the prior year period.
- *Expense Ratio:* The expense ratio improved to 41.6% for the first quarter of 2019, compared to 44.0% in the prior year period.

Net Investment Income

Net investment income increased 13.5% to \$910,000 during the quarter ending March 31, 2019, compared to \$802,000 in the prior year period.

Net Income (Loss)

In the first quarter of 2019, the Company reported net loss of \$680,000, or \$0.08 per share, compared to net income of \$213,000, or \$0.02 per share in the prior year period.

Adjusted Operating Income (Loss)

In the first quarter of 2019, the Company reported adjusted operating loss of \$4.2 million, or \$0.50 per share, compared to adjusted operating income of \$1.8 million, or \$0.21 per share, for the same period in 2018. See Definitions of Non-GAAP Measures.

Earnings Conference Call

The Company will hold a conference call/webcast on Thursday, May 9, 2019 at 8:30 a.m. ET to discuss results for the first quarter ending March 31, 2019.

Investors, analysts, employees and the general public are invited to listen to the conference call via:

Webcast: On the Event Calendar at IR.CNFRH.com
Conference Call: 844-868-8843 (domestic) or 412-317-6589 (international)

The webcast will be archived on the Conifer Holdings website and available for replay for at least one year.

About the Company

Conifer Holdings, Inc. is a Michigan-based insurance holding company. Through its subsidiaries, Conifer offers customized insurance coverage solutions in both specialty commercial and specialty personal product lines marketing mainly through independent agents in all 50 states. The Company is traded on the Nasdaq Global Market (Nasdaq: CNFR). Additional information is available on the Company's website at www.CNFRH.com.

Definitions of Non-GAAP Measures

Conifer prepares its public financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Statutory data is prepared in accordance with statutory accounting rules as defined by the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual, and therefore is not reconciled to GAAP data.

We believe that investors' understanding of Conifer's performance is enhanced by our disclosure of adjusted operating income. Our method for calculating this measure may differ from that used by other companies and therefore comparability may be limited. We define adjusted operating income (loss), a non-GAAP measure, as net income (loss) excluding net realized investment gains and losses, and other gains and losses, after-tax, and excluding the tax impact of changes in unrealized gains and losses. We use adjusted operating income as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance.

Reconciliations of adjusted operating income and adjusted operating income per share:

	Three Months Ended	
	March 31,	
	2019	2018
	(dollars in thousands, except share and per share amounts)	
Net income (loss)	\$ (680)	\$ 213
Less:		
Net realized investment gains (losses), net of tax	19	161
Change in fair value of equity securities, net of tax	1,265	(297)
Net decrease (increase) in deferred gain on losses ceded to ADC, net of tax	<u>2,283</u>	<u>(1,431)</u>
Adjusted operating income (loss)	<u>\$ (4,247)</u>	<u>\$ 1,780</u>
Weighted average common shares, diluted	8,453,570	8,520,328
Diluted income (loss) per common share:		
Net income (loss)	\$ (0.08)	\$ 0.02
Less:		
Net realized investment gains (losses), net of tax	-	0.02
Change in fair value of equity securities, net of tax	0.15	(0.04)
Net decrease (increase) in deferred gain on losses ceded to ADC, net of tax	<u>0.27</u>	<u>(0.17)</u>
Adjusted operating income (loss) per share	<u>\$ (0.50)</u>	<u>\$ 0.21</u>

Forward-Looking Statement

This press release contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events or our future financial or operating performance, and include Conifer's expectations regarding premiums, earnings, its capital position, expansion, and growth strategies. The forward-looking statements contained in this press release are based on management's good-faith belief and reasonable judgment based on current information. The forward-looking statements are qualified by important factors, risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from those in the forward-looking statements, including those described in our form 10-K ("Item 1A Risk Factors") filed with the SEC on March 13, 2019 and subsequent reports filed with or furnished to the SEC. Any forward-looking statement made by us in this report speaks only as of the date hereof or as of the date specified herein. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable laws or regulations.

Conifer Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
(dollars in thousands, except share data)

	March 31	December 31,
	2019	2018
	(Unaudited)	
Assets		
Investment securities:		
Debt securities, at fair value (amortized cost of \$124,599 and \$122,678, respectively)	\$ 124,057	\$ 120,440
Equity securities, at fair value (cost of \$9,594 and \$9,559, respectively)	12,038	10,737
Short-term investments, at fair value	8,069	8,925
Total investments	144,164	140,102
Cash and cash equivalents	10,411	10,792
Premiums and agents' balances receivable, net	18,684	21,247
Receivable from Affiliate	2,279	3,582
Reinsurance recoverables on unpaid losses	24,551	29,685
Reinsurance recoverables on paid losses	9,567	5,060
Prepaid reinsurance premiums	3,659	1,829
Deferred policy acquisition costs	12,153	12,011
Other assets	12,680	8,444
Total assets	\$ 238,148	\$ 232,752
Liabilities and Shareholders' Equity		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 93,966	\$ 92,807
Unearned premiums	51,519	52,852
Debt	34,583	33,502
Deferred gain on ADC	3,394	5,677
Accounts payable and other liabilities	11,771	5,751
Total liabilities	195,233	190,589
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock, no par value (100,000,000 shares authorized; 8,353,051 and 8,478,202 issued and outstanding, respectively)	86,268	86,533
Accumulated deficit	(42,438)	(41,758)
Accumulated other comprehensive income (loss)	(915)	(2,612)
Total shareholders' equity	42,915	42,163
Total liabilities and shareholders' equity	\$ 238,148	\$ 232,752

Conifer Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations (Unaudited)
(dollars in thousands, except share and per share data)

	Three Months Ended	
	March 31,	
	2019	2018
Revenue		
Premiums		
Gross earned premiums	\$ 25,550	\$ 27,724
Ceded earned premiums	<u>(3,863)</u>	<u>(3,924)</u>
Net earned premiums	21,687	23,800
Net investment income	910	802
Net realized investment gains	19	161
Change in fair value of equity securities	1,265	(297)
Other income	<u>422</u>	<u>357</u>
Total revenue	24,303	24,823
Expenses		
Losses and loss adjustment expenses, net	14,456	13,328
Policy acquisition costs	5,589	6,513
Operating expenses	4,323	4,187
Interest expense	<u>710</u>	<u>619</u>
Total expenses	<u>25,078</u>	<u>24,647</u>
Income (loss) before equity earnings and income taxes	(775)	176
Equity earnings of affiliates, net of tax	106	55
Income tax (benefit) expense	11	18
Net income (loss)	<u><u>(680)</u></u>	<u><u>213</u></u>
Earnings (loss) per common share,		
basic and diluted	\$ (0.08)	\$ 0.02
Weighted average common shares outstanding,		
basic and diluted	8,453,570	8,520,328