



Conifer
Insurance
Company



White Pine
Insurance
Company



Sycamore
Insurance



Blue Spruce
Underwriters

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CNFR
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CONIFER HOLDINGS, INC. 2016 ANNUAL REPORT

TO OUR FELLOW SHAREHOLDERS:

2016 was certainly a transformational period for our company as we refined our overall business mix with greater emphasis on our core commercial lines. We have made significant progress throughout the year, and feel well-positioned to return to profitability in 2017 as a strategic, lean operating business focused on expanding our specialty niche markets.

We were encouraged by the top line progress made, especially during the fourth quarter, in reporting very strong organic premium growth. Gross written premiums increased 24% for the quarter and 23% for the full year. Our gross written premium for the quarter was the largest since inception, which is very important as we grow to efficient scale.

It's also important to understand the composition of our growth, namely, to accelerate those markets where we have seen favorable loss trends, mainly our commercial business, and de-emphasize those markets where the performance has not been aligned with our operating goals.

Hospitality and small business within our core commercial lines represented roughly 75% of our premiums written overall in 2016. We were pleased that the loss ratio on our specialty lines performed well, with the commercial lines calendar year loss ratio at 62%. This included reserve strengthening in our commercial auto and commercial liability lines. For 2016, on an accident year basis, we reported a solid 52% loss ratio.

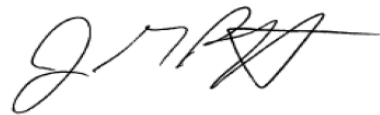
Approximately 25% of our premium in 2016 consisted of personal lines, such as low-value dwelling or wind-exposed homeowners products, which across market cycles is complementary to our overall business. In personal lines, we have worked diligently to shift our mix towards those niche areas where we are seeing stronger underwriting performance, such as our low-value dwelling business. Considering market forces in Florida, this shift also included de-emphasizing Florida homeowners.

With strong loss performance, our story is one of an improving expense ratio, where we are moving toward overall profitability. We still have a ways to go admittedly, but we reduced our expense ratio by almost 900 basis points in one year, clearly reflecting progress.

Our original thesis was to leverage the production of our experienced underwriters from our diversified lines and begin to achieve progressively stronger results as we grew to scale. As we enter 2017, our improved business mix should lead the way. As a result, we are singularly focused on achieving strong loss results, coupled with continued expense management, which will lead to underwriting profitability, and allow us to beat the broader property and casualty market over time.

We thank you for your continued support and the support of our dedicated Conifer employees.

Sincerely,



James G. Petcoff
Chairman and CEO

MANAGEMENT TEAM

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*OUR MISSION IS TO EXCEED OUR CLIENTS' NEEDS
WITH TAILORED INSURANCE PRODUCTS
DELIVERED WITH EXCEPTIONAL CUSTOMER SERVICE.*