



**Conifer
Holdings
Inc.**

NEWS RELEASE

Conifer Holdings Reports 2020 Second Quarter Financial Results

2020-08-12

BIRMINGHAM, Mich., Aug. 12, 2020 (GLOBE NEWSWIRE) -- **Conifer Holdings, Inc. (Nasdaq: CNFR)** ("Conifer" or the "Company") today announced results for the second quarter ended June 30, 2020.

Second Quarter 2020 Financial Highlights (compared to the prior year period)

- Gross written premium increased 9.4% to \$27.5 million
- The Company's overall combined ratio was 100.5% (accident year combined ratio was 86.6%)
- Commercial lines represented approximately 93% of gross written premium
- Commercial Lines combined ratio improved 6 percentage points to 101.7% (accident year combined ratio was 86.5%)
- Personal Lines combined ratio was 85.7% (accident year combined ratio was 86.9%)
- Net income of \$1.5 million, or \$0.16 per share, based on 9.6 million average shares outstanding
- Book value per share of \$4.51 as of June 30, 2020, an improvement of 18.4% sequentially from \$3.81 at March 31, 2020

Management Comments

James Petcoff, Chairman and CEO, commented, "We are pleased to report solid financial results for the period, and a return to profitability, led by growth in our core lines of business. We are continuing to take a conservative approach during an uncertain period due to the global pandemic, but we believe that our continued focus on our core specialty lines has produced anticipated positive results. We remain focused on improving our overall expense structure, and growing steadily in the lines of business where Conifer can be a profitable market leader. "

2020 Second Quarter Financial Results Overview

	At and for the Three Months Ended June 30,			At and for the Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
(dollars in thousands, except share and per share amounts)						
Gross written premiums	\$27,545	\$25,169	9.4%	\$52,629	\$49,385	6.6%
Net written premiums	23,065	21,434	7.6%	44,116	41,756	5.7%
Net earned premiums	21,758	21,349	1.9%	43,775	43,036	1.7%
Net investment income	863	1,051	-17.9%	1,817	1,961	-7.3%
Net realized investment gains	245	715	**	1,173	734	**
Change in fair value of equity investments	1,576	(915)	) **	(1,510)	) 350) **
Other gains	145	-	**	260	-	**
Net income (loss)	1,505	(2,884)	) **	(3,220)	) (3,564)) **
Net income (loss) per share, diluted	\$0.16	\$(0.34)	)	\$(0.34)	) \$(0.42))
Adjusted operating income (loss)*	(461)	(5,597)	) **	(3,143)	) (9,844)) **
Adjusted operating income (loss) per share, diluted*	\$(0.04)	\$(0.67)	) **	\$(0.33)	) \$(1.17)) **
Book value per common share outstanding	\$4.51	\$4.89		\$4.51	\$4.89	
Weighted average shares outstanding, basic and diluted	9,595,668	8,370,782		9,594,221	8,411,835	
Underwriting ratios:						
Loss ratio (1)	54.6	% 67.1	%	59.6	% 66.8	%
Expense ratio (2)	45.9	% 45.9	%	46.5	% 43.7	%
Combined ratio (3)	100.5	% 113.0	%	106.1	% 110.5	%

* 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 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.

2020 Second Quarter Premiums

Gross Written Premiums

Gross written premiums increased 9.4% in the second quarter of 2020 to \$27.5 million, compared to \$25.2 million in the prior year period. The increase was largely due to growth in commercial specialty lines, as retention levels remain higher than historical averages in addition to improved rate activity. The overall premium increase was supplemented by continued growth in the Company's personal lines, driven by its low-value dwelling line of business.

Net Earned Premiums

Net earned premiums increased 1.9% to \$21.8 million for the second quarter of 2020, compared to \$21.3 million for the prior year period.

Commercial Lines Financial and Operational Review

Commercial Lines Financial Review

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	%	2020	2019	%
			Change			Change

(dollars in thousands)

Gross written premiums	\$25,600	\$23,459	9.1%	\$49,044	\$46,043	6.5%
Net written premiums	21,377	20,178	5.9%	41,064	39,484	4.0%
Net earned premiums	20,105	20,154	-0.2%	40,536	40,852	-0.8%
Underwriting ratios:						
Loss ratio	55.9	% 62.1	%	60.8	% 61.3	%
Expense ratio	45.8	% 45.6	%	46.5	% 43.0	%
Combined ratio	101.7	% 107.7	%	107.3	% 104.3	%
Contribution to combined ratio from net (favorable) adverse prior year development	15.2	% 7.2	%	16.6	% 5.8	%
Accident year combined ratio (1)	86.5	% 100.5	%	90.7	% 98.5	%

(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% of total gross written premium in the second quarter of 2020, primarily consists of property and liability coverage offered to owner-operated small- to mid-sized businesses. Commercial lines gross written premium increased 9.1% in the second quarter of 2020, as the Company continues to shift its mix towards more profitable specialty lines.

Commercial lines combined ratio was 101.7% for the three months ended June 30, 2020, compared to 107.7% in the prior year period, largely due to a 6.2 percentage point improvement in the loss ratio. Commercial lines accident year combined ratio was 86.5% for the quarter.

Personal Lines Financial and Operational Review

	Personal Lines Financial Review					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	%	2020	2019	%
			Change			Change
(dollars in thousands)						
Gross written premiums	\$1,945	\$1,710	13.7%	\$3,585	\$3,342	7.3%
Net written premiums	1,688	1,256	34.4%	3,052	2,272	34.3%
Net earned premiums	1,653	1,195	38.3%	3,239	2,184	48.3%
Underwriting ratios:						
Loss ratio	39.6	% 147.8	%	44.6	% 165.7	%
Expense ratio	46.1	% 50.1	%	46.6	% 57.4	%
Combined ratio	85.7	% 197.9	%	91.2	% 223.1	%
Contribution to combined ratio from net (favorable) adverse prior year development	(1.2	)% 74.8	%	1.4	% 88.5	%
Accident year combined ratio	86.9	% 123.1	%	89.8	% 134.6	%

Personal lines, representing 7% of total gross written premium for the second quarter of 2020, consists largely of low-value dwelling homeowner's insurance. Personal lines gross written premium increased 13.7%

to \$2.0 million in the second quarter of 2020 compared to the prior year period, largely due to renewed growth in the Company's low-value dwelling line of business.

Personal lines combined ratio was 85.7% for the three months ended June 30, 2020, compared to 197.9% in the prior year period. Personal lines loss ratio for the three months ended June 30, 2020 improved considerably to 39.6%, compared to 147.8% in the prior year period, largely driven by significantly lower losses from wind-exposed homeowner's lines (specifically Florida homeowners).

The personal lines accident year combined ratio was 86.9% for the quarter.

Combined Ratio Analysis

	Three Months Ended		Six Months Ended		
	June 30, 2020	2019	June 30, 2020	2019	
(dollars in thousands)					
Underwriting ratios:					
Loss ratio	54.6	% 67.1	% 59.6	% 66.8	%
Expense ratio	45.9	% 45.9	% 46.5	% 43.7	%
Combined ratio	100.5	% 113.0	% 106.1	% 110.5	%
Contribution to combined ratio from net (favorable) adverse prior year development					
	13.9	% 11.2	% 15.4	% 10.1	%
Accident year combined ratio	86.6	% 101.8	% 90.7	% 100.4	%

Combined Ratio

The Company's combined ratio was 100.5% for the quarter ended June 30, 2020, compared to 113.0% for the same period in 2019. The Company's accident year combined ratio for the quarter ended June 30, 2020 was 86.6%, compared to 101.8% in the prior year period.

Loss Ratio:

The Company's losses and loss adjustment expenses were \$11.9 million for the three months ended June 30, 2020, compared to \$14.4 million in the prior year period. This resulted in a lower loss ratio of 54.6%, compared to 67.1% in the prior year period.

Expense Ratio:

The expense ratio was 45.9% for the second quarter of 2020, remaining flat compared to the prior year period.

Net Investment Income

Net investment income was \$863,000 during the quarter ended June 30, 2020, compared to \$1.1 million in the prior year period. Net realized gains during the second quarter were \$245,000, compared to net realized gain of \$715,000 in the prior year period.

Change in Fair Value of Equity Securities

During the quarter, the Company reported a gain from change in fair value of equity investments of \$1.6 million, compared to a loss of \$0.9 million in the prior year period, and a loss of \$3.1 million in the first quarter of 2020. This increase was largely related to a recovery in the equity markets following a decline in the first quarter related to the COVID-19 pandemic.

Net Income (Loss)

In the second quarter of 2020, the Company reported net income of \$1.5 million, or \$0.16 per share, compared to a net loss of \$2.9 million, or \$0.34 per share, in the prior year period.

Adjusted Operating Income (Loss)

In the second quarter of 2020, the Company reported adjusted operating loss of \$0.5 million, or \$0.04 per share, compared to adjusted operating loss of \$5.6 million, or \$0.67 per share, for the same period in 2019. See Definitions of Non-GAAP Measures.

Earnings Conference Call with Accompanying Slide Presentation

The Company will hold a conference call/webcast on Thursday, August 13, 2020 at 8:30 a.m. ET to discuss results for the second quarter ended June 30, 2020.

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 operating subsidiaries,

Conifer offers customized coverage solutions tailored to the needs of our specialty niche insureds. Across all 50 states, we utilize a multi-channel distribution approach, but largely market through independent agents. Conifer is traded on the Nasdaq Global Market (Nasdaq: CNFR), and 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, after-tax, excluding the tax impact of changes in unrealized gains and losses, and including the net change in deferred gain on losses ceded to the Adverse Development Cover (ADC). 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		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
	(dollar in thousands, except share and per share amounts)			
Net income (loss)	\$1,505	\$(2,884)	\$(3,220)	\$(3,564)
Less:				
Net realized gains and other gains, net of tax	390	715	1,433	734
Change in fair value of equity securities, net of tax	1,576	(915)	(1,510)	350
Net decrease (Increase) in deferred gain on losses ceded to ADC, net of tax	-	2,913	-	5,196
Adjusted operating income (loss)	\$(461)	\$(5,597)	\$(3,143)	\$(9,844)
Weighted average common shares, diluted	9,595,668	8,370,782	9,594,221	8,411,835

Diluted income (loss) per common share:						
Net income (loss)	\$0.16	\$ (0.34	)	\$ (0.34	) \$ (0.42
Less:						
Net realized gains and other gains, net of tax	0.04	0.09		0.15	0.09	
Change in fair value of equity securities, net of tax	0.16	(0.11	)	(0.16	) 0.04
Net decrease (increase) in deferred gain on losses ceded to ADC, net of tax	-	0.35		-	0.62	
Adjusted operating income (loss), per share	\$ (0.04)	\$ (0.67)	\$ (0.33) \$ (1.17

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 12, 2020 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

(In thousands, except share data)

	June 30, 2020 (Unaudited)	December 31, 2019
Assets		
Investment securities:		
Debt securities, at fair value (amortized cost of \$141,951 and \$129,313, respectively)	\$146,888	\$131,000
Equity securities, at fair value (cost of \$13,617 and \$6,554, respectively)	12,859	7,306
Short-term investments, at fair value	10,869	31,426
Total investments	170,616	169,732

Cash and cash equivalents	4,812	7,464
Premiums and agents' balances receivable, net	22,275	20,168
Receivable from Affiliate	281	313
Reinsurance recoverables on unpaid losses	20,892	22,579
Reinsurance recoverables on paid losses	5,463	5,155
Prepaid reinsurance premiums	4,194	1,250
Deferred policy acquisition costs	11,693	11,906
Other assets	9,787	8,698
Total assets	\$ 250,013	\$ 247,265

Liabilities and Shareholders' Equity

Liabilities:

Unpaid losses and loss adjustment expenses	\$106,734	\$107,246
Unearned premiums	52,120	51,503
Debt	38,842	35,824
Accounts payable and accrued expenses	9,037	9,967
Total liabilities	206,733	204,540

Commitments and contingencies

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Shareholders' equity:

Common stock, no par value (100,000,000 shares authorized; 9,598,155 and 9,592,861 issued and outstanding, respectively)	92,275	91,816
Accumulated deficit	(52,800)	(49,580)
Accumulated other comprehensive income (loss)	3,805	489
Total shareholders' equity	43,280	42,725
Total liabilities and shareholders' equity	\$ 250,013	\$ 247,265

Conifer Holdings, Inc. and Subsidiaries

Consolidated Statements of Operations (Unaudited)

(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue				
Premiums				
Gross earned premiums	\$25,959	\$25,082	\$52,012	\$50,632
Ceded earned premiums	(4,201)	(3,733)	(8,237)	(7,596)
Net earned premiums	21,758	21,349	43,775	43,036
Net investment income	863	1,051	1,817	1,961
Net realized investment gains	245	715	1,173	734

Change in fair value of equity securities	1,576	(915	)	(1,510	)	350
Other gains	145	-		260		-	
Other income	713	581		1,371		1,003	
Total revenue	25,300	22,781		46,886		47,084	
Expenses							
Losses and loss adjustment expenses, net	11,945	14,382		26,214		28,838	
Policy acquisition costs	6,395	6,210		12,698		11,799	
Operating expenses	4,859	4,340		9,904		8,663	
Interest expense	731	725		1,462		1,435	
Total expenses	23,930	25,657		50,278		50,735	
Income (loss) before equity earnings in Affiliate and income taxes	1,370	(2,876)	(3,392)	(3,651)
Equity earnings (losses) of Affiliate, net of tax	179	(8	)	229		98
Income tax (benefit) expense	44	-		57		11	
Net income (loss)	1,505	(2,884)	(3,220)	(3,564)
Earnings (loss) per common share, basic and diluted							
	\$ 0.16	\$ (0.34)	\$ (0.34)	\$ (0.42)
Weighted average common shares outstanding, basic and diluted							
	9,595,668	8,370,782		9,594,221		8,411,835	

For Further Information:

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Source: Conifer Holdings, Inc.