



NEWS RELEASE

Conifer Holdings Reports 2022 Second Quarter Financial Results

2022-08-10

Company to Host Conference Call at 8:30 AM ET on Thursday, August 11, 2022

BIRMINGHAM, Mich., Aug. 10, 2022 (GLOBE NEWSWIRE) -- **Conifer Holdings, Inc. (Nasdaq: CNFR)** ("Conifer" or the "Company") today announced results for the second quarter ended June 30, 2022.

Second Quarter 2022 Financial Highlights (compared to the prior year period)

- Gross written premium increased 7.0% to \$37.4 million
- Commercial Lines gross written premium increased 3.6% to \$32.1 million
- Personal Lines gross written premium increased 32.4% to \$5.3 million
- Net earned premium remained steady at \$24.6 million
- Expense ratio decreased to 39.0%, down 230 basis points from Q2 2021
- Book value per share of \$1.75 as of June 30, 2022

Subsequent to the end of the second quarter, the Company completed a private placement of 2,500,000 shares of common stock at \$2.00 per share, which was sold to the Company's management and Board of Directors for proceeds of \$5.0 million. Taking this transaction into account, on a pro forma basis, the Company's total shareholders' equity as of June 30, 2022 would have been \$22.0 million, and its book value per share would have been \$1.80.

James Petcoff, Executive Chairman and Co-CEO, commented, "While we are pleased to report continued top-line growth in our most profitable lines of business, we must recognize that these achievements were generally obscured by persistent adverse development from select lines. As a result, we have taken numerous prudent actions to strengthen our reserves overall and we look forward to reporting the beneficial results of those initiatives in the very near future."

2022 Second Quarter Financial Results Overview

	At and for the Three Months Ended June 30,			At and for the Six Months Ended June 30,		
	2022	2021	% Change	2022	2021	% Change
(dollars in thousands, except share and per share amounts)						
Gross written premiums	\$ 37,418	\$ 34,981	7.0%	\$ 70,382	\$ 65,354	7.7%
Net written premiums	27,266	28,532	-4.4%	45,287	53,015	-14.6%
Net earned premiums	24,576	24,838	-1.1%	48,531	47,673	1.8%
Net investment income	564	503	12.1%	1,071	1,035	3.5%
Net realized investment gains (losses)	(1,436)	1,060	**	(1,505)	3,984	**
Change in fair value of equity investments	317	(525)	**	597	(1,065)	**
Other gains (losses)	(1)	8,910	**	(6)	8,910	**
Net income (loss)	(8,399)	5,552	**	(11,269)	916	**
Net income (loss) per share, diluted	\$ (0.86)	\$ 0.57		\$ (1.16)	\$ 0.09	
Adjusted operating income (loss)*	(7,279)	(3,893)	**	(10,355)	(10,913)	**
Adjusted operating income (loss) per share, diluted*	\$ (0.75)	\$ (0.40)	**	\$ (1.07)	\$ (1.13)	**
Book value per common share outstanding	\$ 1.75	\$ 4.53		\$ 1.75	\$ 4.53	
Weighted average shares outstanding, basic and diluted	9,712,602	9,686,631		9,710,223	9,684,193	
Underwriting ratios:						
Loss ratio (1)	90.2%	71.9%		82.7%	77.9%	
Expense ratio (2)	39.0%	41.3%		38.3%	42.9%	
Combined ratio (3)	129.2%	113.2%		121.0%	120.8%	

* 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.

2022 Second Quarter Premiums

Gross Written Premiums

Gross written premiums increased 7.0% in the second quarter of 2022 to \$37.4 million, compared to \$35.0 million in the prior year period. The increase reflects a combination of rate increases and continued expansion into select specialty lines, specifically in the Company's small business programs. Personal lines premium, specifically Conifer's low-value dwelling line of business, continues to bolster Conifer's profitable top line growth.

Net Earned Premiums

Net earned premiums decreased 1.1% to \$24.6 million for the second quarter of 2022, compared to \$24.8 million for the prior year period. The Company expects net earned premium to increase throughout 2022 as consistent increases in gross written premium over the past several quarters continue to earn ratably through the year.

Commercial Lines Financial and Operational Review

Commercial Lines Financial Review

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% Change	2022	2021	% Change
	(dollars in thousands)					
Gross written premiums	\$ 32,076	\$ 30,947	3.6%	\$ 60,662	\$ 58,168	4.3%
Net written premiums	22,386	24,672	-9.3%	36,726	46,229	-20.6%
Net earned premiums	20,784	22,188	-6.3%	41,308	42,894	-3.7%
Underwriting ratios:						
Loss ratio	95.5%	76.2%		88.1%	78.8%	
Expense ratio	38.0%	41.2%		37.2%	42.9%	
Combined ratio	133.5%	117.4%		125.3%	121.7%	
Contribution to combined ratio from net (favorable) adverse prior year development	44.4%	27.8%		36.1%	26.4%	
Accident year combined ratio (1)	89.1%	89.6%		89.2%	95.3%	

(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 85.7% of total gross written premium in the second quarter of 2022, primarily consists of property and liability coverage offered to owner-operated small- to mid-sized businesses.

Commercial lines gross written premium increased 3.6% in the second quarter of 2022 to \$32.1 million, reflecting the Company's continued emphasis on expansion in its most profitable specialty lines.

The commercial lines combined ratio was 133.5% for the three months ended June 30, 2022, compared to 117.4% in the prior year period. The loss ratio was 95.5% for the second quarter of 2022, compared with 76.2% in the prior year period. Adverse prior year development contributed 44.4% to the commercial lines loss ratio for the second quarter, stemming largely from quick service restaurant and other discontinued or significantly deemphasized lines of business. The Company anticipates marked improvement in the near term as deemphasized lines of business roll off the Company's books. Moreover, the Company has undertaken a number of targeted loss mitigation initiatives over the course of the second quarter, expected to significantly benefit the Company's bottom line in the months to come.

The commercial lines expense ratio for the second quarter was 38.0%, down from 41.2% during the prior year period, reflecting the Company's commitment to sustained expense management and profitable top line growth.

The commercial lines accident year combined ratio was 89.1% for the second quarter of 2022.

Personal Lines Financial and Operational Review

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% Change	2022	2021	% Change
	(dollars in thousands)					
Gross written premiums	\$ 5,342	\$ 4,034	32.4%	\$ 9,720	\$ 7,186	35.3%
Net written premiums	4,880	3,860	26.4%	8,561	6,786	26.2%
Net earned premiums	3,792	2,650	43.1%	7,223	4,779	51.1%
Underwriting ratios:						
Loss ratio	61.4%	36.6%		51.7%	69.8%	
Expense ratio	44.7%	42.0%		44.1%	42.8%	
Combined ratio	106.1%	78.6%		95.8%	112.6%	
Contribution to combined ratio from net (favorable) adverse prior year development	7.0%	0.9%		0.6%	13.1%	
Accident year combined ratio	99.1%	77.7%		95.2%	99.5%	

Personal lines, representing 14.3% of total gross written premium for the second quarter of 2022, consists largely of low-value dwelling homeowner's insurance.

Personal lines gross written premium increased 32.4% to \$5.3 million in the second quarter of 2022 compared to \$4.0 million in the prior year period. This increase was led by growth in the Company's low-value dwelling line of business in Oklahoma and Texas.

The personal lines combined ratio was 106.1% for the three months ended June 30, 2022, compared to 78.6% in the prior year period. Personal lines loss ratio was 61.4%, compared to 36.6% in the prior year period.

The personal lines accident year combined ratio was 99.1% for the second quarter of 2022.

Combined Ratio Analysis

	Three Months Ended June		Six Months Ended June 30,	
	2022	2021	2022	2021
Underwriting ratios:				
Loss ratio	90.2%	71.9%	82.7%	77.9%
Expense ratio	39.0%	41.3%	38.3%	42.9%
Combined ratio	129.2%	113.2%	121.0%	120.8%
Contribution to combined ratio from net (favorable) adverse prior year development	38.6%	24.9%	30.9%	25.0%
Accident year combined ratio	90.6%	88.3%	90.1%	95.8%

Combined Ratio

The Company's combined ratio was 129.2% for the quarter ended June 30, 2022, compared to 113.2% for the same period in 2021. The Company's accident year combined ratio for the quarter ended June 30, 2022 was 90.6%, compared to 88.3% in the prior year period.

Loss Ratio:

The Company's losses and loss adjustment expenses were \$22.3 million for the three months ended June 30, 2022, compared to \$17.9 million in the prior year period. This resulted in a loss ratio of 90.2%, compared to

71.9% in the prior year period.

Before adverse development, the loss ratio for the second quarter of 2022 was 51.6%, which aligns with the Company's target loss ratio in its select specialty lines of business. As deemphasized business continues to roll off the books, and as statutes expire in difficult jurisdictions, the Company fully anticipates that the loss ratio will improve correspondingly.

Moreover, the Company has taken important steps to restrict the bottom-line effects of adverse prior year development from these deemphasized lines of business, and expects to see the beneficial results of these initiatives in the near term.

Expense Ratio:

The expense ratio was 39.0% for the second quarter of 2022, compared to 41.3% in the prior year period.

Net Investment Income

Net investment income was \$564,000 during the quarter ended June 30, 2022, compared to \$503,000 in the prior year period.

Net Realized Investment Income

Net realized investment losses during the second quarter were \$1.4 million, compared to net realized investment gains of \$1.1 million in the prior year period.

Change in Fair Value of Equity Securities

During the second quarter, the Company reported a gain of \$317,000 from the change in fair value of equity investments, compared to a loss of \$525,000 in the prior year period.

Net Income

In the second quarter of 2022, the Company reported a net loss of \$8.4 million, or \$0.86 per share, compared to net income of \$5.6 million, or \$0.57 per share, in the prior year period.

Adjusted Operating Income

In the second quarter of 2022, the Company reported an adjusted operating loss of \$7.3 million, or \$0.75 per share, compared to an adjusted operating loss of \$3.9 million, or \$0.40 per share, for the same period in 2021. See Definitions of Non-GAAP Measures.

Earnings Conference Call and Webcast with Accompanying Slide Presentation

The Company will hold a conference call/webcast on Thursday, August 11, 2022 at 8:30 a.m. ET to discuss

results for the second quarter ended June 30, 2022.

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 specialty insurance holding company, offering customized coverage solutions tailored to the needs of our insureds. Nationwide, Conifer markets largely through independent agents, and is traded on the NASDAQ exchange under the symbol "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 after-tax net realized investment gains and losses, excluding the tax effect of changes in unrealized gains and losses, excluding the after-tax change in fair value of equity securities. 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 June		Six Months Ended June 30,	
	2022	2021	2022	2021
	(dollar in thousands, except share and per share amounts)			
Net income (loss)	\$ (8,399)	\$ 5,552	\$ (11,269)	\$ 916
Less:				
Net realized investment gains (losses), net of tax	(1,436)	1,060	(1,505)	3,984
Other gains (losses), net of tax	(1)	8,910	(6)	8,910
Change in fair value of equity securities, net of tax	317	(525)	597	(1,065)
Adjusted operating income (loss)	\$ (7,279)	\$ (3,893)	\$ (10,355)	\$ (10,913)
Weighted average common shares, diluted	9,712,602	9,686,631	9,710,223	9,684,193
Diluted income (loss) per common share:				
Net income (loss)	\$ (0.86)	\$ 0.57	\$ (1.16)	\$ 0.09
Less:				
Net realized investment gains (losses), net of tax	(0.14)	0.11	(0.15)	0.41
Other gains (losses), net of tax	-	0.92	-	0.92
Change in fair value of equity securities, net of tax	0.03	(0.06)	0.06	(0.11)
Adjusted operating income (loss), per share	\$ (0.75)	\$ (0.40)	\$ (1.07)	\$ (1.13)

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 10, 2022 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.

For Further Information:

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

	June 30, 2022	December 31, 2021
Assets		
Investment securities:		
Debt securities, at fair value (amortized cost of \$132,427 and \$150,732, respectively)	\$ 119,207	\$ 149,783
Equity securities, at fair value (cost of \$1,433 and \$10,972, respectively)	990	9,931
Short-term investments, at fair value	28,001	23,013
Total investments	148,198	182,727
Cash and cash equivalents	13,148	9,913
Premiums and agents' balances receivable, net	24,701	21,197
Receivable from Affiliate	5,216	5,784
Reinsurance recoverables on unpaid losses	37,769	40,344
Reinsurance recoverables on paid losses	4,479	1,347
Prepaid reinsurance premiums	15,381	8,301
Deferred policy acquisition costs	10,747	12,267
Other assets	15,416	8,524
Total assets	\$ 275,055	\$ 290,404
Liabilities and Shareholders' Equity		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 140,996	\$ 139,085
Unearned premiums	69,104	65,269
Reinsurance premiums payable	3,711	5,318
Debt	33,720	33,564
Accounts payable and accrued expenses	10,547	6,665
Total liabilities	258,078	249,901
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock, no par value (100,000,000 shares authorized; 9,715,324 and 9,707,817 issued and outstanding, respectively)	92,799	92,692
Accumulated deficit	(61,348)	(50,079)
Accumulated other comprehensive income (loss)	(14,474)	(2,110)
Total shareholders' equity	16,977	40,503
Total liabilities and shareholders' equity	\$ 275,055	\$ 290,404

Conifer Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations (Unaudited)

(dollars in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue and Other Income				
Premiums				
Gross earned premiums	\$ 33,782	\$ 30,228	\$ 66,546	\$ 58,475
Ceded earned premiums	(9,206)	(5,390)	(18,015)	(10,802)
Net earned premiums	24,576	24,838	48,531	47,673
Net investment income	564	503	1,071	1,035
Net realized investment gains (losses)	(1,436)	1,060	(1,505)	3,984
Change in fair value of equity securities	317	(525)	597	(1,065)
Other gains (losses)	(1)	8,910	(6)	8,910
Other income	663	666	1,361	1,222
Total revenue and other income	24,683	35,452	50,049	61,759
Expenses				
Losses and loss adjustment expenses, net	22,251	17,926	40,269	37,288
Policy acquisition costs	5,725	6,896	11,189	13,646
Operating expenses	4,470	4,342	8,630	8,691
Interest expense	727	732	1,438	1,453
Total expenses	33,173	29,896	61,526	61,078
Income (loss) before equity earnings in Affiliate and income taxes	(8,490)	5,556	(11,477)	681
Equity earnings in Affiliate, net of tax	93	180	169	428
Income tax expense (benefit)	2	184	(39)	193
Net income (loss)	(8,399)	5,552	(11,269)	916
Earnings (loss) per common share, basic and diluted				
	\$ (0.86)	\$ 0.57	\$ (1.16)	\$ 0.09
Weighted average common shares outstanding, basic and diluted				
	9,712,602	9,686,631	9,710,223	9,684,193

Source: Conifer Holdings, Inc.