Conifer Holdings, Inc.
Form 424B4
August 13, 2015

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CONIFER HOLDINGS, INC. AND SUBSIDIARIES

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Filed Pursuant to Rule (424)(b)(4)
Registration Statement No. 333-205448

Prospectus

3,100,000 Shares

Conifer Holdings, Inc.

Common Stock

$10.50 per share

This is the initial public offering of Conifer Holdings, Inc. We are offering 3,100,000 shares of our common stock.

Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on the NASDAQ Global Market under the symbol "CNFR."

We are an "emerging growth company" as defined by the Jumpstart Our Business Startups Act of 2012 and, as such, we have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 16.

	Per Share	Total
Initial public offering price	$ 10.50	$ 32,550,000
Underwriting discounts and commissions(1)	$ 0.735	$ 2,278,500

Proceeds, before expenses, to us	$	9.765	$	30,271,500

(1) In addition to underwriting discounts and commissions payable by us, we have agreed to reimburse the underwriters for certain expenses. See "Underwriting."

We have granted the underwriters a 30-day option to purchase a total of up to 465,000 additional shares of common stock on the same terms and conditions set forth above.

The underwriters expect to deliver shares of common stock to purchasers on our about August 18, 2015.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

BMO Capital Markets **Raymond James**

Sandler O'Neill+Partners, L.P. **William Blair**

Prospectus dated August 12, 2015.

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Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market share, is based on information from our own management estimates and research, as well as from industry and general publications and research, surveys and studies conducted by third parties. Management estimates are derived from publicly available information, our knowledge of our industry and assumptions based on such information and knowledge, which we believe to be reasonable. Assumptions and estimates of our and our industry's future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors." These and other factors could cause our future performance to differ materially from our assumptions and estimates. See "Special Note Regarding Forward-Looking Statements."

"Conifer Insurance Company," "American Colonial Insurance Company," "White Pine Insurance Company" and our green Conifer logo are the subject of either a trademark registration or an application for registration in the United States. Other brands, names and trademarks contained in this prospectus are the property of their respective owners. Solely for convenience, trademarks and tradenames referred to in this prospectus appear without the ® and symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or that the applicable owner will not assert its rights, to these trademarks and tradenames.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, especially the section in this prospectus entitled "Risk Factors" beginning on page 16 and our financial statements and the related notes thereto appearing at the end of this prospectus, before making an investment decision. As used in this prospectus, unless the context otherwise requires, references to "Conifer," "Conifer Holdings," "the Company," "our Company," "we," "us," and "our" refer to Conifer Holdings, Inc., a Michigan corporation, and, where appropriate, its subsidiaries. References to any year herein refer to the 12 months ended December 31 of the year indicated. For the definitions of certain terms used in this prospectus, see "Glossary of Industry and Other Terms."

Conifer Holdings, Inc.

Business Overview

Our Company

Conifer Holdings, Inc. is a Michigan-based insurance holding company formed in 2009. Through our insurance subsidiaries, we offer insurance coverage in both specialty commercial and specialty personal product lines. Many of our products are targeted to profitable classes of policyholders that are underserved by other insurers. We market and sell these insurance products through a growing network of over 4,500 independent agents that distribute our policies through their approximately 2,200 sales offices writing business in 44 states. We are focused on growing our business in non-commoditized property and casualty insurance markets, while maintaining underwriting discipline and a conservative investment strategy. Our commercial lines and personal lines business accounted for 65% and 35%, respectively, of net earned premiums for the three months ended March 31, 2015 and 62% and 38%, respectively, of our net earned premiums for the year ended December 31, 2014.

We have substantial expertise in serving the unique commercial insurance needs of owner-operated businesses in the following markets:

- Hospitality, such as restaurants, bars, taverns, and bowling centers (that require, among other lines, liquor liability insurance), as well as small grocery and convenience stores;

- Artisan contractors, such as plumbers, painters, carpenters, electricians and other independent contractors;

- Security service providers, such as companies that provide security guard services, security alarm products and services, and private investigative services; and

- Automobile repair and used car facilities.

In our commercial lines business, we seek to differentiate ourselves and provide value to small business owner-operators by bundling different insurance products that meet a significant portion of their insurance needs. For example, in the hospitality market we offer property, casualty, and liquor liability, as well as, in some jurisdictions, workers' compensation coverage. The breadth of our specialty commercial insurance products enables our small business customers, many of whom do not have dedicated risk management personnel, and their agents, to save the administrative costs and time required to seek coverage for these items from separate insurers. As such, we compete for commercial lines business based on our flexible product offerings and customer service, rather than on pricing alone. Our target commercial lines customer has an average account size of $5,000 in premium.

We also have substantial expertise in providing specialty homeowners' insurance products to targeted customers that are often underserved by larger carriers or other established providers of homeowners' insurance. Our personal lines products include primarily the following:

Catastrophic coverage, including hurricane and wind coverage, to underserved homeowners in Florida, Hawaii and Texas; and

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Dwelling insurance tailored for owners of lower value homes, which we currently offer in Illinois and Indiana and plan to introduce in other geographic markets including Texas, Louisiana, North Carolina and South Carolina.

In our personal lines business, we target homeowners in need of specific catastrophe coverage or dwelling insurance that are currently underserved by the insurance market, due to the modest value of their homes or the exposure to natural catastrophes in their geographic area. Because these homeowners are underserved, this portion of the market is typically subject to less pricing pressure from larger nationwide insurers that offer a more commoditized product. We believe our underwriting expertise enables us to compete effectively in these markets by evaluating and appropriately pricing risk. In addition, we believe our willingness to meet these underserved segments of the personal lines insurance market fosters deeper relationships with, and increased loyalty from, the agents who distribute our products. Our target personal lines customer has an average account size of $1,200 in premium.

Overall, we seek a balance of our premiums earned between commercial and personal lines to better diversify our business and mitigate the potential cyclical nature of either market. In serving these markets, we write business on both an admitted and excess & surplus ("E&S") basis. Insurance companies writing on an admitted basis are licensed by the states in which they sell policies and are required to offer policies using premium rates and forms that are typically filed with state insurance regulators. Non-admitted carriers writing in the E&S market are not bound by most of the rate and form regulations imposed on standard market companies, allowing them the flexibility to change the coverage offered and the rate charged without the time constraints and financial costs associated with the filing process. Our corporate structure allows us to offer both admitted and E&S products in select markets through either Conifer Insurance Company ("CIC") or White Pine Insurance Company ("WPIC"). Our experience with specialty insurance products enables us to react to new market opportunities and underwrite multiple specialty lines.

While we will pursue top line premium growth, we do not do so at the expense of losing underwriting discipline. Our underwriters have the experience and institutional flexibility to recognize when to exit certain products in favor of more profitable opportunities as insurance market conditions dictate. The following charts summarize our gross written premiums by type, line of business and state for the years indicated therein.

2014 Gross Written Premium ("GWP") by Type

2014 GWP by Line of Business

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GWP Growth by State

GWP by Customer Type and Year

Our Growth and Operating Strategies

We believe that our operating strategies significantly contribute to our recent growth in gross written premiums and position us to write profitable business in both hard insurance markets (where industry capital is constricted, competition is low, and premium rates are rising) and soft insurance markets (where industry capital is rising, competition is high and premium rates are falling). Our operating strategies include our:

Focus on underserved markets. We focus on providing specialty insurance products to targeted policyholders in underserved markets. We believe that most of our small business customers, many of which are owner-operated, value the efficiency of dealing with a single insurer for multiple products. By targeting small to medium sized accounts, we add value to the business owner directly without competing solely on price, as is often the case in markets with many larger competitors.

Deep understanding of the business and regulatory landscapes of our markets. The competition for insurance business and the regulatory operating environment vary significantly from state to state. Our business plan is to identify market opportunities in particular jurisdictions where due to regulatory conditions, our insurance products can profitably suit the needs of our potential customers. We focus on tailoring our business to concentrate on the geographic markets and regulatory environments with the greatest opportunities for growth and profitability.

Emphasis on flexibility. We offer coverage to our insureds both on an admitted and E&S basis. We primarily utilize CIC to write E&S lines in various states and WPIC to write policies on an admitted basis. We believe this flexibility enables us to pivot quickly between admitted and E&S policies as customer needs and regulatory conditions dictate.

Strong relationships with our agents. We seek to develop strong relationships with our independent agents and provide them with competitive products to offer policyholders, responsive service and attractive commissions. Our senior management has personal and professional relationships with many of our agents that predate the establishment of our company. Over the course of these relationships, we believe we have established a reputation as a nimble and entrepreneurial partner. We understand that short turn-around times and responsiveness to our agents' needs increase their business and aid in making Conifer a partner of choice. We believe our agents understand that we view them as key partners in risk selection that help us serve our ultimate client the insured.

Premium growth in existing markets. We expect to grow our overall premium volume by appointing new independent agents in our existing markets. Since we commenced operations in 2009, we have appointed over 4,500 independent agents to our agency network. In addition to expanding our network of agents, we also expect to increase the volume of business we write

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with our existing agents. Growing our gross written premiums will help reduce our expense ratio given our largely fixed-cost expense base.

Expanding geographically. Our plans include growing our business geographically on a targeted basis. For example, in the next twelve months, we plan to expand our current writings in both commercial and personal lines in several states, including Texas, Louisiana, Colorado, Kentucky, Nevada, North Carolina and South Carolina.

Engaging in complementary acquisitions. Our senior management team is experienced in reviewing potential acquisition opportunities and has successfully closed many transactions in the insurance industry. This experience leads to a streamlined review process and ability to complete effective due diligence. We focus on logical acquisitions for existing business lines where we add value by re-underwriting books of business, reducing expenses or expanding offerings to our current agent and customer base. We currently have no plans for any specific acquisitions.

Conservative risk management with an emphasis on lowering volatility. We focus on the risk/reward of insurance underwriting, while maintaining a prudent investment policy. We employ conservative risk management practices and opportunistically purchase reinsurance to minimize our exposure to liability for individual risks. In addition, we seek to maintain a diversified liquid investment portfolio to reduce overall balance sheet volatility. As of March 31, 2015, our investments primarily including short-term fixed income investments with an average credit rating of "AA" and an average duration of 3.5 years.

Our Competitive Strengths

We believe we have the following competitive strengths:

Talented underwriters with broad expertise. Our underwriters have significant experience managing account profitability across market cycles. With an average of over 23 years of experience, our senior underwriters possess the required expertise to respond appropriately to market forces. Given our focus on underserved markets, we believe that our underwriters' experience sets us apart from many of our competitors.

Controlled and Disciplined Underwriting. We underwrite substantially all policies to our specific guidelines and, in the limited circumstances in which we utilize managing general agencies (which are wholesale insurance intermediaries with the authority to accept placements from, and often to appoint, retail agents on behalf of an insurer), these agencies are subject to our guidelines while we retain final underwriting authority. Our technology systems are designed to further limit the ability of these agencies, as well as our own underwriters, from significantly straying from these guidelines. We customize the coverages we offer, and continually monitor our markets and react to changes in our markets by adjusting our pricing, product structures and underwriting guidelines. By tailoring the terms and conditions of our policies, we align our actual underwriting risk with the profit of each insurance account that we write.

Proactive claims handling. We have a proactive claims handling philosophy that utilizes an internal team of experienced attorneys employed by the Company to manage or supervise all of our claims from inception until resolution. We believe our claims handling process, coupled with our customized claims handling management system, has contributed favorably to our loss ratios and positive litigation experience over time. Once we determine a claim is covered by the underlying policy, our proactive management of claims reinforces our relationships with our customers and agents by demonstrating our willingness to defend our insureds aggressively and help them mitigate losses.

Proven management team. In 1987, our chairman and chief executive officer, James G. Petcoff, founded North Pointe Insurance Company (later reorganized into North Pointe Holdings Corporation) ("North Pointe") offering mainly liquor liability policies to hospitality risks including restaurants, bars and taverns. During his time at North Pointe, Mr. Petcoff successfully

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managed, took public and ultimately sold the company to a global property and casualty writer based in Australia. Our senior management team has an average of over 25 years' experience in the insurance industry, including an average of 16 years with Conifer and North Pointe almost exclusively with small and growing companies. Our senior management team has successfully created, managed and grown numerous insurance companies and books of business, and has longstanding relationships with our many independent agents and policyholders in our targeted markets.

Ability to leverage technology to drive efficiency. As a relatively new insurance company, we are not burdened with inefficient legacy systems. We utilize a web-based system that seeks to achieve greater organizational efficiency in our company. Leveraging the infrastructure of programmers and support staff of third-party vendors allows our in-house business analysts to focus on new product development and product roll-out. We believe this reduces our time to market for new products, enhances services for insureds, increases our ability to capture data, and reduces cost.

Recent Developments

Repurchase of Issued and Outstanding Shares of Preferred Stock

Concurrent with the closing of this initial public offering, the Company will repurchase all of its issued and outstanding shares of preferred stock for aggregate consideration of $6.3 million. Immediately following the repurchase, and also upon the closing of this offering, certain preferred shareholders have agreed to use $3.1 million of their proceeds to purchase common stock in a private placement at the same price per share of common stock to be sold in this offering, resulting in a net cash payment of $3.2 million to repurchase the preferred stock. Based on the initial offering price per share of $10.50, a total of 294,481 additional shares of common stock will be sold to such preferred shareholders. For more information, see "Description of Capital Stock Repurchase of Issued and Outstanding Preferred Stock."

Restricted Stock Unit Awards

In connection with this offering, we will grant an aggregate of 380,952 restricted stock units under our 2015 Omnibus Incentive Plan to our executive officers and other employees. The total value of such awards, which will vest in five equal installments commencing on the first anniversary of the grant date, will be approximately $4.0 million, $2.0 million of which will be granted to our named executive officers. See "Executive Compensation Equity Awards Granted to our Named Executive Officers."

Preliminary Unaudited June 30, 2015 Consolidated Financial Information

The preliminary unaudited consolidated financial information as of and for the three months ended June 30, 2015 has been prepared by and is the responsibility of management. Management prepared this estimated unaudited consolidated financial information in good faith based upon our internal reporting as of and for the three months ended June 30, 2015. These estimates are preliminary and represent the most current information available to us. These preliminary estimates have not been subject to the completion of our financial closing procedures. As such, the unaudited consolidated financial information set forth below is subject to final adjustments and other items that may be identified until the time the consolidated financial results for the period indicated above are finalized. Our actual consolidated financial results as of and for the three months ended June 30, 2015 may be different from the preliminary estimates and these differences could be material. These estimates should not be viewed as a substitute for our full unaudited condensed consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

In addition, Deloitte & Touche LLP, our independent registered public accounting firm, has not audited, reviewed, compiled or performed any procedures on this preliminary consolidated financial information, and accordingly, does not express an opinion or other form of assurance with respect to this preliminary unaudited consolidated financial information. Accordingly, you should not place undue

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reliance upon the preliminary information furnished in this section. This preliminary unaudited consolidated financial information is not necessarily indicative of results to be expected for any future period. See "Risk Factors" and "Special Note Regarding Forward-Looking Statements and Industry Data."

This preliminary unaudited consolidated financial information should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business" and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

(in thousands, except per share data and ratios)	Three Months Ended June 30, Estimated 2015	Three Months Ended June 30, 2014
	(unaudited)	
Gross written premiums	$ 23,059	$ 19,001
Net written premiums	15,941	16,692
Net earned premiums	15,115	13,957
Net income (loss)	630	(1,525)
Net income (loss) attributable to Conifer	579	(1,536)
Net income (loss) allocable to common shareholders	366	(1,552)
Income (loss) per share allocable to common shareholders, basic and diluted	$ 0.09	$ (0.66)
Weighted average common shares outstanding, basic and diluted	4,050,042	2,357,220
Total shareholders' equity attributable to Conifer	51,090	27,012
Other Data		
Shareholders' equity per common share outstanding(1)	$ 11.07	$ 10.49
Loss ratio(2)	58%	67%
Expense ratio(3)	40%	47%
Combined ratio(4)	98%	114%

All common stock share and per share amounts for all periods presented have been adjusted retroactively to reflect the 10.2-to-1 stock split, effected in the form of a stock dividend, which was effectuated immediately prior to the effectiveness of the initial public offering contemplated in this prospectus.

(1) Shareholders' equity per common share outstanding is shareholders' equity attributable to Conifer (less preferred stock) divided by the number of common shares outstanding at period end.

(2) The loss ratio is the ratio, expressed as a percentage, of net losses and loss adjustment expenses to net earned premiums and other income.

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

(4) 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.

Comparison of the Three Months Ended June 30, 2015 to the Three Months Ended June 30, 2014 (Unaudited)

Gross written premiums increased $4.1 million for the three months ended June 30, 2015 as compared to the same period in 2014. The increase in gross written premiums was attributable to

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increased premiums among most of our lines of business, offset by a reduction in premium volume in the Midwest homeowners line and the personal automobile line (which is in run-off).

Net written premiums are lower due to the 25% quota share reinsurance arrangement entered into on December 31, 2014.

The loss ratio continued to trend lower in the second quarter as a result of fewer property losses in 2015 as compared to 2014, as well as fewer losses in the personal automobile line as the business trails off.

The expense ratio improved as premium volume increased relative to the expense base, partially offset by the negative impact from the quota share arrangement.

Our Structure

The chart below displays our corporate structure as it pertains to our holding company and significant operating subsidiaries.

The entities set forth above serve the following functions:

Conifer Holdings, Inc. ("CHI") is a holding company that provides management and related operational support for each of our subsidiaries.

Conifer Insurance Company ("CIC") is a property and casualty insurance company that generally writes policies on an E&S basis.

White Pine Insurance Company ("WPIC") is a property and casualty insurance company that generally writes policies on an admitted basis.

Red Cedar Insurance Company ("RCIC") is a pure captive insurance company, which we define as an insurance company that only writes insurance exclusively for our operating insurance companies and does not place or write any insurance business on behalf of third parties.

American Colonial Insurance Company ("ACIC") is a property and casualty insurance company that focuses on personal line products, including homeowners' insurance.

American Colonial Insurance Services ("ACIS") is a managing general agency that processes the majority of the business written by ACIC in Florida.

Sycamore Insurance Agency, Inc. ("SIAI") is an insurance agency that primarily acts as a broker for policies written through CIC with retail agents and as an insurance agency for policies CIC, WPIC or ACIC may write directly with insureds.

Summary Risk Factors

Investing in our common stock involves significant risks and uncertainties. You should carefully consider the risks and uncertainties discussed under the section titled "Risk Factors" elsewhere in this prospectus before making a decision to invest in our common stock. If any of these risks and uncertainties occurs, our business, financial condition or results of operations may be materially

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adversely affected. In such case, the trading price of our common stock would likely decline and you may lose all or a part of your investments. Below is a summary of some of the principal risks we face:

- the occurrence of severe weather conditions and other catastrophes;
- the cyclical nature of the insurance industry, resulting in periods during which we may experience excess underwriting capacity and unfavorable premium rates;
- our ability to obtain reinsurance coverage at reasonable prices or on terms that adequately protect us;
- a decline in our financial strength rating resulting in a reduction of new or renewal business;
- our ability to manage our growth effectively;
- exposure to credit risk, interest rate risk and other market risk in our investment portfolio;
- competition within the property and casualty insurance industry;
- the inherent uncertainty of estimating reserves and the possibility that incurred losses may be greater than our loss and loss adjustment expense reserves;
- inaccurate estimates and judgments in our risk management may expose us to greater risks than intended;
- the potential loss of key members of our management team or key employees and our ability to attract and retain personnel;
- potential effects on our business of emerging claim and coverage issues;
- losses in our investment portfolio;
- new or additional government or market regulations;
- sale of investments at a loss to meet our liquidity needs;
- our underwriters and other associates could take excessive risks;
- losses resulting from reinsurance counterparties failing to pay us on reinsurance claims;
- the potential impact of internal or external fraud, operational errors, systems malfunctions or cybersecurity incidents;

an adverse outcome in a legal action that we are or may become subject to in the course of our insurance operations;

failure to maintain effective internal controls in accordance with Sarbanes-Oxley; and

the trading price of our common stock is likely to be volatile, and you might not be able to sell your shares at or above the initial public offering price.

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Corporate Information

We were incorporated in October 2009 as Conifer Holdings, Inc., a Michigan corporation. We are headquartered in Birmingham, Michigan. Our principal executive offices are located at 550 W. Merrill Street, Suite 200, Birmingham, Michigan 48009. Our telephone number is (248) 559-0840. Our corporate website address is www.coniferinsurance.com. The information contained in, or that can be accessed through, our website is not part of, and shall not be deemed to be a part of, this prospectus.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"), enacted in April 2012. An "emerging growth company" may take advantage of reduced reporting requirements that are otherwise applicable to public companies. These provisions include, but are not limited to:

- being permitted to present only two years of audited financial statements and only two years of related disclosure in our "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") in this prospectus (though we chose to include three years of financial statements and related disclosures in the MD&A);

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act");

- the ability to use an extended transition period for complying with new or revised accounting standards, which we have irrevocably elected not to avail ourselves of;

- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements; and

- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We may take advantage of these provisions until the last day of our fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), which such fifth anniversary will occur in 2020. However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer," our gross revenues for any fiscal year equal or exceed $1.0 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

We have elected to take advantage of certain of the reduced disclosure obligations in this prospectus and may elect to take advantage of other reduced reporting requirements in future filings. As a result, the information that we provide to our shareholders may be different than you might receive from other public reporting companies in which you hold equity interests.

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THE OFFERING

Common stock offered by us	3,100,000 shares
Common stock to be outstanding after this offering	7,444,523 shares
Over-allotment option	465,000 shares
Use of proceeds	We will receive net proceeds from this offering of approximately $28.8 million, based on the initial public offering price of $10.50 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We plan to use approximately $17.1 million (the estimated balance on our revolving credit facility (the "Revolver") plus accrued interest upon completion of this offering) of the net proceeds from this offering to pay down our debt, approximately $6.3 million (or $3.2 million after netting out the proceeds from the common stock purchase described below) to repurchase outstanding preferred stock and pay accrued preferred dividends, and the remainder to fund the growth of our operating subsidiaries and for general corporate purposes. See the section titled "Use of Proceeds."
Risk Factors	You should read carefully "Risk Factors" in this prospectus for a discussion of factors that you should consider before deciding to invest in our common stock.
NASDAQ symbol	CNFR

Except as otherwise indicated, all information in this prospectus is based upon 4,050,042 shares of common stock outstanding and 60,600 shares of preferred stock outstanding as of March 31, 2015 and:

- excludes 1,377,000 shares of common stock reserved under our 2015 Omnibus Incentive Plan;
- excludes the repurchase of 60,600 of our outstanding shares of preferred stock, including accrued preferred stock dividends, from the use of $6.3 million (or $3.2 million after netting the proceeds received by us from the sale of common shares described below) of our net proceeds from this offering;
- excludes the sale of 294,481 shares of common stock at a price of $10.50 per share to the holders of 29,550 shares of our preferred stock that have agreed to sell their preferred stock and to purchase shares of common stock at the initial offering price;
- assumes the filing of our amended and restated articles of incorporation and the effectiveness of our amended and restated bylaws, which will occur immediately prior to the completion of this offering;
- reflects the purchase of 100,000 shares in this offering by James G. Petcoff, our Chief Executive Officer, but no other purchase of shares in this offering by our officers and directors;
- assumes no exercise by the underwriters of their option to purchase additional shares;
- excludes the issuance of restricted stock units upon the consummation of the offering; and
- includes the effect of the 10.2-to-1 stock split, effected in the form of a stock dividend, as described under the heading "Description of Capital Stock."

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables set forth summary (i) historical consolidated financial data and (ii) unaudited pro forma condensed consolidated financial data of Conifer Holdings, Inc. and Subsidiaries as of the dates and for the periods indicated. This information should be read in conjunction with the sections of this prospectus entitled "Selected Consolidated Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our historical consolidated financial statements and the related notes and unaudited pro forma condensed consolidated financial information and the related notes thereto included elsewhere in this prospectus.

Summary Historical Consolidated Financial Data

The summary historical consolidated financial data as of and for the years ended December 31, 2014 and 2013, and for the year ended December 31, 2012 were derived from our audited consolidated financial statements and related notes thereto included elsewhere in this prospectus. We have derived the summary historical consolidated financial data as of December 31, 2012 from our audited consolidated balance sheet which is not included in this prospectus. The summary historical consolidated financial data as of and for the three months ended March 3l, 2015 and for the three months ended March 31, 2014 were derived from our unaudited condensed consolidated financial statements and related notes thereto included elsewhere in this prospectus. In the opinion of our management, the unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations as of such dates and for such periods. Results for the interim periods are not necessarily indicative of the results to be expected for the full year. In addition, these historical results are not necessarily indicative of results to be expected for any future period.

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	Three Months Ended March 31,		Year Ended December 31,		
	2015	2014	2014	2013	2012
	(dollars in thousands, except for per share data)				
Operating Results:					
Gross written premiums(1)	$ 21,204	$ 17,667	$ 83,847	$ 44,087	$ 22,838
Ceded written premiums(2)	(7,538)	(958)	(17,548)	(6,439)	(543)
Net written premiums	$ 13,666	$ 16,709	$ 66,299	$ 37,648	$ 22,295
Net earned premiums	$ 14,493	$ 12,675	$ 57,528	$ 27,629	$ 16,934
Net investment income	486	220	1,175	1,000	1,072
Net realized investment gains	145	91	417	299	1,273
Gains from acquisitions(3)				3,714	
Other income	489	532	1,809	834	309
Total revenue	15,613	13,518	60,929	33,476	19,588
Losses and loss adjustment expenses, net	8,570	10,576	40,730	15,824	7,591
Policy acquisition costs	2,595	3,231	14,696	7,667	4,652
Operating expenses	3,692	2,894	12,139	9,161	6,520
Interest expense	244	129	584	541	428
Total expenses	15,101	16,830	68,149	33,193	19,191
Income (loss) before income taxes	512	(3,312)	(7,220)	283	397
Income tax expense (benefit)		(118)	(281)	3	(16)
Net income (loss)	512	(3,194)	(6,939)	280	413
Less net income (loss) attributable to noncontrolling interest	49	35	(4)	(69)	
Net income (loss) attributable to Conifer	$ 463	$ (3,229)	$ (6,935)	$ 349	$ 413
Net income (loss) allocable to common shareholders	$ 250	$ (3,240)	$ (7,200)	$ 349	$ 413
Income (loss) per share allocable to common shareholders, basic and diluted(4)	$ 0.06	$ (1.51)	$ (2.69)	$ 0.20	$ 0.24
Weighted average common shares outstanding basic and diluted(4)	4,040,872	2,138,776	2,672,440	1,749,626	1,741,517

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	At March 31,	At December 31,		
	2015	2014	2013	2012
	(dollars in thousands, except for ratios)			
Balance Sheet Data:				
Cash and invested assets	$ 124,021	$ 123,726	$ 68,445	$ 54,618
Reinsurance recoverables	6,814	5,139	4,394	7,978
Goodwill and intangible assets	2,257	2,275	2,349	985
Total assets	165,753	163,738	96,856	73,712
Unpaid losses and loss adjustment expenses	32,987	31,531	28,908	24,843
Unearned premiums	43,612	43,381	26,505	11,905
Senior debt	28,212	27,562	13,087	11,987
Total liabilities	113,879	113,460	75,605	52,097
Preferred stock(5)		6,119		
Total shareholders' equity attributable to Conifer	51,848	44,182	21,270	21,615
Other Data:				
Shareholders' equity per common share outstanding(4)(6)	$ 11.28	$ 11.06	$ 12.16	$ 12.35
Regulatory capital and surplus(7)	$ 66,795	$ 65,974	$ 34,817	$ 35,600

GAAP Underwriting Ratios:	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Loss ratio(8)	57%	80%	69%	56%	44%
Expense ratio(9)	42%	46%	45%	59%	65%
Combined ratio(10)	99%	126%	114%	115%	109%

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(1) The amount received or to be received for insurance policies written or assumed by us during a specific period of time without reduction for acquisition costs, reinsurance costs or other deductions.

(2) The amount of written premiums ceded to (reinsured by) other insurers.

(3) The Company recognized a gain on the accounting for the acquisition of EGI Insurance Services, Inc. and MLBA Mutual Insurance Company in 2013. The acquisitions were accounted for as a bargain purchase.

(4) All common stock shares and per share amounts for all periods presented have been adjusted retroactively to reflect the 10.2-to-1 stock split, effected in the form of a stock dividend, which was effectuated immediately prior to the effectiveness of the initial public offering as contemplated in this prospectus.

(5) In March 2015, the Company reclassified the carrying amount of its preferred stock of $6,180 from temporary equity to permanent equity as the redemption of the preferred stock is within the Company's control.

(6) Shareholders' equity per common share outstanding is shareholders' equity attributable to Conifer (less preferred stock for the March 31, 2015 calculation) divided by the number of common shares outstanding.

(7) For our insurance subsidiaries, the excess of assets over liabilities as determined in accordance with statutory accounting principles as determined by the National Association of Insurance Commissioners.

(8) The loss ratio is the ratio, expressed as a percentage, of net losses and loss adjustment expenses to net earned premiums and other income.

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

(10) 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.

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Summary Unaudited Pro Forma Condensed Consolidated Financial Data

The unaudited pro forma condensed consolidated financial data as of and for the three months ended March 31, 2015 and for the year ended December 31, 2014 has been derived from the unaudited pro forma condensed consolidated financial information included elsewhere in this prospectus. Refer to "Unaudited Pro Forma Condensed Consolidated Financial Information." The unaudited pro forma condensed consolidated financial data is based on our historical consolidated financial statements and related notes included elsewhere in this prospectus. The unaudited pro forma adjustments are based on available information and assumptions that management believes are reasonable. The unaudited pro forma condensed consolidated balance sheet as of March 31, 2015 and the unaudited pro forma condensed consolidated statements of operations for the three months ended March 31, 2015 and for the year ended December 31, 2014 are presented on a pro forma basis to give effect, in each case, to (i) the exit of the personal automobile product line, (ii) the issuance of the shares of our common stock in this offering and the subsequent use of proceeds, (iii) the issuance of the shares of common stock to certain holders of preferred stock that have agreed to use the cash received from the sale of their preferred stock to purchase shares of common stock, at the per share price of this offering, and (iv) the issuance of the restricted stock units to be granted at the per share price of this offering as if they occurred on March 31, 2015 for balance sheet adjustments and January 1, 2014 for statements of operations adjustments.

The unaudited pro forma condensed consolidated financial data is for informational purposes only, and is not intended to represent what our financial position or results of operations would be after giving effect to (i) the exit of the personal automobile product line, (ii) the issuance of the shares of our common stock in this offering and the subsequent use of proceeds, (iii) the issuance of the shares of common stock to certain holders of preferred stock who have agreed to use the cash received from the sale of their preferred stock to purchase shares of common stock, and (iv) the issuance of the restricted stock units to be granted at the per share price of this offering or to indicate our financial position or results of operations for any future period.

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	Pro Forma Three Months Ended March 31, 2015	Pro Forma Year Ended December 31, 2014
	(dollars in thousands, except per share amounts)	
Statements of Operations Data		
Revenue		
Gross written premiums	$ 20,403	$ 75,469
Ceded written premiums	(7,538)	(17,548)
Change in net unearned premiums	211	(11,987)
Net earned premiums	13,076	45,934
Net investment income	486	1,175
Net realized investment gains	145	417
Other income	433	1,246
Total revenue	14,140	48,772
Expenses		
Losses and loss adjustment expenses, net	7,068	30,285
Policy acquisition costs	2,359	12,347
Operating expenses	3,698	11,204
Interest expense	108	277
Total expenses	13,233	54,113
Income (loss) before income taxes	907	(5,341)
Income tax expense (benefit)		(281)
Net income (loss)	907	(5,060)
Less net income (loss) attributable to noncontrolling interest	49	(4)
Net income (loss) attributable to Conifer	$ 858	$ (5,056)
Net income (loss) allocable to common shareholders	$ 858	$ (5,056)
Income (loss) per share allocable to common shareholders, basic and diluted	$ 0.13	$ (1.02)
Weighted average common shares outstanding,		
Basic	6,393,784	4,949,162
Diluted	6,403,308	4,949,162

	Pro Forma At March 31, 2015 (dollars in thousands)	
Balance Sheet Data		
Cash and invested assets	$	130,007
Reinsurance recoverables		6,814
Goodwill and intangible assets		2,257
Total assets		170,928
Unpaid losses and loss adjustment expenses		29,287
Unearned premiums		42,649
Senior debt		10,750
Total liabilities		92,459
Total shareholders' equity attributable to Conifer		78,443

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this prospectus, including our financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding whether to invest in our common stock. The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations and growth prospects. In such an event, the market price of our common stock could decline and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Risks Related to Our Business and Industry

The property and casualty insurance business is historically cyclical, and we may experience periods with excess underwriting capacity and unfavorable premium rates, which could adversely affect our business.

Historically, insurers have experienced significant fluctuations in operating results due to competition, frequency and severity of catastrophic events, levels of capacity, adverse trends in litigation, regulatory constraints, general economic conditions and other factors. We have experienced these types of fluctuations during our Company's brief history. The supply of insurance is related to prevailing prices, the level of insured losses and the level of capital available to the industry that, in turn, may fluctuate in response to changes in rates of return on investments being earned in the insurance industry. As a result, the insurance business historically has been a cyclical industry characterized by periods of intense price competition due to excessive underwriting capacity as well as periods when shortages of capacity increased premium levels. Demand for insurance depends on numerous factors, including the frequency and severity of catastrophic events, levels of capacity, the introduction of new capital providers, and general economic conditions. All of these factors fluctuate and may contribute to price declines generally in the insurance industry.

We cannot predict with certainty whether market conditions will improve, remain constant or deteriorate. Negative market conditions may impair our ability to underwrite insurance at rates we consider appropriate and commensurate relative to the risk assumed. If we cannot underwrite insurance at appropriate rates, our ability to transact business will be materially and adversely affected. Any of these factors could lead to an adverse effect on our business, financial condition and results of operations.

We may be unable to obtain reinsurance coverage at reasonable prices or on terms that provide us adequate protection.

We purchase reinsurance in many of our lines of business to help manage our exposure to insurance risks that we underwrite and to reduce volatility in our results.

The availability and cost of reinsurance are subject to prevailing market conditions, both in terms of price and available capacity, each of which can affect our business volume and profitability. The availability of reasonably affordable reinsurance is a critical element of our business plan. One important way we utilize reinsurance is to reduce volatility in claims payments by limiting our exposure to losses from large risks. Another way we use reinsurance is to purchase substantial protection against concentrated losses when we enter new markets. As a result, our ability to manage volatility and avoid significant losses, expand into new markets or grow by offering insurance to new kinds of enterprises may be limited by the unavailability of reasonably priced reinsurance. We may not be able to obtain reinsurance on acceptable terms or from entities with satisfactory creditworthiness. In such event, if we are unwilling to accept the terms or credit risk of potential reinsurers, we would have to reduce the level of our underwriting commitments, which would reduce our revenues.

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Many reinsurance companies have begun to exclude certain coverages from, or alter terms in, the reinsurance contracts we enter into with them. Some exclusions relate to risks that we cannot in turn exclude from the policies we write due to business or regulatory constraints. In addition, reinsurers are imposing terms, such as lower per occurrence and aggregate limits, on direct insurers that do not wholly cover the risks written by these direct insurers. As a result, we, like other direct insurance companies, write insurance policies which to some extent do not have the benefit of reinsurance protection. These gaps in reinsurance protection expose us to greater risk and greater potential losses. For example, certain reinsurers have excluded coverage for terrorist acts or priced such coverage at unreasonably high rates. See also "Business Purchase of Reinsurance."

Severe weather conditions and other catastrophes may result in an increase in the number and amount of claims we incur.

Our property insurance business is exposed to the risk of severe weather conditions and other catastrophes. Catastrophes can be caused by various events, including natural events such as hurricanes, winter weather, tornadoes, windstorms, earthquakes, hailstorms, severe thunderstorms and fires and other events such as explosions or riots. For example, while previously profitable, our Midwest homeowners line incurred significant underwriting losses in 2014 and 2013 due to the extreme cold weather experienced across the nation in these winters and significant hailstorms in 2014. Also, because we are increasing the amount of homeowners insurance that we write in Florida, Hawaii and Texas and other catastrophe exposed states, we have become subject to greater risk due to hurricanes and other tropical storms.

The incidence and severity of catastrophes and severe weather conditions are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Insurance companies are not permitted to reserve for a catastrophe until it has occurred. Severe weather conditions and catastrophes can cause losses in our property lines and generally result in both an increase in the number of claims incurred and an increase in the dollar amount of each claim asserted, which might require us to increase our reserves and cause our liquidity and financial condition to deteriorate. In addition, our inability to obtain reinsurance coverage at reasonable rates and in amounts adequate to mitigate the risks associated with severe weather conditions and other catastrophes could have a material adverse effect on our business and results of operation.

A decline in our financial strength rating may result in a reduction of new or renewal business.

Participants in the insurance industry use ratings from independent ratings agencies, such as A.M. Best Company, Inc. ("A.M. Best") and Demotech, Inc. ("Demotech"), as an important means of assessing the financial strength and quality of insurers. In setting their ratings, both A.M. Best and Demotech utilize a quantitative and qualitative analysis of a company's balance sheet strength, operating performance and business profile. These analyses include comparisons to peers and industry standards as well as assessments of operating plans, philosophy and management. For A.M. Best, the ratings range from A++, or superior, to F for in liquidation. Demotech's ratings range from "A" (unsurpassed) to M (moderate). As of the date of this prospectus, A.M. Best has assigned financial strength ratings of B++ to CIC (the fifth highest rating level out of sixteen rating levels) and B+ for WPIC (the sixth highest out of sixteen). ACIC is not currently rated by A.M. Best. A rating of B++ for CIC and a rating of B+ for WPIC means A.M. Best considers both companies to have a "good" ability to meet their ongoing insurance obligations, i.e., to pay claims. Each of CIC, WPIC and ACIC are rated "A" by Demotech (the third highest rating level out of six rating levels) as of the date of this prospectus. A financial stability rating of "A" from Demotech indicates "exceptional" financial stability related to maintaining surplus at an acceptable level.

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A.M. Best and Demotech assign ratings that are intended to provide an independent opinion of an insurance company's ability to meet its obligations to policyholders and such ratings are not evaluations directed to investors. A.M. Best and Demotech periodically review our ratings and may revise them downward or revoke them at their sole discretion based primarily on their analyses of our balance sheet strength (including capital adequacy and loss and loss adjustment expense reserve adequacy), operating performance and business profile. Factors that could affect such analyses include but are not limited to:

- if we change our business practices from our organizational business plan in a manner that no longer supports A.M. Best's or Demotech's rating;
- if unfavorable financial, regulatory or market trends affect us, including excess market capacity;
- if our losses exceed our loss reserves;
- if we have unresolved issues with government regulators;
- if we are unable to retain our senior management or other key personnel;
- if our investment portfolio incurs significant losses; or
- if A.M. Best or Demotech alters its capital adequacy assessment methodology in a manner that would adversely affect our rating.

These and other factors could result in a downgrade of our rating. A downgrade of our rating could cause our current and future agents, retail brokers and insureds to choose other, more highly-rated competitors. A downgrade of this rating could also increase the cost or reduce the availability of reinsurance to us.

In addition, in view of the earnings and capital pressures recently experienced by many financial institutions, including insurance companies, it is possible that rating organizations will heighten the level of scrutiny that they apply to such institutions, will increase the frequency and scope of their credit reviews, will request additional information from the companies that they rate and may increase the capital and other requirements employed in the rating organizations' models for maintenance of certain ratings levels. It is possible that such reviews of us may result in adverse ratings consequences, which could have a material adverse effect on our financial condition and results of operations. A downgrade or withdrawal of any rating could severely limit or prevent us from writing new and renewal insurance contracts. A downgrade of our rating by A.M. Best could also have adverse consequences under our credit agreement.

We may not be able to manage our growth effectively.

We intend to grow our business in the future, which could require additional capital, systems development and skilled personnel. We cannot assure you that we will be able to locate profitable business opportunities, meet our capital needs, expand our systems and our internal controls effectively, allocate our human resources optimally, identify qualified employees or agents or incorporate effectively the components of any businesses we may acquire in our effort to achieve growth. The failure to manage our growth effectively and maintain underwriting discipline could have a material adverse effect on our business, financial condition and results of operations.

Our investment portfolio is subject to significant market and credit risks, which could result in an adverse impact on our financial condition or results of operations.

Our results of operations depend, in part, on the performance of our investment portfolio. We seek to hold a diversified portfolio of investments that is managed by professional investment advisory management firms in accordance with our investment policy and routinely reviewed by our Investment

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Committee. However, our investments are subject to general economic conditions and market risks as well as risks inherent to particular securities.

Our primary market risk exposures are to changes in interest rates and equity prices. See "Quantitative and Qualitative Disclosures About Market Risk." As of December 31, 2014 our tax equivalent book yield for our fixed income portfolio was 1.91%. For 2014, our dollar weighted average tax equivalent book yield on our fixed income portfolio was 1.97%. In recent years, interest rates have been at or near historic lows. A protracted low interest rate environment would continue to place pressure on net investment income, particularly related to fixed income securities and short-term investments, which, in turn, may adversely affect our operating results. Our investment portfolio consists primarily of (i) U.S. federal, state and local government bonds, (ii) asset-backed, mortgage-backed and corporate obligation securities and (iii) equity securities. Future increases in interest rates could cause the values of our fixed income securities portfolios to decline, with the magnitude of the decline depending on the duration of our portfolio and the amount by which interest rates increase. Some fixed income securities have call or prepayment options, which represent possible reinvestment risk in declining rate environments. Other fixed income securities such as mortgage-backed and asset-backed securities carry prepayment risk or, in a rising interest rate environment, may not pre-pay as quickly as expected. In addition, individual securities in our fixed income securities portfolio are subject to credit risk and default. Downgrades in the credit ratings of fixed maturities can have a significant negative effect on the market valuation of such securities.

In the event of another financial crisis, such as experienced in 2008 and 2009, we could incur substantial realized and unrealized investment losses in future periods, which would have an adverse impact on our financial condition, results of operations, debt and financial strength ratings, insurance subsidiaries' capital liquidity and ability to access capital markets.

The value of our investment portfolio is subject to the risk that certain investments may default or become impaired due to deterioration in the financial condition of one or more issuers of the securities held, or due to deterioration in the financial condition of an insurer that guarantees an issuer's payments of such investments. Such defaults and impairments could reduce our net investment income and result in realized investment losses.

We also invest in equity securities. These securities are carried on the balance sheet at fair market value and are subject to potential losses and declines in market value. Our equity invested assets totaled just over $4 million at December 31, 2014. These investments were designed to provide diversification of risk and enhance the return on the overall portfolio.

Risks for all types of securities are managed through application of our investment policy, which establishes investment parameters that include but are not limited to maximum percentages of investment in certain types of securities and minimum levels of credit quality, which we believe are within guidelines established by the National Association of Insurance Commissioners ("NAIC") and various state insurance departments, as applicable.

Although we seek to preserve our capital, we cannot be certain that our investment objectives will be achieved, and results may vary substantially over time. In addition, although we seek to employ investment strategies that are not correlated with our insurance exposures, losses in our investment portfolio may occur at the same time as underwriting losses and, therefore, exacerbate the adverse effect of the losses on us.

We operate in a highly competitive environment and we may not continue to be able to compete effectively against larger or more well-established business rivals.

We face competition from other insurance companies, including both specialty and standard insurance companies and underwriting agencies, as well as from diversified financial services companies

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that are larger than we are and that have greater financial, marketing and other resources than we do. Some of these competitors also have longer experience and more market recognition than we do in certain lines of business.

In particular, competition in the insurance industry is based on many factors, including price of coverage, the general reputation and perceived financial strength of the company, relationships with brokers, terms and conditions of products offered, ratings assigned by independent rating agencies, speed of claims payment and reputation, and the experience and reputation of the members of our underwriting team in the particular lines of insurance we seek to underwrite. See "Business Competition."

A number of new, proposed or potential legislative or industry developments could further increase competition in our industry. These developments include:

- An increase in capital-raising by companies in our lines of business, which could result in new entrants to our markets and an excess of capital in the industry;
- The deregulation of commercial insurance lines in certain states and the possibility of federal regulatory reform of the insurance industry, which could increase competition from standard carriers for our E&S lines of insurance business; and
- Changing practices caused by the Internet may lead to greater competition in the insurance business. Among the possible changes are shifts in the way in which admitted and E&S insurance is purchased. If our distribution model was to be significantly altered by changes in the way admitted and E&S risks were marketed, including, without limitation, through use of the Internet, it could have a material adverse effect on our premiums, underwriting results and profits.

There is no assurance that we will be able to continue to compete successfully in the insurance market. Increased competition in our market could result in a change in the supply and/or demand for insurance, affect our ability to price our products at risk-adequate rates and retain existing business, or underwrite new business on favorable terms. If this increased competition so limits our ability to transact business, our operating results could be adversely affected.

Our actual incurred losses may be greater than our loss and loss adjustment expense reserves, which could have a material adverse effect on our financial condition and results of operations.

Our financial condition and results of operations depend upon our ability to assess accurately the potential losses and loss adjustment expenses under the terms of the insurance policies we underwrite. Reserves do not represent an exact calculation of liability. Rather, reserves represent an estimate of what we expect the ultimate settlement and administration of claims will cost us, and our ultimate liability may be greater or less than our current estimate. These estimates are based on our assessment of facts and circumstances then known, as well as estimates of future trends in claim severity, claim frequency, judicial theories of liability and other factors. These variables are affected by both internal and external events that could increase our exposure to losses, including changes in actuarial projections, claims handling procedures, inflation, severe weather, climate change, economic and judicial trends, and legislative changes. We continually monitor reserves using new information on reported claims and a variety of statistical techniques to update our current estimate.

In the insurance industry, there is always the risk that reserves may prove inadequate. It is possible for insurance companies to underestimate the cost of claims. Our estimates could prove to be low, and this underestimation could have a material adverse effect on our financial strength.

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Among the uncertainties we encounter in establishing our reserves for losses and related expenses in connection with our insurance businesses are:

- When we write "occurrence" policies, we are obligated to pay covered claims, up to the contractually agreed amount, for any covered loss that occurs while the policy is in force. Accordingly, claims may arise many years after a policy has lapsed.

- Even when a claim is received (irrespective of whether the policy is a "claims made" or "occurrence" basis form), it may take considerable time to fully appreciate the extent of the covered loss suffered by the insured and, consequently, estimates of loss associated with specific claims can increase over time.

- New theories of liability are enforced retroactively from time to time by courts. See also " The effect of emerging claim and coverage issues on our business is uncertain."

- Volatility in the financial markets, economic events, weather events and other external factors may result in an increase in the number of claims and the severity of the claims reported. In addition, elevated inflationary conditions would, among other things, drive loss costs to increase.

- If claims became more frequent, even if we had no liability for those claims, the cost of evaluating these potential claims could escalate beyond the amount of the reserves we have established. If we enter new lines of business, or as a result of new theories of claims, we may encounter an increase in claims frequency and greater claims handling costs than we had anticipated.

- Estimation of incurred but not reported ("IBNR") losses is a complex and inherently uncertain process which involves a considerable degree of judgment and expertise, which adds to the overall difficulty of estimating loss reserves.

If any of our insurance reserves should prove to be inadequate for the reasons discussed above, or for any other reason, we will be required to increase reserves, resulting in a reduction in our net income and shareholders' equity in the period in which the deficiency is identified. Future loss experience substantially in excess of established reserves could also have a material adverse effect on future earnings and liquidity and financial rating, which would affect our ability to attract business and could affect our ability to retain or hire qualified personnel.

Our risk management is based on estimates and judgments that are subject to significant uncertainties.

Our approach to risk management relies on subjective variables that entail significant uncertainties. For example, we rely heavily on estimates of probable maximum losses for certain events that are generated by computer-run models. In addition, we rely on historical data and scenarios in managing credit and interest rate risks in our investment portfolio. These estimates, models, data and scenarios may not produce accurate predictions and consequently, we could incur losses both in the risks we underwrite and to the value of our investment portfolio.

Small changes in assumptions, which depend heavily on our judgment and foresight, can have a significant impact on the modeled outputs. Although we believe that these probabilistic measures provide a meaningful indicator of the relative risk of certain events and changes to our business overtime, these measures do not predict our actual exposure to, nor guarantee our successful management of, future losses that could have a material adverse effect on our financial condition and results of operations.

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Any debt service obligations will reduce the funds available for other business purposes, and the terms and covenants relating to our current and future indebtedness could adversely impact our financial performance and liquidity.

As of March 31, 2015, we had an aggregate amount of $28.2 million outstanding under our revolving line of credit and our two term loans, combined. To the extent we incur additional debt in the future for acquisitions, capital expenditures, working capital or otherwise, we will be subject to risks typically associated with debt financing, such as insufficient cash flow to meet required debt service payment obligations and the inability to refinance existing indebtedness. Our credit facility consists of a $17.5 million revolving note (the "Revolver"), which matures August 1, 2016, and two term notes of $7.5 million (the "2014 Term Note") and $5.0 million (the "Original Term Note"). The 2014 Term Note matures September 29, 2019 and the Original Term Note matures July 1, 2018. The interest rate on the Revolver and the Original Term Note at March 31, 2015 was LIBOR (as defined in the credit facility) plus 2.75%. The interest rate on the 2014 Term Note is LIBOR plus 3.25%. At March 31, 2015, we had $17.5 million of borrowings outstanding under the Revolver and had $38,000 of additional borrowing availability under the Revolver.

The Credit Facility contains various restrictive covenants that relate to the Company's shareholders' equity, premiums-to-capital and surplus ratios, fixed-charge coverage ratio, and certain other metrics such as risk-based capital ratios. Certain of the Company's insurance company subsidiaries are also required to maintain minimum A.M. Best ratings.

At December 31, 2014, the Company was in compliance with all of its Credit Facility covenants except as follows: the Company's chairman's ownership fell below the required 50% to 45.6%, the debt service coverage ratio fell below 1.20-to-1.0 to 1.09-to-1.0, the Company's tangible net worth was below the covenant minimum by $800,000 and certain other metrics fell outside a required range.

The Company received waivers for these covenant breaches as of December 31, 2014. The Company expects to meet the debt covenant requirements going forward based upon a combination of amendments to the Credit Facility, effective May 4, 2015, the modification we made to the terms of the preferred stock, effective March 2015 (which requires the preferred stock to be classified as equity for the tangible net worth covenant, see Note 23 to the audited consolidated financial statements included in this prospectus) and improved cash flows from operations. However, if we are unable to meet debt covenant requirements or to obtain future waivers regarding such failures, we could be in breach of our credit agreement. Any such breach could cause significant disruption to our operations, including a requirement to immediately repay our indebtedness, and would have severe adverse effects on our liquidity and financial flexibility.

If we are unable to retain key management and employees or recruit other qualified personnel, we may be adversely affected.

We believe that our future success depends, in large part, on our ability to retain our experienced management team and key employees, particularly our chairman and chief executive officer, James G. Petcoff. There can be no assurance that we can attract and retain the necessary employees to conduct our business activities on a timely basis or at all. Our competitors may offer more favorable compensation arrangements to our key management or employees to incentivize them to leave our Company. Furthermore, our competitors may make it more difficult for us to hire their personnel by offering excessive compensation arrangements to certain employees to induce them not to leave their current employment and bringing litigation against employees who do leave (and possibly us as well) to join us. We do not have employment agreements with any of our executive officers or employees. The loss of any of our executive officers or other key personnel, or our inability to recruit and retain additional qualified personnel as we grow, could materially and adversely affect our business and results of operations, and could prevent us from fully implementing our growth strategies.

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Adverse economic factors, including recession, inflation, periods of high unemployment or lower economic activity could result in the sale of fewer policies than expected or an increase infrequency or severity of claims and premium defaults or both, which, in turn, could affect our growth and profitability.

Factors, such as business revenue, economic conditions, the volatility and strength of the capital markets and inflation can all affect the business and economic environment in which we operate. These same factors affect our ability to generate revenue and profits. In an economic downturn that is characterized by higher unemployment, declining spending and reduced corporate revenues, the demand for insurance products is adversely affected, which directly affects our premium levels and profitability. Negative economic factors may also affect our ability to receive the appropriate rate for the risk we insure with our policyholders and may adversely affect the number of policies we can write, including with respect to our opportunities to underwrite profitable business. In an economic downturn, our customers may have less need for insurance coverage, cancel existing insurance policies, modify their coverage or not renew with us. Existing policyholders may exaggerate or even falsify claims to obtain higher claims payments. These outcomes would reduce our underwriting profit to the extent these factors are not reflected in the rates we charge.

We distribute our insurance products through a select group of agents, several of which account for a significant portion of our business, and there can be no assurance that such relationships will continue, or if they do continue, that the relationship will be on favorable terms to us. In addition, reliance on agents subjects us to their credit risk.

Our distribution model depends almost entirely on the agencies that distribute our products. In 2014, three select agencies accounted for approximately 48% of our gross written premiums in our personal lines, and four select agencies accounted for approximately 30% of our gross written premiums in our commercial lines. We cannot assure you that these relationships, or our relationships with any of our agencies will continue. Even if the relationships do continue, they may not be on terms that are profitable for us. The termination of a relationship with one or more significant agents could result in lower direct written premiums and could have a material adverse effect on our results of operations or business prospects.

Certain premiums from policyholders, where the business is produced by agents, are collected directly by the agents and forwarded to our insurance subsidiaries. In certain jurisdictions, when the insured pays its policy premium to these agents for payment on behalf of our insurance subsidiaries, the premiums might be considered to have been paid under applicable insurance laws and regulations. Accordingly, the insured would no longer be liable to us for those amounts, whether or not we have actually received the premiums from that agent. Consequently, we assume a degree of credit risk associated with agents. Where necessary, we review the financial condition of potential new agents before we agree to transact business with them. Although failures by agents to remit premiums have not been material to date, there may be instances where agents collect premiums but do not remit them to us and we may be required under applicable law to provide the coverage set forth in the policy despite the absence of premiums.

Because the possibility of these events depends in large part upon the financial condition and internal operations of our agents (which in most cases is not public information), we are not able to quantify the exposure presented by this risk. If we are unable to collect premiums from agents in the future, underwriting profits may decline and our financial condition and results of operations could be materially and adversely affected.

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We are subject to extensive regulation, which may adversely affect our ability to achieve our business objectives. In addition, if we fail to comply with these regulations, we may be subject to penalties, including fines and suspensions, which may adversely affect our financial condition and results of operations.

Our admitted insurance subsidiaries are subject to extensive regulation, primarily by Michigan (the domiciliary state for CIC and WPIC), Florida (the domiciliary state for American Colonial Insurance Company ("ACIC")), and to a lesser degree, the other jurisdictions in which we operate. Most insurance regulations are designed to protect the interests of insurance policyholders, as opposed to the interests of shareholders. These regulations generally are administered by a department of insurance in each state and relate to, among other things, authorizations to write certain lines of business, capital and surplus requirements, reserve requirements, rate and form approvals, investment and underwriting limitations, affiliate transactions, dividend limitations, cancellation and non-renewal of policies, changes in control, solvency and a variety of other financial and non-financial aspects of our business. These laws and regulations are regularly re-examined and any changes in these laws and regulations or new laws may be more restrictive, could make it more expensive to conduct business or otherwise adversely affect our operations. State insurance departments also conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports relating to financial condition, holding company issues and other matters. These regulatory requirements may impose timing and expense or other constraints that could adversely affect our ability to achieve some or all of our business objectives.

In addition, regulatory authorities have broad discretion to deny or revoke licenses for various reasons, including the violation of regulations. In some instances, where there is uncertainty as to applicability, we follow practices based on our interpretations of regulations or practices that we believe are generally followed by the industry. These practices may turn out to be different from the interpretations of regulatory authorities. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us. This could adversely affect our ability to operate our business.

Virtually all states require insurers licensed to do business in that state to bear a portion of the loss suffered by some insureds as the result of impaired or insolvent insurance companies or to bear a portion of the cost of insurance for high-risk or uninsured individuals. Depending on state law, insurers can be assessed up to 2% of premium written for the relevant line of insurance in that state. In addition, states have from time to time passed legislation that has the effect of limiting the ability of insurers to manage catastrophe risk, such as legislation limiting insurers' ability to increase rates and prohibiting insurers from withdrawing from catastrophe-exposed areas. The effect of these arrangements could materially adversely affect our results of operations.

The admitted market is subject to more state regulation than the E&S market, particularly with regard to rate and form filing requirements, restrictions on the ability to exit lines of business, premium tax payments and membership in various state associations, such as guaranty funds. Some states have deregulated their commercial insurance markets. We cannot predict the effect that further deregulation would have on our business, financial condition or results of operations.

The NAIC has developed a system to test the adequacy of statutory capital of U.S.-based insurers, known as risk-based capital or "RBC," that many states have adopted. This system establishes the minimum amount of risk-based capital necessary for a company to support its overall business operations. It identifies property-casualty insurers that may be inadequately capitalized by looking at certain inherent risks of each insurer's assets and liabilities and its mix of net written premiums. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action, including supervision, rehabilitation or liquidation. Failure to maintain adequate risk-based capital at the required levels could adversely affect the ability of our insurance subsidiaries to maintain regulatory

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authority to conduct their business. See "Certain Regulatory Considerations Insurance Regulation State Regulation."

In addition, the various state insurance regulators have increased their focus on risks within an insurer's holding company system that may pose enterprise risk to the insurer. In 2012, the NAIC adopted significant changes to the insurance holding company act and regulations (the "NAIC Amendments"). The NAIC Amendments, when adopted by the various states, are designed to respond to perceived gaps in the regulation of insurance holding company systems in the United States. One of the major changes is a requirement that an insurance holding company system's ultimate controlling person submit annually to its lead state insurance regulator an "enterprise risk report" that identifies activities, circumstances or events involving one or more affiliates of an insurer that, if not remedied properly, are likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. Other changes include requiring a controlling person to submit prior notice to its domiciliary insurance regulator of a divestiture of control, having detailed minimum requirements for cost sharing and management agreements between an insurer and its affiliates and expanding of the agreements between an insurer and its affiliates to be filed with its domiciliary insurance regulator. The NAIC Amendments must be adopted by the individual state legislatures and insurance regulators in order to be effective. Each of Michigan and Florida, i.e., our two main domiciliary states for both our CIC and WPIC subsidiaries, include a form of the enterprise risk report requirement.

In 2012, the NAIC also adopted the Risk Management and Own Risk and Solvency Assessment Model Act (the "ORSA Model Act"). The ORSA Model Act, when adopted by the various states, will require an insurance holding company system's Chief Risk Officer to submit annually to its lead state insurance regulator an Own Risk and Solvency Assessment Summary Report ("ORSA"). The ORSA is a confidential internal assessment appropriate to the nature, scale and complexity of an insurer, conducted by that insurer of the material and relevant risks identified by the insurer associated with an insurer's current business plan and the sufficiency of capital resources to support those risks. The ORSA Model Act must be adopted by the individual state legislature and insurance regulators in order to be effective. While Michigan has not formally passed the ORSA requirement, both Michigan and Florida have implemented a form "F" filing requirement that is the initial response to the ORSA Model Act.

We cannot predict the impact, if any, that the NAIC Amendments, compliance with the ORSA Model Act or any other regulatory requirements may have on our business, financial condition or results of operations.

The failure of any of the loss limitations or exclusions we employ, or changes in other claims or coverage issues, could have a material adverse effect on our financial condition or results of operations.

Although we seek to mitigate our loss exposure through a variety of methods, the future is inherently unpredictable. It is difficult to predict the timing, frequency and severity of losses with statistical certainty. It is not possible to completely eliminate our exposure to un-forecasted or unpredictable events and, to the extent that losses from such risks occur, our financial condition and results of operations could be materially adversely affected.

For instance, various provisions of our policies, such as limitations or exclusions from coverage or choice of forum, which have been negotiated to limit our risks, may not be enforceable in the manner we intend. At the present time, we employ a variety of endorsements to our policies that limit exposure to known risks. As industry practices and legal, judicial, social and other conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect our business by either extending coverage beyond the underwriting intent or by increasing the size or number of claims.

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In addition, we design our E&S lines' policy terms to manage our exposure to expanding theories of legal liability like those which have given rise to claims for lead paint, asbestos, mold, construction defects and environmental matters. Many of the policies we issue also include conditions requiring the prompt reporting of claims to us and entitle us to decline coverage in the event of a violation of that condition. Also, many of our policies limit the period during which a policyholder may bring a claim under the policy, which in many cases is shorter than the statutory period under which such claims can be brought against our policyholders. While these exclusions and limitations help us assess and reduce our loss exposure and help eliminate known exposures to certain risks, it is possible that a court or regulatory authority could nullify or void an exclusion or legislation could be enacted modifying or barring the use of such endorsements and limitations. These types of governmental actions could result in higher than anticipated losses and loss adjustment expenses, which could have a material adverse effect on our financial condition or results of operations. In some instances, these changes may not become apparent until sometime after we have issued insurance policies that are affected by the changes. As a result, the full extent of liability under our insurance contracts may not be known for many years after a contract is issued.

We cannot predict the effect, if any, climate change may have on the risks we insure.

Various scientists, environmentalists, international organizations and regulators believe that global climate change has added, and will continue to add, to the unpredictability, frequency and severity of natural disasters (including, but not limited to, hurricanes, tornados, freezes, droughts, other storms and fires) in certain parts of the world including where we underwrite business. In response to this belief, a number of legal and regulatory measures as well as social initiatives have been introduced in an effort to reduce greenhouse gas and other carbon emissions, which may be chief contributors to global climate change. We cannot predict the impact that changing climate conditions, if any, will have on our results of operations or financial condition. Moreover, we cannot predict how legal, regulatory and social responses to concerns about global climate change will impact our business. To the extent climate change does increase the unpredictability, frequency or severity of natural disasters, we may face increased claims, which could have a material adverse effect on our financial position, results of operations and cash flows.

The effect of emerging claim and coverage issues on our business is uncertain.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect our business by either broadening coverage beyond our underwriting intent or by increasing the number or size of claims. In some instances, these changes may not become apparent until sometime after we have issued insurance contracts that are affected by the changes. As a result, the full extent of liability under our insurance contracts may not be known for many years after a contract is issued.

Three examples of unanticipated risks that have affected the overall insurance industry are:

- Apportionment of liability for ground settlement assigned to subcontractors who may have been involved in mundane tasks (such as installing sheetrock in a home).

- Court decisions, such as the 1995 Montrose decision in California that read policy exclusions narrowly so as to expand coverage, thereby requiring insurers to create and write new exclusions.

- Asbestos liability applied to manufacturers of products and contractors who installed those products.

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While not all of these examples have directly affected our business, similarly disruptive unanticipated risks could arise in the select markets in which we compete, and would have a disproportionate and adverse effect on our financial condition and results of operations.

Part of our growth strategy involves expansion into areas with a history of severe catastrophic events, the occurrence of which could have a materially adverse effect on our business, financial condition, and results of operations.

Part of our growth strategy involves expanding our property and casualty lines of business into areas of Hawaii, Florida, and Texas that have historically experienced severe catastrophic events such as hurricanes, tornados, and other severe weather events. While we believe that geographic diversification and disciplined underwriting will mitigate our overall exposure, severe weather events are inherently unpredictable. Contemporaneous or near contemporaneous catastrophic events across these geographies, each of which has a history of severe catastrophic events, would have a materially adverse effect on our business, financial condition, and results of operations.

We may become subject to additional government or market regulation which may have a material adverse impact on our business.

Market disruptions like those experienced during the credit-driven financial market collapse in 2008, as well as the dramatic increase in the capital allocated to alternative asset management during recent years, have led to increased governmental as well as self-regulatory scrutiny of the insurance industry in general. In addition, certain legislation proposing greater regulation of the industry is periodically considered by governing bodies of some jurisdictions, and the credit-driven equity market collapse may increase the likelihood that some increased regulation of the industry is mandated.

Our business could be adversely affected by changes in state laws, including those relating to asset and reserve valuation requirements, surplus requirements, limitations on investments and dividends, enterprise risk and risk-based capital requirements and, at the federal level, by laws and regulations that may affect certain aspects of the insurance industry, including proposals for preemptive federal regulation. The U.S. federal government generally has not directly regulated the insurance industry except for certain areas of the market, such as insurance for flood, nuclear and terrorism risks. However, the federal government has undertaken initiatives or considered legislation in several areas that may affect the insurance industry, including tort reform and corporate governance. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") also established the Federal Insurance Office, which is authorized to study, monitor and report to Congress on the insurance industry and to recommend that the Financial Stability Oversight Council (the "FSOC") designate an insurer as an entity posing risks to U.S. financial stability in the event of the insurer's material financial distress or failure. In December 2013, the Federal Insurance Office issued a report on alternatives to modernize and improve the system of insurance regulation in the United States, including increasing national uniformity through either a federal charter or effective action by the states. Any additional regulations established as a result of the Dodd-Frank Act or actions in response to the Federal Insurance Office Report could increase our costs of compliance or lead to disciplinary action. In addition, legislation has been introduced from time to time that, if enacted, could result in the federal government assuming a more direct role in the regulation of the insurance industry, including federal licensing in addition to or in lieu of state licensing and reinsurance for natural catastrophes. We are unable to predict whether any legislation will be enacted or any regulations will be adopted, or the effect any such developments could have on our business, financial condition or results of operations.

It is impossible to predict what, if any, changes in the regulations applicable to us, the markets in which we operate, trade and invest or the counterparties with which we do business may be instituted in the future. Any such regulation could have a material adverse impact on our business.

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Our operating results have in the past varied from quarter to quarter and may not be indicative of our long-term prospects.

Our operating results are subject to fluctuation and have historically varied from quarter to quarter. We expect our quarterly results to continue to fluctuate in the future due to a number of factors, including the general economic conditions in the markets where we operate, the frequency of occurrence or severity of catastrophic or other insured events, fluctuating interest rates, claims exceeding our loss reserves, competition in our industry, deviations from expected renewal rates of our existing policies and contracts, adverse investment performance and the cost of reinsurance coverage.

In particular, we seek to underwrite products and make investments to achieve favorable returns on common shareholders' equity over the long term. In addition, our opportunistic nature and focus on long-term growth in common shareholders' equity may result in fluctuations in total premiums written from period to period as we concentrate on underwriting contracts that we believe will generate better long-term, rather than short-term, results. Accordingly, our short-term results of operations may not be indicative of our long-term prospects.

We could be forced to sell investments to meet our liquidity requirements.

We invest the premiums we receive from our insureds until they are needed to pay policyholder claims or until they are recognized as profits. Consequently, we seek to manage the duration of our investment portfolio based on the duration of our loss and loss adjustment expense reserves to ensure sufficient liquidity and avoid having to liquidate securities to fund claims. Risks such as inadequate loss and loss adjustment reserves or unfavorable trends in litigation could potentially result in the need to sell investments to fund these liabilities. Such sales could result in significant realized losses depending on the conditions of the general market, interest rates and credit issues with individual securities.

We are subject to credit risk with regard to our reinsurance counterparties.

Although reinsurance makes the assuming reinsurer liable to us to the extent of the risk ceded, we are not relieved of our primary liability to our insureds as the direct insurer. At December 31, 2014, our reinsurance recoverables on paid and unpaid losses and ceded unearned premiums from our three largest reinsurers was $12.6 million in the aggregate. We cannot be sure that our reinsurers will pay all reinsurance claims on a timely basis or at all. For example, reinsurers may default in their financial obligations to us as the result of insolvency, lack of liquidity, operational failure, fraud, asserted defenses based on agreement wordings or the principle of utmost good faith, asserted deficiencies in the documentation of agreements or other reasons. The failure of a reinsurer to pay us does not lessen our contractual obligations to insureds. If a reinsurer fails to pay the expected portion of a claim or claims, our net losses might increase substantially and adversely affect our financial condition. Any disputes with reinsurers regarding coverage under reinsurance contracts could be time-consuming, costly and uncertain of success.

Downgrades to the credit ratings of our reinsurance counterparties may result in the reduction of rating agency capital credit provided by those reinsurance contracts and could, therefore, result in a downgrade of our own credit ratings. We evaluate each reinsurance claim based on the facts of the case, historical experience with the reinsurer on similar claims and existing case law and include any amounts deemed uncollectible from the reinsurer in our reserve for uncollectible reinsurance. See also "Business Purchase of Reinsurance."

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We, or agents we have appointed, may act based on inaccurate or incomplete information regarding the accounts we underwrite, or such agents may exceed their authority or commit fraud when binding policies on our behalf.

We, and our very select few managing general agencies and other agents who have the ability to bind our policies, rely on information provided by insureds or their representatives when underwriting insurance policies. While we may make inquiries to validate or supplement the information provided, we may make underwriting decisions based on incorrect or incomplete information. It is possible that we will misunderstand the nature or extent of the activities or facilities and the corresponding extent of the risks that we insure because of our reliance on inadequate or inaccurate information. If any such agents exceed their authority or engage in fraudulent activities, our financial condition and results of operations could be adversely affected.

Our associates could take excessive risks, which could negatively affect our financial condition and business.

As an insurance enterprise, we are in the business of binding certain risks. The associates who conduct our business, including executive officers and other members of management, underwriters, sales managers, investment professionals, product managers, sales agents, and other associates do so in part by making decisions and choices that involve exposing us to risk. These include decisions such as setting underwriting guidelines and standards, product design and pricing, determining which business opportunities to pursue and other decisions. We endeavor, in the design and implementation of our compensation programs and practices, to avoid giving our associates incentives to take excessive risks. Associates may, however, take such risks regardless of the structure of our compensation programs and practices. Similarly, although we employ controls and procedures designed to monitor associates' business decisions and prevent us from taking excessive risks, these controls and procedures may not be effective. If our associates take excessive risks, the impact of those risks could have a material adverse effect on our financial condition and business operations.

We may require additional capital in the future, which may not be available or available only on unfavorable terms.

Our future capital requirements depend on many factors, including our ability to write new and renewal business successfully and to establish premium rates and reserves at levels sufficient to cover losses. Our ability to underwrite depends largely upon the expected quality of our claims paying process and our perceived financial strength as estimated by potential insureds, agents, brokers, other intermediaries and independent rating agencies. To the extent that our existing capital is insufficient to fund our future operating requirements, cover claim losses, or satisfy ratings agencies in order to maintain a satisfactory rating, we may need to raise additional capital in the future through offerings of debt or equity securities or otherwise to:

- fund liquidity needs caused by underwriting or investment losses;
- replace capital lost in the event of significant reinsurance losses or adverse reserve developments;
- satisfy letters of credit or guarantee bond requirements that may be imposed by our clients or by regulators;
- meet rating agency or regulatory capital requirements; or
- respond to competitive pressures.

Any equity or debt financing, if available at all, may be on terms that are unfavorable to us. Further, any additional capital raised through the sale of equity could dilute your ownership interest in

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the Company and may cause the value of our shares to decline. Additional capital raised through the issuance of debt may result in creditors having rights, preferences and privileges senior or otherwise superior to those of the holders of our shares and may limit our flexibility in operating our business and make it more difficult to obtain capital in the future. Disruptions, uncertainty, or volatility in the capital and credit markets may also limit our access to capital required to operate our business. If we are not able to obtain adequate capital, our business, financial condition and results of operations could be materially adversely affected.

We rely on our systems and employees, and those of certain third-party vendors and service providers in conducting our operations, and certain failures, including internal or external fraud, operational errors, systems malfunctions, or cyber-security incidents, could materially adversely affect our operations.

We are exposed to many types of operational risk, including the risk of fraud by employees and outsiders, clerical and recordkeeping errors and computer or telecommunications systems malfunctions. Our business depends on our ability to process a large number of increasingly complex transactions. If any of our operational, accounting, or other data processing systems fail or have other significant shortcomings, we could be materially adversely affected. Similarly, we depend on our employees. We could be materially adversely affected if one or more of our employees cause a significant operational breakdown or failure, either as a result of human error or intentional sabotage or fraudulent manipulation of our operations or systems.

Third parties with whom we do business, including vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns, failures, or capacity constraints of their own systems or employees. Any of these occurrences could diminish our ability to operate our business, or cause financial loss, potential liability to insureds, inability to secure insurance, reputational damage or regulatory intervention, which could materially adversely affect us.

We rely mainly on operating systems of third-party providers to issue policies, pay claims, and complete various internal processes. We may be subject to disruptions of such operating systems arising from events that are wholly or partially beyond our control, which may include, for example, electrical or telecommunications outages, natural or man-made disasters, such as earthquakes, hurricanes, floods or tornados, or events arising from terrorist acts. Such disruptions may give rise to losses in service to insureds and loss or liability to us. In addition, there is the risk that our controls and procedures as well as our business continuity, disaster recovery and data security systems prove to be inadequate. The computer systems and network systems we and others use could be vulnerable to unforeseen problems. These problems may arise in both our internally developed systems and the systems of third-party service providers. In addition, our computer systems and network infrastructure present security risks and could be susceptible to hacking, computer viruses or data breaches. Any such failure could affect our operations and could materially adversely affect our results of operations by requiring us to expend significant resources to correct the defect, as well as by exposing us to litigation or losses not covered by insurance. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems and those of third-party service providers that support our business.

Our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. Our technologies, systems and networks may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our insureds' confidential, proprietary and other information, or otherwise disrupt our or our insureds' or other third parties' business operations, which in turn may result in legal claims, regulatory scrutiny and liability, reputational damage, the incurrence of costs to eliminate or mitigate further exposure and the loss of customers. Although to date we have not experienced any material losses relating to cyber-attacks or other information security

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breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats and the outsourcing of some of our business operations. As a result, cyber-security and the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber-threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Disruptions or failures in the physical infrastructure or operating systems that support our business and customers, or cyber-attacks or security breaches of the networks, systems or devices that our customers use to access our products and services could result in customer attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our financial condition or results of operations.

If we are unable to underwrite risks accurately and charge competitive yet profitable rates to our policyholders, our business, financial condition and results of operations will be adversely affected.

In general, the premiums for our insurance policies are established at the time a policy is issued and, therefore, before all of our underlying costs are known. Like other insurance companies, we rely on estimates and assumptions in setting our premium rates. Establishing adequate premium rates is necessary, together with investment income, to generate sufficient revenue to offset losses, loss adjustment expenses ("LAE") and other underwriting costs and to earn a profit. If we do not accurately assess the risks that we assume, we may not charge adequate premiums to cover our losses and expenses, which would adversely affect our results of operations and our profitability. Alternatively, we could set our premiums too high, which could reduce our competitiveness and lead to lower revenues.

Pricing involves the acquisition and analysis of historical loss data and the projection of future trends, loss costs and expenses, and inflation trends, among other factors, for each of our products in multiple risk tiers and many different markets. In order to accurately price our policies, we:

- collect and properly analyze a substantial volume of data from our insureds;
- develop, test and apply appropriate actuarial projections and rating formulas;
- closely monitor and timely recognize changes in trends; and
- project both frequency and severity of our insureds' losses with reasonable accuracy.

We seek to implement our pricing accurately in accordance with our assumptions. Our ability to undertake these efforts successfully and, as a result, accurately price our policies, is subject to a number of risks and uncertainties, including:

- insufficient or unreliable data;
- incorrect or incomplete analysis of available data;
- uncertainties generally inherent in estimates and assumptions;
- our failure to implement appropriate actuarial projections and rating formulas or other pricing methodologies;
- regulatory constraints on rate increases; and

our failure to accurately estimate investment yields and the duration of our liability for loss and loss adjustment expenses; and unanticipated court decisions, legislation or regulatory action.

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If actual renewals of our existing contracts do not meet expectations, our premiums written in future years and our future results of operations could be materially adversely affected.

The majority of our contracts are written for a one-year term. In our financial forecasting process, we make assumptions about the renewal of our prior year's contracts. The insurance industry has historically been a cyclical business with intense competition, often based on price. If actual renewals do not meet expectations or if we choose not to write a renewal because of pricing conditions, our premiums written in future years and our future operations would be materially adversely affected.

We may change our underwriting guidelines or our strategy without shareholder approval.

Our management has the authority to change our underwriting guidelines or our strategy without notice to our shareholders and without shareholder approval. As a result, we may make fundamental changes to our operations without shareholder approval, which could result in our pursuing a strategy or implementing underwriting guidelines that may be materially different from the strategy or underwriting guidelines described in the section titled "Business" or elsewhere in this prospectus.

Litigation and legal proceedings against our subsidiaries could have a material adverse effect on our business, financial condition and/or results of operations.

As an insurance holding company, our subsidiaries are named as defendants in various legal actions in the ordinary course of business. We believe that the outcome of presently pending matters, individually and in the aggregate, will not have a material adverse effect on our consolidated financial position, operating results or liquidity. However, the outcomes of lawsuits cannot be predicted and, if determined adversely, could require us to pay significant damage amounts or to change aspects of our operations, which could have a material adverse effect on our financial results.

Changes in accounting practices and future pronouncements may materially affect our reported financial results.

Developments in accounting practices may require us to incur considerable additional expenses to comply, particularly if we are required to prepare information relating to prior periods for comparative purposes or to apply the new requirements retroactively. The impact of changes in current accounting practices and future pronouncements cannot be predicted but may affect the calculation of net income, shareholders' equity and other relevant financial statement line items.

In particular, the U.S. Financial Accounting Standards Board (the "FASB") and the International Accounting Standards Board (the "IASB" and together with the FASB, the "Boards") continue to work jointly on an insurance contract project, although the Boards acknowledge that the resulting standards will not converge. The Boards both issued proposals during 2013 regarding accounting and reporting updates and guidance for insurance contracts which could result in a material change from the current insurance accounting models towards more fair value-based models. The FASB decided that the core accounting framework will remain essentially unchanged for property-casualty insurers, although the required financial statements disclosures will be enhanced.

Additionally, the Boards continue to develop a comprehensive model for accounting and reporting of financial instruments, which may lead to further recognition of fair value changes through net income and changes in the way impairments are measured. Changes resulting from these two projects could have a significant impact on the earnings of insurance industry participants. There remains uncertainty with respect to the final outcome of these two projects.

Further, our U.S. insurance subsidiaries are required to comply with statutory accounting principles ("SAP"). SAP and various components of SAP (such as actuarial reserving methodology) are subject to constant review by the NAIC and its task forces and committees, as well as state insurance

departments, in an effort to address emerging issues and otherwise improve financial reporting. Various proposals are pending before committees and task forces of the NAIC, some of which, if enacted, could have negative effects on insurance industry participants. The NAIC continuously examines existing laws and regulations in the United States. We cannot predict whether or in what form such reforms will be enacted and, if so, whether the enacted reforms will positively or negatively affect us.

In addition, the NAIC Accounting Practices and Procedures manual provides that state insurance departments may permit insurance companies domiciled in their jurisdiction to depart from SAP by granting them permitted accounting practices. We cannot predict whether or when the insurance departments of the states of domicile of our competitors may permit them to utilize advantageous accounting practices that depart from SAP, the use of which may not be permitted by the insurance departments of the states of domicile of our U.S. insurance subsidiaries. We can give no assurance that future changes to SAP or components of SAP or the grant of permitted accounting practices to our competitors will not have a negative impact on us.

If Michigan or Florida significantly increases the assessments our insurance companies are required to pay, our financial condition and results of operations will suffer.

Our insurance companies are subject to assessments in Michigan (the domiciliary state for CIC and WPIC) or Florida (the domiciliary state for ACIC) for various purposes, including the provision of funds necessary to fund the operations of the various insurance departments and the state funds that pay covered claims under certain policies written by impaired, insolvent or failed insurance companies. These assessments are generally set based on an insurer's percentage of the total premiums written in the insurer's state within a particular line of business. As our insurance subsidiaries grow, our share of any potential assessments may increase. We cannot predict with certainty the amount of future assessments because they depend on factors outside our control, such as insolvencies of other insurance companies. Significant assessments could result in higher than expected operating expenses and have an adverse effect on our financial condition or results of operations.

Our use of third-party claims administrators in certain lines of business may result in higher losses and loss adjustment expenses.

Since the beginning of our operations in 2009, we have handled all claims using employed staff, including in-house attorneys with litigation experience. As we grow and enter new lines of business, we may use third-party claims administrators and contract employees to administer claims subject to the supervision of our in-house counsel to supplement our internal claims personnel from time to time. It is possible that these contract employees and third-party claims administrators may achieve less desirable results on claims than has historically been the case for our internal counsel, which could result in significantly higher losses and loss adjustment expenses in those lines of business.

Risks Related to Our Initial Public Offering and Ownership of Our Common Stock

There is no existing market for our common stock and we do not know if one will develop. This could impede your ability to sell your shares or depress the market price of our common stock.

Prior to this offering, there was no public market for shares of our common stock. We cannot predict the extent to which investor interest in our common stock will lead to the development of an active trading market on the NASDAQ Global Market or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. The initial public offering price will be determined through negotiations between us and the representatives of our underwriters and might bear no relationship to the price at which our common stock will trade following the completion of this offering. Consequently, you may not be able to sell our common stock at prices equal to or greater than the price you paid in this offering or at all.

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The price of our common stock may fluctuate significantly and you could lose all or part of your investment.

The trading price of our common stock following this offering is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control, including, without limitation:

- the occurrence of severe weather conditions and other catastrophes;
- our operating and financial performance relative to similar companies;
- publication of research reports or news stories about us, our competitors, or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- announcements by us or our competitors of acquisitions, business plans, or commercial relationships;
- any major change in our board of directors or senior management;
- sales of our common stock by us, our directors, executive officers and principal shareholders;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- short sales, hedging, and other derivative transactions in our common stock;
- the market's reaction to our reduced disclosure as a result of being an emerging growth company under the JOBS Act;
- our quarterly or annual earnings or those of other companies in our industry;
- exposure to capital market risks related to changes in interest rates, realized investment losses, credit spreads, equity prices, foreign exchange rates and performance of insurance-linked investments;
- our creditworthiness, financial condition, performance and prospects;
- our dividend policy and whether dividends on our common shares have been, and are likely to be, declared and paid from time to time;
- actual or anticipated growth rates relative to our competitors;
- perceptions of the investment opportunity associated with our common stock relative to other investment alternatives;

speculation by the investment community regarding our business;

catastrophes that are perceived by investors as affecting the insurance market in general;

changes in government regulation;

general market, economic and political conditions;

changes in conditions or trends in our industry, geographies or customers;

changes in accounting standards, policies, guidance, interpretations or principles;

arrival and departure of key personnel; and

threatened or actual litigation.

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In addition, the stock market in general, and the market for insurance companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These fluctuations might be even more pronounced in the trading market for our stock shortly following this offering. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. This litigation, if instituted against us, could result in substantial costs, divert our management's attention and resources, and harm our business, operating results, and financial condition.

As a result of the factors described above, investors in our common stock may not be able to resell their shares at or above the initial public offering price or may not be able to resell them at all. These market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and the trading volume of our common stock are low.

We cannot assure you that we will declare or pay dividends on our common shares in the future so any returns may be limited to the value of our stock.

We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to shareholders will therefore be limited to the appreciation of their stock. In addition, certain regulatory concerns limit our ability to pay dividends even if we were to determine such dividends were appropriate at this stage of our business development. Because we are a holding company that has no substantial operations of our own, we rely primarily on cash dividends or distributions from our subsidiaries to pay our operating expenses and dividends to shareholders. The payment of dividends by our insurance subsidiaries is limited under the laws and regulations of their respective domicile. These regulations stipulate the maximum amount of annual dividends or other distributions available to shareholders without prior approval of the relevant regulatory authorities. As a result of such regulations, we may not be able to pay our operating expenses as they become due and our payment of future dividends to shareholders may be limited.

In addition, any determination to declare or pay future dividends to our shareholders will be at the discretion of our board of directors and will depend on a variety of factors, including (1) our financial condition, liquidity, results of operations (including our ability to generate cash flow in excess of expenses and our expected or actual net income), retained earnings and collateral and capital requirements, (2) general business conditions, (3) legal, tax and regulatory limitations, (4) contractual prohibitions and other restrictions, (5) the effect of a dividend or dividends upon our financial strength ratings and (6) any other factors that our board of directors deems relevant. See "Dividend Policy."

Our principal shareholders and management own a significant percentage of our stock and will be able to exert significant control over matters subject to shareholder approval.

Prior to this offering, our executive officers, directors, 5% shareholders and their affiliates owned approximately 77.6% of our voting stock as of July 31, 2015 (or 75.4% after giving effect to the preferred stock transactions described herein), and, upon the closing of this offering, that same group will hold approximately 45.3% of our outstanding voting stock (assuming no exercise of the underwriters' over-allotment option). Therefore, even after this offering, these shareholders will have the ability to influence us through their ownership position. These shareholders may be able to determine all matters requiring shareholder approval. For example, these shareholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our shareholders.

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If you purchase our common stock in this offering, you will incur immediate dilution in the book value of your shares.

The initial public offering price is higher than the pro forma net tangible book value per share of our common stock. Investors purchasing common stock in this offering will pay a price per share that exceeds the book value of our tangible assets after subtracting our liabilities. As a result, investors purchasing common stock in this offering will incur immediate dilution of $0.39 per share.

This dilution is due to our investors who purchased shares prior to this offering having possibly paid substantially less when they purchased their shares than the price offered to the public in this offering. The per share dilution described above gives effect to the issuance of common shares to certain holders of our preferred stock that have agreed to use the cash to be received from the sale of their preferred stock to purchase common stock at the per share price of this offering upon the closing of this offering. In addition, we expect to award approximately $4.0 million in restricted stock units to certain executive officers and other employees upon completion of this offering. This issuance will cause further dilution to investors in this offering. As a result of the dilution to investors purchasing shares in this offering, investors may receive significantly less than the purchase price paid in this offering, if anything, in the event of our liquidation. For a further description of the dilution that you will experience immediately after this offering, see "Dilution."

We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and shareholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years following the year in which we complete this offering, although circumstances could cause us to lose that status earlier, including if we are deemed to be a "large accelerated filer," as defined under the Exchange Act before that time or if we have total annual gross revenue of $1.0 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the following fiscal year or, if we issue more than $1.0 billion in non-convertible debt during any three year period before that time, we would cease to be an emerging growth company immediately.

Even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company" which would allow us to take advantage of many of the same exemptions from disclosure requirements including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. As a result, changes in rules of U.S. generally

accepted accounting principles or their interpretation, the adoption of new guidance or the application of existing guidance to changes in our business could significantly affect our financial position and results of operations.

We will incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. After completion of this offering, we will be subject to the reporting requirements of the Exchange Act, which will require, among other things, that we file with the SEC, annual, quarterly and current reports with respect to our business and financial condition and therefore will need to have the ability to prepare financial statements that are compliant with all SEC reporting requirements on a timely basis. In addition, we will be subject to other reporting and corporate governance requirements, including certain requirements of NASDAQ and certain provisions of the Sarbanes-Oxley Act and the regulations promulgated thereunder, which will impose significant compliance obligations upon us.

The Sarbanes-Oxley Act and the Dodd-Frank Act, as well as new rules subsequently implemented by the SEC and NASDAQ, have increased regulation of, and imposed enhanced disclosure and corporate governance requirements on, public companies. Our efforts to comply with these evolving laws, regulations and standards will increase our operating costs and divert management's time and attention from revenue-generating activities.

These changes will also place significant additional demands on our finance and accounting staff and on our financial accounting and information systems. We may in the future hire additional accounting and financial staff with appropriate public company reporting experience and technical accounting knowledge. Other expenses associated with being a public company include increases in auditing, accounting and legal fees and expenses, investor relations expenses, increased directors' fees and director and officer liability insurance costs, registrar and transfer agent fees and listing fees, as well as other expenses. As a public company, we will be required, among other things, to:

- prepare and file periodic reports and distribute other shareholder communications, in compliance with the federal securities laws and requirements of NASDAQ;
- define and expand the roles and the duties of our board of directors and its committees;
- institute more comprehensive compliance, investor relations and internal audit functions; and
- evaluate and maintain our system of internal control over financial reporting, and report on management's assessment thereof, in compliance with rules and regulations of the SEC and the Public Company Accounting Oversight Board.

We may not be successful in implementing these requirements, and implementing them could materially adversely affect our business. The increased costs will decrease our net income or increase our consolidated net loss, and may require us to reduce costs in other areas of our business or increase the prices of our products or services. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain the same or similar coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

In addition, if we fail to implement the required controls with respect to our internal accounting and audit functions, our ability to report our results of operations on a timely and accurate basis could be impaired. If we do not implement the required controls in a timely manner or with adequate

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compliance, we might be subject to sanctions or investigation by regulatory authorities, such as the SEC or the NASDAQ Global Market. Any such action could harm our reputation and the confidence of investors in, and clients of, our company and could negatively affect our business and cause the price of our shares to decline.

Failure to maintain effective internal controls in accordance with the Sarbanes-Oxley Act could have a material adverse effect on our business share price.

As a public company with SEC reporting obligations, we will be required to document and test our internal control procedures to satisfy the requirements of Section 404(b) of the Sarbanes-Oxley Act, which will require, beginning with our first Annual Report on Form 10-K to be filed after our first full year as a public company, annual assessments by management of the effectiveness of our internal control over financial reporting. We are an emerging growth company, and thus we are exempt from the auditor attestation requirement of Section 404(b) of the Sarbanes-Oxley Act until such time as we no longer qualify as an emerging growth company. Regardless of whether we qualify as an emerging growth company, we will still need to implement substantial control systems and procedures in order to satisfy the reporting requirements under the Exchange Act and applicable requirements, among other items. During the course of our assessment, we may identify deficiencies that we are unable to remediate in a timely manner. Testing and maintaining our internal control over financial reporting may also divert management's attention from other matters that are important to the operation of our business. We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404(b) of the Sarbanes-Oxley Act. If we conclude that our internal control over financial reporting is not effective, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or its effect on our operations because there is presently no precedent available by which to measure compliance adequacy. Moreover, any material weaknesses or other deficiencies in our internal control over financial reporting may impede our ability to file timely and accurate reports with the SEC. Any of the above could cause investors to lose confidence in our reported financial information or our common share listing on NASDAQ to be suspended or terminated, which could have a negative effect on the trading price of our shares.

Sales of a substantial number of shares of our common stock by our existing shareholders in the public market could cause our stock price to fall.

If our existing shareholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the lock-up agreements and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline. Based on shares of our common stock outstanding as of July 31, 2015, upon the closing of this offering we will have a total of 7,444,523 shares of common stock outstanding, assuming no exercise of the underwriters' over-allotment option. Of these shares, all of the shares sold in this offering, plus any shares sold upon exercise of the underwriters' overallotment options will be freely tradeable without restriction, unless the shares are purchased by affiliates, including 100,000 shares to be purchased by James G. Petcoff, our Chief Executive Officer. BMO Capital Markets Corp. and Raymond James & Associates, Inc., however, may, in their sole discretion, permit our officers, directors and other shareholders who are subject to these lock-up agreements to sell shares prior to the expiration of the lock-up agreements.

We expect that the lock-up agreements pertaining to this offering will expire 180 days from the date of this prospectus. Upon completion of this offering, 992,211 of our common shares will be eligible for sale subject to the requirements of Rule 144, in addition to the 3,000,000 shares included in this offering not sold to affiliates, or 3,465,000 if the underwriters exercise their overallotment option. After the lock-up agreements expire, up to an additional 3,452,312 shares of common stock will be eligible for sale in the public market, which shares are held by directors, executive officers and other

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affiliates and will be subject to volume limitations under Rule 144 under the Securities Act. In addition, shares of common stock that are either subject to outstanding options or reserved for future issuance under our employee benefit plans will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, the lock-up agreements and Rule 144 under the Securities Act. If these additional shares of common stock are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our equity incentive plans, could result in additional dilution of the percentage ownership of our shareholders and could cause our stock price to fall.

We expect that significant additional capital may be needed in the future to continue our planned operations, and additional costs associated with operating a public company. To raise capital, we may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities, investors may be materially diluted by subsequent sales. Such sales may also result in material dilution to our existing shareholders, and new investors could gain rights, preferences and privileges senior to the holders of our common stock, including shares of common stock sold in this offering.

We could be subject to securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because insurance companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

Our management will have broad discretion in the application of the net proceeds from this offering, including for any of the purposes described in the section entitled "Use of Proceeds," and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. Our management might not apply our net proceeds in ways that ultimately increase the value of your investment. We expect to use the net proceeds from this offering to pay down our senior credit facility, repurchase our outstanding preferred stock, increase the surplus of our operating entities thereby allowing us to grow and write more premiums overall and for general corporate purposes. The failure by our management to apply these funds effectively could harm our business. If we do not invest or apply the net proceeds from this offering in ways that enhance shareholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

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Certain provisions of our corporate governance documents and Michigan law could discourage, delay or prevent a merger or acquisition at a premium price.

Our amended and restated articles of incorporation and bylaws will contain provisions that may make the acquisition of our Company more difficult without the approval of our board of directors (our "Board"). These include provisions that, among other things:

- permit the Board to issue up to 10 million shares of preferred stock, with any rights, preferences and privileges as they may determine (including the right to approve an acquisition or other change in control);
- provide that the authorized number of directors may be fixed only by the Board in accordance with our amended and restated bylaws;
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares entitled to vote in any election of directors to elect all of the directors standing for election);
- provide that all vacancies and newly created directorships may be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- prohibit removal of directors without cause;
- prohibit shareholders from calling special meetings of shareholders;
- requires unanimous consent for shareholders to take action by written consent without approval of the action by our Board;
- provide that shareholders seeking to present proposals before a meeting of shareholders or to nominate candidates for election as directors at a meeting of shareholders must provide advance notice in writing and also comply with specified requirements related to the form and content of a shareholder's notice;
- require at least 80% supermajority shareholder approval to alter, amend or repeal certain provisions of our amended and restated articles of incorporation; and
- require at least 80% supermajority shareholder approval in order for shareholders to adopt, amend or repeal our amended and restated bylaws.

These provisions may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of the Board of Directors, which is responsible for appointing members of our management.

In addition, the 2015 Omnibus Incentive Plan permits the Board or a committee thereof to accelerate, vest or cause the restrictions to lapse with respect to outstanding equity awards, in the event of, or immediately prior to, a change in control. Such vesting or acceleration could discourage the acquisition of our Company.

We could also become subject to certain anti-takeover provisions under Michigan law which may discourage, delay or prevent someone from acquiring us or merging with us, whether or not an acquisition or merger is desired by or beneficial to our shareholders. If a corporation's board of directors chooses to "opt in" to certain provisions of Michigan Law, such corporation may not, in general, engage in a business combination with any beneficial owner, directly or indirectly, of 10% of the corporation's outstanding voting shares unless the holder has held the shares for five years or more or, among other things, the board of directors has approved the business combination. Our Board of Directors has not elected to be subject to this provision, but could do so in the future. Any provision of our amended and restated articles of incorporation

or bylaws or Michigan law that has the effect of delaying or deterring a change in control could limit the opportunity for our shareholders to receive a

premium for their shares, and could also affect the price that some investors are willing to pay for our common stock otherwise.

Our amended and restated bylaws designate the courts of the State of Michigan located in Oakland County and the United States District Court in the Eastern District of Michigan as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees and could discourage lawsuits with respect to such claims.

Our amended and restated bylaws provide that, with certain limited exceptions, unless we consent in writing to the selection of an alternative forum, the courts of the State of Michigan located in Oakland County and the United States District Court in the Eastern District of Michigan will be the sole and exclusive forum for any shareholder (including any beneficial owner) to bring (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of fiduciary duty owed by any director or officer of the Company owed to us or our shareholders, (iii) any action asserting a claim against us or any director or officer of the Company arising pursuant to any provision of the MBCA or our amended and restated bylaws, or (iv) any action asserting a claim against the Company or any director or officer of the Company otherwise governed by the State of Michigan's internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have received notice of and consented to the foregoing provisions. This choice of forum provision may limit a shareholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find this choice of forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on our company. If no securities or industry analysts commence coverage of our company, the trading price for our stock would likely be negatively impacted. In the event securities or industry analysts initiate coverage, if one or more of the analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price may decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus, including the sections titled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business," contains forward-looking statements. Forward-looking statements convey our current expectations or forecasts of future events. All statements contained in this prospectus, other than statements of historical fact, are forward-looking. You can identify forward-looking statements by terminology such as "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "predicts," "potential," "seeks," "should," "will," or "would," or the negative of these terms, or similar expressions.

There are a number of important factors that could cause our actual results to differ materially from the results anticipated by these forward-looking statements. These important factors include, but are not limited to:

- the occurrence of severe weather conditions and other catastrophes;
- the cyclical nature of the insurance industry, resulting in periods during which we may experience excess underwriting capacity and unfavorable premium rates;
- our ability to obtain reinsurance coverage at reasonable prices or on terms that adequately protect us;
- a decline in our financial strength rating resulting in a reduction of new or renewal business;
- our ability to manage our growth effectively;
- exposure to credit risk, interest rate risk and other market risk in our investment portfolio;
- competition within the property and casualty insurance industry;
- the inherent uncertainty of estimating reserves and the possibility that incurred losses may be greater than our loss and loss adjustment expense reserves;
- inaccurate estimates and judgments in our risk management may expose us to greater risks than intended;
- the potential loss of key members of our management team or key employees and our ability to attract and retain personnel;
- potential effects on our business of emerging claim and coverage issues;
- losses in our investment portfolio;
- additional government or market regulation;

a forced sale of investments to meet our liquidity needs;

our underwriters and other associates could take excessive risks;

losses resulting from reinsurance counterparties failing to pay us on reinsurance claims;

the potential impact of internal or external fraud, operational errors, systems malfunctions or cybersecurity incidents;

an adverse outcome in a legal action that we are or may become subject to in the course of our insurance operations;

failure to maintain effective internal controls in accordance with Sarbanes-Oxley; and

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other factors those that we discuss in this prospectus in the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this prospectus.

You should read these factors and the other cautionary statements made in this prospectus as being applicable to all related forward-looking statements wherever they appear in this prospectus. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. The forward-looking statements contained in this prospectus are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act which does not extend to initial public offerings. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity, and market share, is based on information from various sources (including industry publications, surveys and forecasts, and our internal research), on assumptions that we have made, which we believe are reasonable, based on those data and other similar sources and on our knowledge of the markets for our services. While we believe the market position, market opportunity, and market share information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions, and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates included in this prospectus.

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USE OF PROCEEDS

We will receive net proceeds from this offering of approximately $28.8 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their over-allotment option in full, the net proceeds to us will be approximately $33.3 million.

We expect to use $17.1 million (the estimated balance on our Revolver plus accrued interest upon completion of this offering) of the net proceeds from this offering to pay down our senior debt, $6.3 million (or $3.2 million after netting out the proceeds from preferred shareholders who have agreed to use such proceeds to purchase common stock) to repurchase outstanding preferred stock and pay accrued preferred stock dividends and the balance of the proceeds to fund the growth of our operating subsidiaries and for general corporate purposes. Our preferred stock is perpetual, bears interest at 10% per year on the original issue price, and accrues paid-in-kind ("PIK") interest at 4% per year, compounded quarterly. The PIK interest is payable upon redemption.

In September 2014, the Company entered into an amended and restated credit agreement which increased the total amount available to borrow under the Revolver from $10 million to $17.5 million and provided for a new term note for $7.5 million. The additional borrowings were invested in our operating insurance subsidiaries to support their continued growth.

Our credit facility consists of our $17.5 million Revolver, which matures August 1, 2016, and two term notes of $7.5 million (the "2014 Term Note") and $5.0 million (the "Original Term Note"). The 2014 Term Note matures September 29, 2019 and the Original Term Note matures July 1, 2018. The interest rate of the Revolver and the Original Term Note at December 31, 2014 and March 31, 2015 was LIBOR (as defined in the credit facility) plus 2.75%. The interest rate of the 2014 Term Note is LIBOR plus 3.25%. At March 31, 2015, we had $28.2 million of borrowings outstanding under our credit facility, with $17.5 million of borrowings on the Revolver. We had $38,000 of borrowings availability under the Revolver at March 31, 2015.

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DIVIDEND POLICY

Neither Michigan law nor our amended and restated articles of incorporation requires our board of directors to declare dividends on our common stock. We are a holding company that has no substantial operations of our own, and we rely primarily on cash dividends or distributions from our subsidiaries to pay our operating expenses and dividends to shareholders. The payment of dividends by our insurance subsidiaries is limited under the laws and regulations of their respective domicile. These regulations stipulate the maximum amount of annual dividends or other distributions available to shareholders without prior approval of the relevant regulatory authorities. Any future determination to declare cash dividends on our common stock will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant. We have not historically paid dividends and do not anticipate paying cash dividends on our common stock for the foreseeable future.

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CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2015, (i) on an actual basis and (ii) on an "as adjusted" basis giving effect to:

- the repurchase of 60,600 shares of our outstanding preferred stock, including accrued preferred stock dividends, from the use of $6.3 million (or $3.2 million after netting out the proceeds from the common stock purchase described above) of our net proceeds from this offering and the payment of accrued preferred stock dividends;

- the sale of 3,100,000 shares of common stock in this offering at the initial public offering price of $10.50 per share, and after deducting estimated underwriting discounts and commissions and estimated offering expenses of $1.5 million payable by us;

- the sale of 294,011 shares of common stock to the holders of 29,550 shares of our preferred stock that have agreed to sell their preferred stock and to purchase shares of common stock at a price of $10.50 per share and proceeds of $3.1 million from the sale thereof; and

- the use of $17.6 million of our net proceeds from this offering to repay outstanding indebtedness, plus accrued interest, on the Revolver.

You should read the information in this table together with our consolidated financial statements and related notes, the sections entitled "Use of Proceeds," "Selected Consolidated Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other information appearing elsewhere in this prospectus.

	As of March 31, 2015	
	Actual	**As Adjusted(2)**
	(dollars in thousands)	
Senior debt(1):		
Revolver	$ 17,462	$
Term Note	3,500	3,500
2014 Term Note	7,250	7,250
Total senior debt	28,212	10,750
Shareholders' equity:		
Preferred stock, no par value, 1,000,000 shares authorized; 60,600 shares issued and outstanding; none issued and outstanding, as adjusted	6,180	
Common stock, no par value, 12,240,000 shares authorized; 12,240,000 authorized, as adjusted; 4,050,042 shares issued and outstanding; 7,444,053 shares issued and outstanding, as adjusted(3)	46,656	78,509
Accumulated deficit	(2,632)	(1,710)
Accumulated other comprehensive income	1,644	1,644
Total shareholders' equity attributable to Conifer	51,848	78,443
Noncontrolling interest	26	26
Total equity	51,874	78,469
Total capitalization	$ 80,086	$ 89,219

(1) Actual senior debt includes a revolving credit facility and two amortizing term loans under a credit agreement with a bank. The commitment under the Revolver provides for $17.5 million in borrowings with interest at LIBOR plus 2.75% or the lender's prime rate plus 1%. The term notes require quarterly principal and interest payments. See Note 8 to our unaudited condensed consolidated financial statements and Note 11 to our audited consolidated financial statements included elsewhere in the prospectus for additional information about our senior debt.

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(2) The "as adjusted" basis also gives effect to the exit of the personal automobile product line that had the net impact of decreasing accumulated deficit by $922 as discussed in the "Unaudited Pro Forma Condensed Consolidated Financial Information."

(3) Shares issued and outstanding, as adjusted, reflects the 294,011 common shares that would have been issued to the preferred shareholders who have agreed to use the proceeds from the repurchase of their preferred stock to purchase common stock, at the initial offering price of $10.50 per share, had such transactions occurred on March 31, 2015. Based on the repurchase price of the preferred shares, plus accrued dividends, as of completion of this offering, 294,481 common shares will be issued to such preferred shareholders.

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DILUTION

As of March 31, 2015, we had net tangible book value of approximately $49.6 million, or $12.25 per share of common stock. Net tangible book value per share represents total tangible assets less total liabilities divided by the number of shares of common stock outstanding. After giving effect to (i) the repurchase of the shares of preferred stock and payment of accrued preferred stock dividends in cash and (ii) the additional number of common shares that will be sold to certain holders of our preferred stock that have agreed to use the cash to be received from the sale of their preferred stock to purchase shares of common stock at the per share price of this offering upon the closing of this offering, our pro forma tangible book value as of March 31, 2015 would have been approximately $46.5 million, or $10.71 per share. Dilution in net tangible book value per share to new investors in this offering represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the pro forma net tangible book value per share of common stock immediately after the completion of this offering. After giving effect to the sale of the 3,100,000 shares of common stock offered by us in this offering at the initial public offering price of $10.50 per share, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses of $1.5 million payable by us, our pro forma as adjusted net tangible book value would have been $75.3 million, or $10.11 per share of common stock. This represents an immediate decrease in net tangible book value of $0.60 per share to existing shareholders and an immediate dilution of $0.39 per share to new investors in our common stock. The following table illustrates this dilution on a per share basis:

Initial public offering price per share		$ 10.50
Pro forma net tangible book value per share as of March 31, 2015 before giving effect to this offering	$ 10.71	
Decrease in net tangible book value per share attributable to new investors	$ (0.60)	
Pro forma as adjusted net tangible book value per share after giving effect to this offering		$ 10.11
Dilution per share to new investors in this offering		$ 0.39

If the underwriters exercise their option to purchase additional shares of our common stock in full, the pro forma as adjusted net tangible book value per share after this offering would be $10.09 per share, and the dilution in pro forma as adjusted net tangible book value per share to new investors in this offering would be $0.41 per share.

The following table summarizes, on a pro forma basis as of March 31, 2015 and after giving effect to the offering, the differences between existing shareholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid (in thousands, except per share data and percentages).

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing shareholders(1)	4,344,053	58.4%	$ 50,195	60.7%	$ 11.55
New investors(2)	3,100,000	41.6%	$ 32,550	39.3%	$ 10.50
Total	7,444,053	100.0%	$ 82,745	100.0%	

(1) The number of shares purchased by existing shareholders includes 294,011 shares sold to holders of our preferred stock that have agreed to sell their preferred stock and to purchase shares of common stock at the initial public offering price of $10.50 per share.

(2) The shares attributable to new investors include 100,000 shares being purchased by James G. Petcoff, our Chief Executive Officer.

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If the underwriters exercise their over-allotment option in full, our existing shareholders would own 54.9% and our new investors would own 45.1% of the total number of shares of our common stock outstanding after this offering.

The number of shares of common stock outstanding set forth in the foregoing calculations is based on 4,050,042 shares of common stock outstanding as of March 31, 2015 after giving effect to the additional number of common shares that will be sold to certain holders of our preferred stock that have agreed to use the cash to be received from the sale of their preferred stock to purchase 294,011 shares of common stock at the per share price of this offering upon the closing of this offering. Based on the repurchase price of the preferred shares, plus accrued dividends as of the completion of this offering, 294,481 common shares will be issued to such preferred shareholders. The foregoing calculations also exclude additional common shares reserved for future grant or issuance under our 2015 Omnibus Incentive Plan.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth selected consolidated historical financial information of Conifer Holdings, Inc. and Subsidiaries as of the dates and for the periods indicated. The selected financial data as of and for the years ended December 31, 2014 and 2013, and for the year ended December 31, 2012 were derived from our audited consolidated financial statements and related notes thereto included elsewhere in this prospectus. We have derived the selected financial data as of December 31, 2012 from our audited consolidated balance sheet which is not included in this prospectus. The selected financial data as of and for the three months ended March 3l, 2015 and for the three months ended March 31, 2014 were derived from our unaudited condensed consolidated financial statements and related notes thereto included elsewhere in this prospectus. In the opinion of our management, the unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations as of such dates and for such periods. Results for the interim periods are not necessarily indicative of the results to be expected for the full year.

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These historical results are not necessarily indicative of results to be expected for any future period. The following financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

	Three Months Ended March 31,		Year Ended December 31,		
	2015	2014	2014	2013	2012
	(dollars in thousands, except for per share data)				
Operating Results:					
Gross written premiums(1)	$ 21,204	$ 17,667	$ 83,847	$ 44,087	$ 22,838
Ceded written premiums(2)	(7,538)	(958)	(17,548)	(6,439)	(543)
Net written premiums	$ 13,666	$ 16,709	$ 66,299	$ 37,648	$ 22,295
Net earned premiums	$ 14,493	$ 12,675	$ 57,528	$ 27,629	$ 16,934
Net investment income	486	220	1,175	1,000	1,072
Net realized investment gains	145	91	417	299	1,273
Gains from acquisitions(3)				3,714	
Other income	489	532	1,809	834	309
Total revenue	15,613	13,518	60,929	33,476	19,588
Losses and loss adjustment expenses, net	8,570	10,576	40,730	15,824	7,591
Policy acquisition costs	2,595	3,231	14,696	7,667	4,652
Operating expenses	3,692	2,894	12,139	9,161	6,520
Interest expense	244	129	584	541	428
Total expenses	15,101	16,830	68,149	33,193	19,191
Income (loss) before income taxes	512	(3,312)	(7,220)	283	397
Income tax expense (benefit)		(118)	(281)	3	(16)
Net income (loss)	512	(3,194)	(6,939)	280	413
Less net income (loss) attributable to noncontrolling interest	49	35	(4)	(69)	
Net income (loss) attributable to Conifer	$ 463	$ (3,229)	$ (6,935)	$ 349	$ 413
Net income (loss) allocable to common shareholders	$ 250	$ (3,240)	$ (7,200)	$ 349	$ 413
Income (loss) per share allocable to common shareholders, basic and diluted(4)	$ 0.06	$ (1.51)	$ (2.69)	$ 0.20	$ 0.24
Weighted average common shares outstanding, basic and diluted(4)	4,040,872	2,138,776	2,672,440	1,749,626	1,741,517

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	At March 31,	At December 31,		
	2015	2014	2013	2012
	(dollars in thousands, except for ratios)			
Balance Sheet Data:				
Cash and invested assets	$ 124,021	$ 123,726	$ 68,445	$ 54,618
Reinsurance recoverables	6,814	5,139	4,394	7,978
Goodwill and intangible assets	2,257	2,275	2,349	985
Total assets	165,753	163,738	96,856	73,712
Unpaid losses and loss adjustment expenses	32,987	31,531	28,908	24,843
Unearned premiums	43,612	43,381	26,505	11,905
Senior debt	28,212	27,562	13,087	11,987
Total liabilities	113,879	113,460	75,605	52,097
Preferred stock(5)		6,119		
Total shareholders' equity attributable to Conifer	51,848	44,182	21,270	21,615
Other Data:				
Shareholders' equity per common share outstanding(4)(6)	$ 11.28	$ 11.06	$ 12.16	$ 12.35
Regulatory capital and surplus(7)	$ 66,795	$ 65,974	$ 34,817	$ 35,600

GAAP Underwriting Ratios:	Three Months Ended March 31, 2015	2014	Year Ended December 31, 2014	2013	2012
Loss ratio(8)	57%	80%	69%	56%	44%
Expense ratio(9)	42%	46%	45%	59%	65%
Combined ratio(10)	99%	126%	114%	115%	109%

(1) The amount received or to be received for insurance policies written or assumed by us during a specific period of time without reduction for acquisition costs, reinsurance costs or other deductions.

(2) The amount of written premiums ceded to (reinsured by) other insurers.

(3) The Company recognized a gain on the accounting for the acquisition of EGI Insurance Services, Inc. and MBLA Mutual Insurance Company in 2013. The acquisitions were accounted for as a bargain purchase.

(4) All common stock shares and per share amounts for all periods presented have been adjusted retroactively to reflect the 10.2-to-1 stock split, effected in the form of a stock dividend, which was effectuated immediately prior to the effectiveness of the initial public offering as contemplated in this prospectus.

(5) In March 2015, the Company reclassified the carrying amount of its preferred stock of $6,180 from temporary equity to permanent equity as the redemption of the preferred stock is within the Company's control.

(6) Shareholders' equity per common share outstanding is shareholders' equity attributable to Conifer (less preferred stock for the March 31, 2015 calculation) divided by the number of common shares outstanding.

(7)

For our insurance subsidiaries, the excess of assets over liabilities as determined in accordance with statutory accounting principles as determined by the National Association of Insurance Commissioners.

(8) The loss ratio is the ratio, expressed as a percentage, of net losses and loss adjustment expenses to net earned premiums and other income.

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

(10) 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.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

In January 2015, we notified our insurance regulator in the State of Florida of our intent to stop writing non-standard personal automobile policies. We discontinued offering and writing new policies on January 27, 2015, but will continue to service existing policies, pay claims and perform other administrative services until existing policies expire and all claims are paid (a process we refer to as "run-off"). We expect the run-off to be substantially complete by the end of 2016. The Company has no plans to provide or write this insurance coverage in the future. We received approval to discontinue offering non-standard personal automobile insurance policies from the State of Florida in April 2015 and had ceased all writings by June 1, 2015. Furthermore, in early 2014, we stopped writing non-standard personal automobile insurance in Illinois. These transactions are referred to herein as "exit of the personal automobile product line."

In addition, we intend to use the proceeds from this offering to repurchase the outstanding shares of preferred stock and to pay accrued preferred stock dividends, to repay outstanding indebtedness under our credit facility (specifically, the Revolver), and the remainder to fund the growth of our operating subsidiaries and for general corporate purposes. Additionally, certain holders of our preferred stock have agreed to use cash to be received from the sale of their preferred stock to purchase shares of common stock at the per share price of this offering. In connection with the contemplated initial public offering, the company will grant an aggregate of 380,952 restricted stock units, under the 2015 Omnibus Incentive Plan, to executive officers and other employees at the per share price of this offering. These transactions are referred to herein as "initial public offering transactions."

The unaudited pro forma condensed consolidated balance sheet at March 31, 2015 gives effect to (i) the exit of the personal automobile product line and (ii) the initial public offering transactions as if they had occurred on March 31, 2015. The unaudited pro forma condensed consolidated statement of operations for the three months ended March 31, 2015 and the year ended December 31, 2014 are presented as if the exit of the personal automobile product line and initial public offering transactions were consummated on January 1, 2014.

The unaudited pro forma condensed consolidated financial information is based on the historical consolidated financial position and results of operations of the Company. The following should be read in conjunction with the Company's historical consolidated financial statements and related notes thereto included in this prospectus.

The unaudited pro forma condensed consolidated financial information was prepared in accordance with Article 11 of Regulation S-X. The pro forma adjustments are based on available information and assumptions that we believe are reasonable. Such adjustments are estimates and are subject to change. Actual results may be materially different than the pro forma information presented herein.

The unaudited pro forma condensed consolidated financial information is provided for informational purposes only and are not intended to represent or be indicative of the consolidated financial position or results of operations that would have been reported had the exit of the personal automobile product line and the initial public offering transactions been completed as of the dates presented, and should not be taken as representative of the future consolidated financial position or results of operations.

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Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of March 31, 2015

	Conifer Holdings, Inc. Historical	Exit Personal Automobile Product Line (Adjustments Note 2)		Total	Initial Public Offering Transactions (Adjustments Note 2)		Conifer Holdings, Inc. Pro Forma
	(dollars in thousands)						
Assets							
Investment securities	$ 104,840			$ 104,840			$ 104,840
Cash	19,181	(3,441)	(2a)	15,740	30,246	(2d)	25,167
					(6,332)	(2e)	
					3,087	(2f)	
					(17,574)	(2g)	
Premiums and agents' balances receivable, net	12,926	(630)	(2a)	12,296			12,296
Reinsurance recoverables on unpaid losses	4,590			4,590			4,590
Reinsurance recoverables on paid losses	2,224			2,224			2,224
Ceded unearned premiums	10,567			10,567			10,567
Deferred policy acquisition costs	6,120	(41)	(2b)	6,079			6,079
Intangible assets, net	1,153			1,153			1,153
Goodwill	1,104			1,104			1,104
Other assets	3,048			3,048	(140)	(2d)	2,908
Total assets	$ 165,753	$ (4,112)		$ 161,641	$ 9,287		$ 170,928
Liabilities and Equity							
Liabilities:							
Unpaid loss and loss adjustment expenses	$ 32,987	$ (3,700)	(2a)	$ 29,287	$		$ 29,287
Unearned premiums	43,612	(963)	(2c)	42,649			42,649
Reinsurance premiums payable	4,403			4,403			4,403
Senior debt	28,212			28,212	(17,462)	(2g)	10,750
Accounts payable and accrued expenses	3,517	(143)	(2a)	3,374	(112)	(2g)	3,262
Other liabilities	1,148	(228)	(2a)	920	1,340	(2d)	2,108
					(152)	(2e)	
Total liabilities	113,879	(5,034)		108,845	(16,386)		92,459
Shareholders' equity:							
Preferred stock	6,180			6,180	(6,180)	(2e)	
Common stock, no par value	46,656			46,656	28,766	(2d)	78,509
					3,087	(2f)	
Retained earnings (accumulated deficit)	(2,632)	(41)	(2b)	(1,710)			(1,710)
		963	(2c)				
Accumulated other comprehensive income	1,644			1,644			1,644
Total shareholders' equity attributable to Conifer	51,848	922		52,770	25,673		78,443
Noncontrolling interest	26			26			26
Total equity	51,874	922		52,796	25,673		78,469

Total liabilities and equity	$ 165,753	$ (4,112)	$ 161,641	$ 9,287	$ 170,928

See notes to unaudited pro forma condensed consolidated financial information.

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Unaudited Pro Forma Condensed Consolidated Statement of Operations
Three Months Ended March 31, 2015

	Conifer Holdings, Inc. Historical	Exit Private Passenger Automobile Product Line (Adjustments Note 3)		Total	Initial Public Offering Transactions (Adjustments Note 3)		Conifer Holdings, Inc. Pro Forma	
	(dollars in thousands, except per share amounts)							
Revenue								
Gross written premiums	$ 21,204	$ (801)	(3a)	$ 20,403	$		$ 20,403	
Ceded written premiums	(7,538)			(7,538)			(7,538)	
Change in net unearned premiums	827	(616)	(3a)	211			211	
Net earned premiums	14,493	(1,417)		13,076			13,076	
Net investment income	486			486			486	
Net realized investment gains	145			145			145	
Other income	489	(56)	(3a)	433			433	
Total revenue	15,613	(1,473)		14,140			14,140	
Expenses								
Losses and loss adjustment expenses, net	8,570	(1,502)	(3a)	7,068			7,068	
Policy acquisition costs	2,595	(236)	(3a)	2,359			2,359	
Operating expenses	3,692	(194)	(3a)	3,498	200	(3b)	3,698	
Interest expense	244			244	(136)	(3c)	108	
Total expenses	15,101	(1,932)		13,169	64		13,233	
Income (loss) before income taxes	512	459		971	(64)		907	
Income tax expense (benefit)						(3e)		
Net income (loss)	512	459		971	(64)		907	
Less net income attributable to noncontrolling interest	49			49			49	
Net income attributable to Conifer	$ 463	$ 459		$ 922	$ (64)		$ 858	
Net income allocable to common shareholders	$ 250						$ 858	(3d)
Income per share allocable to common shareholders, basic and diluted (Note 5)	$ 0.06						$ 0.13	
Weighted average common shares outstanding,								
Basic	4,040,872						6,393,784	

Diluted	4,040,872	6,403,308

See notes to unaudited pro forma condensed consolidated financial information.

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Unaudited Pro Forma Condensed Consolidated Statement of Operations
Year ended December 31, 2014

	Conifer Holdings, Inc. Historical	Exit Personal Automobile Product Line (Adjustments Note 4)		Total	Initial Public Offering Transactions (Adjustments Note 4)		Conifer Holdings, Inc. Pro Forma	
	(dollars in thousands, except per share amounts)							
Revenue								
Gross written premiums	$ 83,847	$ (8,378)	(4a)	$ 75,469	$		$ 75,469	
Ceded written premiums	(17,548)			(17,548)			(17,548)	
Change in net unearned premiums	(8,771)	(3,216)	(4a)	(11,987)			(11,987)	
Net earned premiums	57,528	(11,594)		45,934			45,934	
Net investment income	1,175			1,175			1,175	
Net realized investment gains	417			417			417	
Other income	1,809	(563)	(4a)	1,246			1,246	
Total revenue	60,929	(12,157)		48,772			48,772	
Expenses								
Losses and loss adjustment expenses, net	40,730	(10,445)	(4a)	30,285			30,285	
Policy acquisition costs	14,696	(2,349)	(4a)	12,347			12,347	
Operating expenses	12,139	(1,735)	(4a)	10,404	800	(4b)	11,204	
Interest expense	584			584	(307)	(4c)	277	
Total expenses	68,149	(14,529)		53,620	(493)		54,113	
Income (loss) before income taxes	(7,220)	2,372		(4,848)	(493)		(5,341)	
Income tax expense (benefit)	(281)			(281)		(4e)	(281)	
Net income (loss)	(6,939)	2,372		(4,567)	(493)		(5,060)	
Less net loss attributable to noncontrolling interest	(4)			(4)			(4)	
Net income (loss) attributable to Conifer	$ (6,935)	$ 2,372		$ (4,563)	$ (493)		$ (5,056)	
Net loss allocable to common shareholders	$ (7,200)						$ (5,056)	(4d)
Loss per share allocable to common shareholders, basic and diluted (Note 5)	$ (2.69)						$ (1.02)	
Weighted average common shares outstanding, basic and diluted	2,672,440						4,949,162	

See notes to unaudited pro forma condensed consolidated financial information.

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NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(dollars in thousands, except per share amounts)

Note 1 Basis of Presentation

The accompanying unaudited pro forma condensed consolidated financial information presents the pro forma condensed financial position and results of operations based upon the historical consolidated financial statements of the Company, as adjusted to reflect (i) the exit of the non-standard personal automobile product line and (ii) the initial public offering transactions, after giving effect to these events and the pro forma adjustments described in the notes. The unaudited pro forma condensed consolidated balance sheet as of March 31, 2015 and the unaudited pro forma condensed consolidated statement of operations for the three months ended March 31, 2015 have been prepared using our unaudited condensed consolidated financial statements for the three months ended March 31, 2015. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2014 has been prepared using our audited consolidated statement of operations for the year ended December 31, 2014. As such, these accompanying unaudited pro forma condensed consolidated financial information should also be read in conjunction with these unaudited and audited consolidated financial statements specifically noted above. The historical financial data has been adjusted to give pro forma effect to events that are (i) directly attributable to the transactions described above and (ii) factually supportable. In addition, the unaudited pro forma condensed consolidated statements of operations only includes adjustments that are expected to have a continuing impact on the operating results. We believe our exit of the personal automobile product line is not a discontinued operation under the guidance of ASU No. 2014-08, "*Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*," therefore the unaudited pro forma condensed consolidated statements of operations are presented for the most recent year ended December 31, 2014 and three month period ended March 31, 2015.

The unaudited pro forma condensed consolidated balance sheet and pro forma condensed consolidated statements of operations adjustments do not give effect to additional costs and expenses that may be incurred during the run-off period of the personal automobile product line, as such additional costs and expenses would not be factually supportable under Article 11 of Regulation S-X.

Note 2 Unaudited Pro Forma Condensed Consolidated Balance Sheet Adjustments as of March 31, 2015

a) Reflects the adjustment to pay-off in cash the liabilities, net of collection of cash from assets, attributable to the personal automobile product line during the run-off period.

b) Reflects the adjustment to write-off deferred policy acquisition costs attributable to personal automobile product line.

c) Reflects the adjustment to reverse premiums that have been collected and will be recognized as revenue when earned during the run-off period.

d) Reflects the adjustment for the net proceeds received in the sale of 3,100,000 common shares in this initial public offering at the initial public offering price of $10.50 per share and after deducting underwriting discounts and commissions, and estimated offering expenses payable by us. Included in the consolidated balance sheet are $140 of costs directly related to the offering. We incurred $1,340 of additional offering related costs subsequent to March 31, 2015. This adjustment includes the recognition of the additional costs incurred and the reclassification of the total amount to be charged to common stock.

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NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)
(dollars in thousands, except per share amounts)

Note 2 Unaudited Pro Forma Condensed Consolidated Balance Sheet Adjustments as of March 31, 2015 (Continued)

e) Reflects the adjustment for the repurchase of 60,600 shares of our outstanding preferred stock at the original purchase price plus all accrued and unpaid preferred dividends from the use of $6,332 of net proceeds from this initial public offering.

f) Reflects the adjustment for the cash to be received to purchase 294,011 shares of common stock at the initial public offering price from certain holders of our preferred stock that have agreed to use the cash to be received from the sale of their preferred stock to purchase shares of common stock at the per share price of this offering.

g) Reflects the adjustment for the repayment of $17,574 of the outstanding indebtedness, including accrued interest, net of an accrual for a commitment fee that would have been charged on the Revolver, from the use of net proceeds from this initial public offering.

Note 3 Unaudited Pro Forma Condensed Consolidated Statement of Operations Adjustments for the Three Months Ended March 31, 2015

a) Reflects the adjustment to remove the results of operations of the personal automobile product line.

b) Reflects the grant of restricted stock units to be settled in shares of common stock with a total value of such awards of $4.0 million. The Company will grant 380,952 restricted stock units to executive officers and other employees. The restricted stock units vest in five equal annual installments, commencing on the first anniversary from the date of grant. The adjustment was $200 for the three months ended March 31, 2015. For purposes of the pro forma condensed consolidated statement of operations, the expense is recognized as if the grant date was January 1, 2014.

c) To eliminate the Company's historical interest expense of $145, net of a commitment fee that would have been charged, related to the outstanding indebtedness on the Revolver, which will be repaid from the use of net proceeds from this initial public offering.

d) To eliminate the dividends on preferred stock of $213 in determining net loss allocable to common shareholders resulting from the repurchase of the outstanding preferred stock from the use of net proceeds from this initial public offering.

e) There was no adjustment to income tax expense as any income tax provision would be offset by the valuation allowance.

Note 4 Unaudited Pro Forma Condensed Consolidated Statement of Operations Adjustments for the Year Ended December 31, 2014

a) Reflects the adjustment to remove the results of operations of the personal automobile product line.

b) Reflects the grant of restricted stock units to be settled in shares of common stock with a total value of such awards of $4.0 million. The Company will grant 380,952 restricted stock units to executive officers and other employees. The restricted stock units vest in the five equal annual installments, commencing on the first anniversary from the date of grant. The adjustment was $800 for the year ended December 31, 2014. For purposes of the pro forma condensed consolidated statement of operations, the expense is recognized as if the grant date was January 1, 2014.

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NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)
(dollars in thousands, except per share amounts)

Note 4 Unaudited Pro Forma Condensed Consolidated Statement of Operations Adjustments for the Year Ended December 31, 2014 (Continued)

c) To eliminate the Company's historical interest expense of $332, net of a commitment fee that would have been charged, related to the outstanding indebtedness on the Revolver, which will be repaid from the use of net proceeds from this initial public offering.

d) To eliminate the dividends on preferred stock of $265 in determining net loss allocable to common shareholders resulting from the repurchase of the outstanding preferred stock from the use of net proceeds from this initial public offering.

e) There was no adjustment to income tax expense as any income tax provision would be offset by the valuation allowance.

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NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)
(dollars in thousands, except per share amounts)

Note 5 Unaudited Pro Forma Income (Loss) Per Share Allocable to Common Shareholders

Pro forma income (loss) per share allocable to common shareholders, basic and diluted, and pro forma weighted average common shares outstanding, basic and diluted, are based on the historical weighted average number of our common shares outstanding, basic and diluted, for the respective year ended December 31, 2014 and three month period ended March 31, 2015, adjusted only for the additional number of common shares issued in this offering for: (i) the proceeds from which were used to repurchase shares of preferred stock, including accrued preferred stock dividends, and (ii) repay the outstanding indebtedness on the Revolver, including accrued interest, as if these shares had been issued and outstanding as of January 1, 2014, the beginning of the earliest year presented. The pro forma income (loss) per share allocable to common shareholders, basic and diluted, also gives effect to the elimination of preferred stock dividends on the outstanding preferred stock repurchased with the use of net proceeds from this offering and the grant of 380,952 restricted stock units in connection with this offering. Net income (loss) attributable to Conifer and the weighted average common shares used in calculating basic and diluted pro forma income (loss) per share allocable to common shareholders is as follows:

	Pro Forma Three Months Ended March 31, 2015	Pro Forma Year Ended December 31, 2014
	(dollars in thousands except per share amounts)	
Numerator:		
Net income (loss) attributable to Conifer; proforma numerator for basic and diluted income (loss) per share	$ 858	$ (5,056)
Denominator:		
Historical weighted average common shares	4,040,872	2,672,440
Additional number of common shares to:		
Repurchase preferred shares and pay accured dividends totaling $6,332 at price of $10.50 per share	603,031	603,031
Repay the balance on the Revolver, including accured interest, of $17,574 at price of $10.50 per share	1,673,691	1,673,691
Vested restricted shares	76,190	
Pro forma weighted average common shares, basic	6,393,784	4,949,162
Weighted average diluted potential shares non-vested restricted stock units	9,524	
Pro forma weighted average common shares, diluted	6,403,308	4,949,162
Pro forma income (loss) per share allocable to common shareholders, basic and diluted	$ 0.13	$ (1.02)

Restricted stock units that are expected to be granted in connection with the offering have been reflected in the calculation of pro forma diluted income (loss) per share allocable to common shareholders using the treasury stock method. In applying the treasury stock method, the Company has assumed that the weighted average share price during the period is equal to the offering price. The restricted stock units have been excluded from the calculation of pro forma diluted income (loss) per share for the year ended December 31, 2014 because they are not dilutive.

All common stock shares and per share amounts for all periods presented have been adjusted retroactively to reflect the 10.2-to-1 stock split, effected in the form of a stock dividend, which was effectuated immediately prior to the effectiveness of the initial public offering as contemplated in this prospectus.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Selected Consolidated Financial and Other Data" and our consolidated financial statements and related notes included elsewhere in this prospectus. Furthermore, the statements included herein that are not based solely on historical facts are "forward looking statements." Such forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties. Our actual results could differ materially from those anticipated by us in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under the section titled "Risk Factors."

Overview

We are an insurance holding company and market and service our product offerings through specialty commercial and specialty personal insurance business lines. Our growth has been significant since our founding in 2009. Our gross premium written increased from $14.0 million in 2011, to $83.8 million in 2014. We were constrained by a non-compete agreement to which our chief executive officer was subject until late 2012. Our growth in gross written premium accelerated in 2013 and 2014 following the expiration of the non-compete agreement which allowed us to pursue key markets and relationships that were previously restricted. In 2014, we raised $28.5 million in total new common equity, including $13.6 million from existing employees to support this growth in premium.

Our commercial lines gross written premium grew 101.5% in the year ended December 31, 2014 as compared to 2013, all from organic growth. Even though commercial property losses were significantly higher than our target, largely attributable to weather-related losses in 2014, the total commercial lines calendar year loss ratio was 56% in 2014, with an accident year loss ratio of less than 60%. Our commercial lines experienced favorable reserve development in 2013 and 2012 of $5.5 million and $4.4 million, respectively, reducing our calendar year loss ratios to 35.0% and 31.6% in 2013 and 2012, respectively. While favorable, the reserve development in 2014 was insignificant.

We are licensed to write insurance in 28 states as an admitted carrier, and we are authorized to write insurance as an excess and surplus lines carrier in 43 states. We currently offer our insurance products in 44 states, with ongoing initiatives to selectively enter additional states. For the years ended December 31, 2014 and 2013, 29% and 13%, respectively, of our gross written premiums related to policies issued to customers in Florida, 17% and 16%, respectively, of our gross written premiums related to policies issued to customers in Michigan and 15% and 23%, respectively, of our gross written premiums related to customers in Pennsylvania.

Our revenues are principally derived from premiums earned from our insurance operations. We also generate other revenues through investment income and other income which consists of installment fees and policy issuance fees generally related to the business we write. Our expenses consist primarily of losses and loss adjustment expenses, agents' commissions and other underwriting and administrative expenses. Our operations are organized into two insurance businesses: commercial insurance lines and personal insurance lines.

Through our commercial insurance lines, we offer coverage for both commercial property and commercial liability. Within these two main lines we offer coverage for property, commercial multi-peril as part of commercial property and general liability and liquor liability as a part of commercial liability. We also offer coverage for commercial automobiles and workers compensation. Our insurance policies are sold to targeted small and mid-sized businesses on a single or multiple-coverage basis. During the years ended December 31, 2014, 2013, and 2012, our commercial lines accounted for 62%, 57%, and 69%, respectively, of our net earned premiums.

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Through our personal insurance lines, we offer non-standard homeowners insurance and dwelling fire insurance products to individuals in numerous states. Our Midwest homeowners insurance line comprises dwelling insurance tailored for owners of lower value homes, which we currently offer in Illinois and Indiana. Our specialty homeowners products include wind exposed coverage, including hurricane and wind coverage to underserved homeowners in Florida, Hawaii, and Texas. We also offer personal automobile insurance products. However, all personal automobile products are in run-off by May 2015. During the years ended December 31, 2014, 2013 and 2012, our personal lines accounted for 38%, 43% and 31%, respectively, of our net earned premiums.

Our personal lines gross written premium grew 71.7% in the year ended December 31, 2014 as compared to 2013, largely driven by a $5.5 million assumption of premium from Citizens Property Insurance Corporation ("Citizens"), a Florida state-supported insurer, through participation in a legislatively-enacted "depopulation program," as further described below. The 2014 calendar year loss ratio for our personal lines was 88.7% as compared to 82.9% in 2013. The increase was driven largely by higher than expected weather-related losses from our Midwestern homeowners line.

In late 2012, our underwriting and marketing team increased from 22 people as of December 31, 2011 to 41 people by the end of 2013 and 50 people at December 31, 2014. Claims staff increased from six people at December 31, 2011, to 29 people as of December 31, 2014, which include in-house attorneys who are a key factor in our business strategy. We also invested significantly in technology and related support areas as we built the Company's insurance platform. Except in limited circumstances, the costs associated with our investment in building the insurance company infrastructure are typically expensed in the periods in which they are incurred. Accordingly, our expense ratios were higher in previous periods and are currently trending down as premium volume grows. We believe that our platform is scalable and will allow us to significantly increase premium volume with limited additional compensation or operating expenses.

From our founding until late 2012, we were restricted from entering certain lines of business due to a non-compete agreement entered into by our chairman and chief executive officer in connection with the sale of North Pointe. While these restrictions were in place, we pursued a number of other opportunities until the non-compete expired. Some of these opportunities, such as the liquor liability and other commercial business (outside the non-compete) have performed to our expectations. Other business, such as the personal automobile line have not performed to our underwriting standards and as a result, we are fully exiting the personal automobile lines business. Personal automobile, alone, generated a loss of $2.4 million representing 29% of our underwriting loss generated in the year ended December 31, 2014. Midwest homeowners was another line that underperformed to our standards, contributing a loss of $3.9 million representing 48% of our total company wide underwriting loss in 2014, despite having historically performed better. Both of these lines combined (Midwest homeowners and personal automobile) generated 77% of our total company wide underwriting loss in 2014. We have substantial expertise in Midwest homeowners and implemented significant modifications to our underwriting guidelines. For example, we added a non-structural damage exclusion in Illinois and reduced the number of prior claims allowed for homeowners policies. We also removed unprofitable agents and eliminated certain broad coverage forms. For example, we eliminated certain broad perils dwelling and fire forms in both Indiana and Illinois and eliminated certain broad perils homeowners forms in Illinois only. We also raised rates for our Midwest homeowners policies in both Indiana and Illinois by an average of 8% in 2014. We expect that with the underwriting changes recently implemented, our loss ratios should return to levels more in line with historical norms of 2013 and 2012.

On November 30, 2013, we acquired American Colonial Insurance Company ("ACIC") along with its parent holding company and agency affiliate. We saw this as an opportunity to acquire a platform for our Florida homeowners and other wind exposed business. After a one year evaluation we determined that the potential margins of ACIC's personal automobile business would underperform

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our targets and we put the personal automobile business into run-off. We received approval from the State of Florida in April 2015 to cease all personal automobile writings and ceased all writings by June 1, 2015. Our last expected Florida personal lines policy will expire at the end of 2015. Furthermore, in early 2014, we stopped writing our personal automobile line of business for individuals in Illinois.

In 2014, we expanded our writings in our historically profitable Texas homeowners line, and entered the Florida and Hawaii homeowners market. Our management team's prior experience in these property lines was an important component of our decision to expand our product offerings in these markets.

In December 2014, we began writing Florida homeowners business by assuming $5.5 million of premium from Citizens as part of its depopulation program. Citizens is a Florida state-sponsored insurer that provides homeowners insurance to Florida residences that cannot find coverage in the voluntary market. Insurance companies, such as ours, can enter into a policy assumption agreement with Citizens to reduce the number of policies Citizens has acquired. We are able to select from the existing Citizens in-force book of business based on various underwriting criteria that we find acceptable. Upon assuming this premium we become the primary insurer to the policyholders as if we were the original insurer. We are only responsible for claims occurring on or after the assumption date. We expect to perform additional assumptions from Citizens in the near future as well as expanding by directly writing through an agency force.

Our financial results also include revenue and expenses that are not allocated to a specific operating line of business, such as (1) investment income and investment gains and losses, (2) corporate interest expense, and (3) general corporate overhead expenses. We do not allocate our investment portfolio to specific lines of business.

We continued to grow premiums in the first quarter of 2015 and have seen a reduction in our loss ratio of 22.9 percentage points in the first quarter of 2015 compared to the first quarter of 2014. In addition, premium volume is beginning to increase in the Florida homeowners line with $1.7 million of gross earned premium in the first quarter of 2015. Commercial lines has seen similar improvement as the weather-related property losses were substantially lower in the first quarter of 2015 as compared to the first quarter of 2014.

As a capital strategy to support our premium growth, CIC and WPIC entered into a quota share reinsurance agreement effective December 31, 2014. A quota share reinsurance agreement is an agreement between an insurer and a reinsurer whereby the reinsurer pays an agreed-upon percentage of all losses the insurer sustains, in exchange for a percentage of the premium subject to the agreement. The reinsurer also typically pays a commission to the insurer to offset expenses incurred by the insurer on the subject premium. The quota share reinsurance arrangement allows us to grow while utilizing the balance sheet of a reinsurer when our growth outpaces our capital. For the first quarter of 2015, this agreement resulted in $3.9 million of additional ceded earned premiums, $2.0 million of additional ceded losses and loss adjustment expenses and $1.5 million of additional earned ceding commission, which reduces policy acquisition costs. Our underwriting gain in the first quarter of 2015 was $434,000 lower as a result of this arrangement. In the first quarter of 2015, both our loss and expense ratios were higher by 1.1%, each, due to the impact of the quota share agreement, resulting in a combined ratio that was higher by 2.2%. We expect to terminate this quota share arrangement no later than upon the closing of this offering, as we expect the improvement in our balance sheet to reduce our need for third party balance sheet support.

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Results of Operations

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

The following table summarizes our results for the three months ended March 31, 2015 and 2014:

Summary of Results

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	$ Change	% Change
	(dollars in thousands)			
Gross written premiums	$ 21,204	$ 17,667	3,537	20.0%
Net written premiums	$ 13,666	$ 16,709	(3,043)	(18.2)%
Net earned premiums	$ 14,493	$ 12,675	1,818	14.3%
Other income	489	532	(43)	(8.1)%
Losses and loss adjustment expenses, net	8,570	10,576	(2,006)	(19.0)%
Policy acquisition costs	2,595	3,231	(636)	(19.7)%
Operating expenses	3,692	2,894	798	27.6%
Underwriting gain (loss)	125	(3,494)	3,619	*
Net investment income	486	220	266	120.9%
Net realized investment gains	145	91	54	59.3%
Interest expense	244	129	115	89.1%
Income (loss) before taxes	512	(3,312)	3,824	*
Income tax (benefit) expense		(118)	118	100.0%
Net income (loss)	$ 512	$ (3,194)	3,706	*
GAAP Underwriting Ratios:				
Loss ratio	57.2%	80.1%		
Expense ratio	42.0%	46.4%		
Combined ratio	99.2%	126.5%		

* Percentage change is not meaningful

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Premiums

Our premiums are presented below for the three months ended March 31, 2015 and 2014:

Summary of Premium Revenue

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	$ Change	% Change
	(dollars in thousands)			
Gross Written Premiums				
Commerical lines	$ 15,742	$ 9,977	$ 5,765	57.8%
Personal lines	5,462	7,690	(2,228)	(29.0)%
Total	$ 21,204	$ 17,667	$ 3,537	20.0%
Net Written Premiums				
Commerical lines	$ 9,854	$ 9,119	$ 735	8.1%
Personal lines	3,812	7,590	(3,778)	(49.8)%
Total	$ 13,666	$ 16,709	$ (3,043)	(18.2)%
Net Earned Premiums				
Commerical lines	$ 9,488	$ 6,362	$ 3,126	49.1%
Personal lines	5,005	6,313	(1,308)	(20.7)%
Total	$ 14,493	$ 12,675	$ 1,818	14.3%

Gross written premiums increased 20% in the first quarter of 2015 as compared to the first quarter of 2014. This increase was mainly driven by continued growth in our commercial lines. Of the $5.8 million increase in gross written premium for commercial lines, $3.8 million was generated by our commercial multi-peril and other liability products in our owner-operated, small business target market and $1.3 million was generated from our commercial automobile line.

The premium decrease in our personal lines products was primarily due to our exiting of the personal automobile line and the underwriting and marketing changes made to our Midwest homeowners line in late 2014. We implemented underwriting, pricing and marketing changes to our Midwest homeowners line in late 2014 that resulted in the termination of a number of agencies and we expect those changes to result in reduced premium volume, as well as improved results, in the near term. Personal automobile gross written premiums were $0.8 million and $3.3 million in the first quarters of 2015 and 2014, respectively, a decrease of $2.5 million, or 76%. We expect there to be no written premiums in the nonstandard automobile lines after June 2015. Midwest homeowners gross written premiums were $1.6 million and $2.0 million in the first quarters of 2015 and 2014, respectively, decreasing by $0.4 million, or 20%.

The decrease in gross written premium from the personal automobile and Midwest homeowners lines was partially offset by an increase in the gross written premium in our specialty homeowners lines. Our specialty homeowners lines increased by $0.6 million, or 27%, in the first quarter of 2015 as compared to the first quarter of 2014. The increase was attributable to growth in all three areas of our specialty homeowners lines, including Florida homeowners, Texas homeowners and hurricane-only Hawaii homeowners.

Net written premiums decreased in the first quarter of 2015 as compared to the first quarter of 2014 despite the increase in gross written premiums, due to the addition of a quota share reinsurance agreement that we entered into on December 31, 2014. Under this agreement, we

ceded $4.8 million of written premium, reducing our net written premiums by 26% in the first quarter of 2015. Almost all

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our business lines are included in this agreement, other than the Florida homeowners and the personal automobile business.

Ceded earned premiums as a percent of gross earned premiums were 31% in the first quarter of 2015, and 12% in the first quarter of 2014. This increase was substantially attributable to the quota share reinsurance agreement.

Net earned premiums are earned ratably over the term of the policy, whereas written premiums are reflected on the effective date of the policy. All commercial lines and homeowners products have annual policies and premiums under them are earned evenly over one year. Almost all personal automobile policies are six month term policies, under which premiums are earned over a six month period. The resulting net earned premiums are impacted by the gross and ceded written premiums, earned ratably over time.

Other income

Substantially all other income is derived from policies we write and represents additional charges to policyholders for services outside of the premium charge, such as installment billing or policy issuance costs. Other income decreased by 8% in the first quarter of 2015 as compared to the first quarter of 2014 as a result of reduced premium volume in our personal automobile and Midwest homeowners lines. The reduction in other income from the personal lines business was partially offset by an increase in other income in the commercial lines business.

Losses and Loss Adjustment Expenses

The tables below detail our losses and loss adjustment expenses ("LAE") and loss ratios for the three months ended March 31, 2015 and 2014.

Three months ended March 31, 2015	**Commercial Lines**	**Personal Lines**	**Total**
	(dollars in thousands)		
Accident year net losses and LAE	$ 5,374	$ 3,161	$ 8,535
Net (favorable) adverse development	(57)	92	35
Calendar year net loss and LAE	$ 5,317	$ 3,253	$ 8,570
Accident year loss ratio	54.6%	61.6%	57.0%
Net (favorable) adverse development	(0.5)%	1.8%	0.2%
Calendar year loss ratio	54.1%	63.4%	57.2%

Three months ended March 31, 2014	**Commercial Lines**	**Personal Lines**	**Total**
	(dollars in thousands)		
Accident year net losses and LAE	$ 5,899	$ 5,119	$ 11,018
Net (favorable) adverse development	(276)	(166)	(442)
Calendar year net loss and LAE	$ 5,623	$ 4,953	$ 10,576
Accident year loss ratio	88.9%	77.9%	83.4%
Net (favorable) adverse development	(4.2)%	(2.6)%	(3.3)%
Calendar year loss ratio	84.7%	75.3%	80.1%

Net losses and LAE decreased $2.0 million, or 19%, in the first quarter of 2015 as compared to the first quarter of 2014. This decrease was due, in part, to a $0.5 million decrease in Midwest homeowners resulting from our underwriting changes in late 2014, and the impact of the quota share reinsurance agreement. Additionally, part of the decrease was due to a $1.9 million decrease in the

personal automobile line resulting from our efforts to exit this line. Partially offsetting the effects of the lower loss ratios and quota share reinsurance were increases to net losses and LAE due to increases in net earned premium from the growth in our business.

The Company's calendar year loss ratios were 57.2% and 80.1% for the three months ended March 31, 2015 and 2014, respectively. The decreased loss ratio was mainly the result of lower losses in Midwest homeowners and commercial multi-peril. Both lines experienced losses that were historically higher in 2014 due to weather-related property damage.

In the first quarter of 2015, there was $207,000 of favorable development in the workers compensation product line that is included in other commercial lines and there was $195,000 of adverse development in the commercial automobile line. Overall reserve development in the first quarter of 2015, was minimal. In first quarter of 2014, there was $247,000 and $149,000 of favorable reserve development in the personal automobile and other liability lines, respectively. Total reserve development in the first quarter of 2014 was favorable by $442,000.

Losses and loss adjustment expenses also decreased as a result of the quota share reinsurance agreement entered into on December 31, 2014. Losses and LAE ceded under the quota share reinsurance agreement in the first quarter of 2015 were $2.0 million as compared to $0 for the same period in 2014. However, the quota share reinsurance agreement added approximately 1.1 percentage points to the 2015 loss ratio, as the ceded earned premium was greater as a percentage than the ceded losses under the quota share agreement.

Expense Ratio

Our expense ratio is calculated by dividing the sum of policy acquisition costs and other underwriting and operating expenses by the sum of net earned premiums and other income. We use the expense ratio to evaluate the operating efficiency of our consolidated operations and each segment. Costs that cannot be readily identifiable as a direct cost of a segment or product line remain in Corporate and Other for segment reporting purposes.

The table below provides the expense ratio by major component.

	Three Months Ended March 31,	
	2015	**2014**
Commercial Lines		
Policy acquisition costs	17.7%	25.5%
Operating expenses	15.0%	16.2%
Total	32.7%	41.7%
Personal Lines		
Policy acquisition costs	16.7%	23.4%
Operating expenses	8.0%	9.2%
Total	24.7%	32.6%
Corporate and Other		
Operating expenses	12.1%	9.2%
Consolidated		
Policy acquisition costs	17.3%	24.5%
Operating expenses	24.7%	21.9%
Total	42.0%	46.4%

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Our expense ratio decreased 4.4 percentage points in the three months ended March 31, 2015 as compared to 2014, due to our premium volume growth rate exceeding the increase in the cost of our infrastructure. The improved efficiency was partly offset by the impact of the quota share reinsurance agreement, which reduced net earned premiums in the first quarter of 2015 by $3.9 million, causing the expense ratio to increase by 1.1 percentage points.

Policy Acquisition Costs

Policy acquisition costs are costs we incur to issue policies, which include commissions, premium taxes, underwriting reports and underwriter compensation costs. The Company offsets direct commissions with ceded commissions from reinsurers. The percentage of policy acquisition costs to net earned premiums and other income was 17.3% and 24.5% for the three months ended March 31, 2015 and 2014, respectively. The reduction in the ratio was primarily due to the impact of the quota share reinsurance agreement. The quota share reinsurance agreement includes a ceding commission equal to 37.0% of the ceded premiums. The ceding commission is recorded as a reduction to acquisition costs. The ceding commission recorded in the first quarter of 2015 was $1.8 million. To a lesser extent, policy acquisition costs were also reduced by the change in the mix of business. The Illinois automobile business, which had a high acquisition cost ratio, went into run-off in early 2014. Now that it has substantially run-off, there are no more acquisition costs from this line.

Operating Expenses

Operating expenses consist primarily of employee compensation, information technology and occupancy costs, such as rent and utilities. Operating expenses as a percent of net earned premiums and other income was 24.7% and 21.9% for the first quarter of 2015 and 2014, respectively. The increased ratio was due to the quota share reinsurance agreement which lowered net earned premiums. Before the impact of the quota share reinsurance, this ratio was 19.5% and 21.9%, for the first quarter of 2015 and 2014, respectively. The operating expense ratio (excluding the impact of the quota share reinsurance) is lower as premiums earned increased on a less variable expense structure.

Underwriting Results

We measure the performance of our consolidated results, in part, based on our underwriting gain or loss. The following table provides the underwriting gain or loss for the three months ended March 31, 2015 and 2014.

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Underwriting Gain (Loss)

	Three Months Ended March 31,		$	%
	2015	2014	Change	Change
	(dollars in thousands)			
Commercial Lines				
Commercial multiple peril	$ 501	$ (2,133)	$ 2,634	*
Other liability	344	227	117	52%
Commercial automobile	106	134	(28)	(21)%
Other	359	13	346	*
Total	1,310	(1,759)	3,069	*
Personal Lines				
Midwest homeowners	184	(339)	523	*
Specialty homeowners	882	107	775	724%
Personal automobile	(456)	(286)	(170)	59%
Total	610	(518)	1,128	*
Corporate and Other	(1,795)	(1,217)	(578)	(48)%
Total	$ 125	$ (3,494)	$ 3,619	*

* Percentage change is not meaningful

There was a significant improvement in underwriting results in the first three months of 2015 as compared to 2014. The largest contributors to the improved underwriting results included improvements to the loss ratio in Midwest homeowners and commercial multiple peril products which had substantially fewer property losses in 2015, the run-off of the personal automobile business which improved the mix of our business and more premium volume on the existing expense structure. The improvements in the underwriting results were partially offset by the $434,000 reduction in underwriting gain attributable to the quota share reinsurance agreement referred to earlier.

Investment Income

Net investment income increased by $266,000 for the three months ended March 31, 2015 as compared to 2014, primarily from the growth of the investment portfolio. Average invested assets for the first quarter of 2015 was $105.0 million as compared to $58.0 million in 2014, an increase of $47.0 million, or 81%. The increase in the portfolio was primarily due to the Company raising additional capital of $28.5 million from sales of common stock and $6.1 million from sales of preferred stock. The Company also increased borrowings on senior debt by $14.5 million. In 2013, the Company increased borrowings on senior debt of $1.1 million.

The portfolio's average quality was AA at March 31, 2015. The portfolio produced a tax equivalent book yield of 2.10% and 2.22% for the three months ended March 31, 2015 and 2014, respectively. The decrease in book yield in 2015 compared to 2014 is a result of continued lower reinvestment rates related to the decline in the interest rate environment. As investments mature, the Company attempts to increase yield through the purchase of longer dated securities. The average duration of the fixed maturity portfolio decreased from 3.6 years at March 31, 2014 compared to 3.5 years at March 31, 2015 as a result of reinvestment activity.

Interest Expense

Interest expense was $244,000 and $129,000 for the three months ended March 31, 2015 and 2014, respectively. In September 2014, the Company entered into an amendment to its credit agreement to

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provide for a five-year term loan of $7.5 million and increase the commitment under its credit facility from $10 million to $17.5 million. Interest expense increased due to the additional outstanding debt which was $28.2 million and $12.8 million at March 31, 2015 and 2014, respectively. The additional borrowings were contributed to the insurance companies to allow for further growth and fund current operations.

Income Tax Expense

The Company has established a valuation allowance against 100% of the net deferred tax assets at March 31, 2015 and 2014. Due to the valuation allowance offsetting the net operating loss carryforwards, we expect no income tax expense to be generated on our pre-tax income throughout 2015. For the three months ended March 31, 2014, the income tax benefit of $118,000 relates to the impact of changes to net unrealized gains during the quarter which tax effect is included in the change in other comprehensive income and the corresponding change to the valuation allowance is reflected in the income statement as a deferred tax benefit.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

The following table summarizes our results for the years ended December 31, 2014 and 2013:

Summary of Results

	Year Ended December 31,			
	2014	2013	$ Change	% Change
	(dollars in thousands)			
Gross written premium	$ 83,847	$ 44,087	39,760	90.2%
Net written premium	$ 66,299	$ 37,648	28,651	76.1%
Net earned premium	$ 57,528	$ 27,629	29,899	108.2%
Other income	1,809	834	975	116.9%
Losses and loss adjustment expenses	40,730	15,824	24,906	157.4%
Policy acquisition costs	14,696	7,667	7,029	91.7%
Operating expenses	12,139	9,161	2,978	32.5%
Underwriting loss	(8,228)	(4,189)	(4,039)	96.4%
Net investment income	1,175	1,000	175	17.5%
Net realized investment gains	417	299	118	39.5%
Gain from acquisitions		3,714	(3,714)	(100.0)%
Interest expense	584	541	43	7.9%
Income (loss) before taxes	(7,220)	283	(7,503)	*
Income tax (benefit) expense	(281)	3	(284)	*
Net income (loss)	$ (6,939)	$ 280	(7,219)	*
GAAP Underwriting Ratios:				
Loss ratio	68.6%	55.6%		
Expense ratio	45.3%	59.1%		

Combined ratio	113.9%	114.7%

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* Percentage change is not meaningful

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Premiums

Our premiums are presented below for the years ended December 31, 2014 and 2013:

Summary of Premium Revenue

	Year Ended December 31, 2014	Year Ended December 31, 2013	$ Change	% Change
	(dollars in thousands)			
Gross Written Premium				
Commerical lines	$ 55,056	$ 27,321	$ 27,735	101.5%
Personal lines	28,791	16,766	12,025	71.7%
Total	$ 83,847	$ 44,087	$ 39,760	90.2%
Net Written Premium				
Commerical lines	$ 40,958	$ 22,633	$ 18,325	81.0%
Personal lines	25,341	15,015	10,326	68.8%
Total	$ 66,299	$ 37,648	$ 28,651	76.1%
Net Earned Premium				
Commerical lines	$ 35,749	$ 15,720	$ 20,029	127.4%
Personal lines	21,779	11,909	9,870	82.9%
Total	$ 57,528	$ 27,629	$ 29,899	108.2%

Gross written premium increased significantly across our commercial and personal lines in 2014. Of the $27.7 million increase in gross written premium in our commercial lines, $17.7 million was attributable to our commercial multi-peril and other liability products in our owner-operated, small business target market and $8.5 million was attributable to our commercial automobile line. Our commercial lines growth was primarily generated from expansion of our existing products. In addition, the Company grew geographically and entered ten additional states in 2014, as compared to 2013, accounting for $1.2 million of additional premiums.

The increase in gross premium for our personal lines business was primarily due to a $5.5 million assumption of premium for the Florida homeowners business from Citizens, the acquisition of American Colonial, and a $2.8 million increase in our existing Texas homeowners business. All of these premiums were generated by specialty homeowners products. The increased premiums in personal lines business was partially offset by a decline in premium volume from our Midwest homeowners line and personal automobile products near the end of 2014 as we made significant changes to both programs. We implemented underwriting, pricing and marketing changes to our Midwest homeowners line in late 2014 that resulted in the termination of a number of agencies and we expect those changes to result in reduced premium volume, as well as improved results, in the near term.

In early 2014, we discontinued writing our personal automobile line of business in Illinois. On January 26, 2015, we also discontinued writing new policies in our personal automobile line of business in Florida. We received approval from the Florida Office of Insurance Regulation to cease writing all renewal personal automobile business beginning in the second quarter of 2015. Personal automobile premiums increased compared to 2013, which stemmed from the acquisition of ACIC in late 2013.

We have no plans to write non-standard automobile policies at this time. We continue, however, to be responsible for paying claims and performing other administrative services with respect to the run-off of our existing non-standard automobile policies. Personal automobile insurance represented approximately 20% of our net earned premiums from operations for the year ended December 31, 2014. Our personal automobile business contributed $2.4 million of loss to our underwriting results in 2014, which represented 29% of our total underwriting loss for the year.

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Net written premium grew slightly less than gross written premium as a result of the addition of a quota share reinsurance arrangement entered into on December 31, 2014. The quota share reinsurance arrangement allows us to grow while utilizing the balance sheet of a reinsurer when our growth outpaces our capital. Under this agreement, we ceded 25% of the subject premium, net of other reinsurance, and ceded 25% of our losses for the layer within our existing retention, which will be for losses up to $500,000.

All of our business is included in this quota share agreement, with the exceptions of the Florida homeowners and the personal automobile business. The net unearned premiums, as of December 31, 2014, were subject to this treaty which caused more ceded written premium and consequently reduced the overall increase in net written premium as compared to gross written premium. The quota share reinsurance agreement had no impact on earned premiums in 2014 or 2013.

Our average reinsurance rates were lower in 2014 as compared to 2013. Ceded earned premiums as a percent of gross earned premiums were 14.1% in 2014, and 16.0% in 2013. This favorable decrease is a result of an overall softer reinsurance market pricing and our larger premium volume in 2014, which allowed us improved efficiency due to our increased scale.

Net earned premiums are earned ratably over the term of the policy whereas written premium are reflected on the effective date of the policy. All commercial lines and homeowners products have annual policies and thus they are earned evenly over one year. Almost all personal automobile policies are six month policies, which are earned over a six month period.

Other income

Substantially all other income is derived from policies we write and represents additional charges to policyholders for services outside of the premium charge, such as installment billing or policy issuance costs. Approximately 30% and 20% of our other income was derived from the Florida personal automobile and Midwest homeowners lines, respectively, for the year ended December 31, 2014. Other income grew by 117% in 2014 as compared to 2013 as a result of the growth in premium volume in personal automobile, Midwest homeowners and commercial multi-peril.

Losses and Loss Adjustment Expenses

The table below details our losses and loss adjustment expenses ("LAE") and loss ratios for the years ended December 31, 2014 and 2013.

Year ended December 31, 2014	**Commercial Lines**	**Personal Lines**	**Total**
	(dollars in thousands)		
Accident year net losses and LAE	$ 21,803	$ 20,120	$ 41,923
Net (favorable) adverse development	(1,182)	(11)	(1,193)
Calendar year net losses and LAE	$ 20,621	$ 20,109	$ 40,730
Accident year loss ratio	59.5%	88.7%	70.7%
Net (favorable) adverse development	(3.3)%		(2.1)%
Calendar year loss ratio	56.2%	88.7%	68.6%

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Year ended December 31, 2013	Commercial Lines	Personal Lines	Total
	(dollars in thousands)		
Accident year net losses and LAE	$ 11,144	$ 9,700	$ 20,844
Net (favorable) adverse development	(5,516)	496	(5,020)
Calendar year net losses and LAE	$ 5,628	$ 10,196	$ 15,824
Accident year loss ratio	69.3%	78.8	