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

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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.

	Three Months Ended June 30,	
(in thousands, except per share data and ratios)	**Estimated 2015**	**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

	Three Months Ended March 31,		Year Ended December 31,		
GAAP Underwriting Ratios:	2015	2014	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 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 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.

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."

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 i