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DELTA REPORT

10-Q

CNFR - CONIFER HOLDINGS, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2806
CHANGES	261
DELETIONS	2086
ADDITIONS	459

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, March 31, 2023 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-37536

Conifer Holdings, Inc.
(Exact name of registrant as specified in its charter)

Michigan	**27-1298795**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3001 West Big Beaver Road, Suite 200	
Troy, Michigan	**48084**
(Address of principal executive offices)	(Zip code)

(248) 559-0840
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	CNFR	The Nasdaq Stock Market LLC
9.75% Senior Notes due 2028	CNFRZ	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑☐No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑ Smaller reporting company ☑ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The number of outstanding shares of the registrant's common stock, no par value, as of November 10, 2023 May 14, 2024, was 12,222,881.

CONIFER HOLDINGS, INC. AND SUBSIDIARIES

Form 10-Q

INDEX

PART 1 - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

CONIFER HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(dollars in thousands)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(Unaudited)		(Unaudited)	
Assets				
Investment securities:				
Debt securities, at fair value (amortized cost of $119,499 and $127,119, respectively)	$ 101,745	$ 110,201		
Equity securities, at fair value (cost of $2,387 and $1,905, respectively)	2,345	1,267		
Debt securities, at fair value (amortized cost of $134,219 and $135,370, respectively)			$ 120,534	$ 122,113
Equity securities, at fair value (cost of $2,374 and $2,385, respectively)			2,387	2,354
Short-term investments, at fair value	40,523	25,929	23,724	20,838
Total investments	144,613	137,397	146,645	145,305
Cash and cash equivalents	14,361	28,035	17,316	11,125
Premiums and agents' balances receivable, net	24,512	21,802	24,056	29,369
Receivable from Affiliate	889	1,261	1,155	1,047
Reinsurance recoverables on unpaid losses	46,766	82,651	73,807	70,807
Reinsurance recoverables on paid losses	6,959	6,653	5,075	12,619
Prepaid reinsurance premiums	43,132	16,399	20,486	28,908
Deferred policy acquisition costs	5,737	10,290	5,663	6,285

Other assets	6,474	7,862	6,875	6,339
Total assets	$ 293,443	$ 312,350	$ 301,078	$ 311,804
Liabilities and Shareholders' Equity				
Liabilities:				
Unpaid losses and loss adjustment expenses	$ 139,214	$ 165,539	$ 175,826	$ 174,612
Unearned premiums	78,865	67,887	55,231	65,150
Reinsurance premiums payable	4,727	6,144	2,399	246
Debt	25,264	33,876	24,946	25,061
Funds held under reinsurance agreements	26,541	11,084	24,211	24,550
Premiums payable to other insureds			8,840	13,986
Accounts payable and accrued expenses	7,041	8,870	7,066	5,310
Total liabilities	281,652	293,400	298,519	308,915
Commitments and contingencies				
Shareholders' equity:				
Common stock, no par value (100,000,000 shares authorized; 12,222,881 and 12,215,849 issued and outstanding, respectively)	98,057	97,913		
Preferred stock, no par value (10,000,000 shares authorized; 1,000 issued and outstanding, respectively)			6,000	6,000
Common stock, no par value (100,000,000 shares authorized; 12,222,881 issued and outstanding, respectively)			98,132	98,100
Accumulated deficit	(67,204)	(60,760)	(86,609)	(86,683)
Accumulated other comprehensive income (loss)	(19,062)	(18,203)	(14,964)	(14,528)
Total shareholders' equity	11,791	18,950	2,559	2,889
Total liabilities and shareholders' equity	$ 293,443	$ 312,350	$ 301,078	$ 311,804

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONIFER HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)
(dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Revenue and Other Income						
Premiums						
Gross earned premiums	$ 38,150	34,401	$ 108,457	$ 100,947	$ 34,232	34,294
Ceded earned premiums	(14,171)	(9,443)	(39,343)	(27,458)	(17,345)	(12,342)
Net earned premiums	23,979	24,958	69,114	73,489	16,887	21,952
Net investment income	1,450	860	4,111	1,931	1,552	1,307
Net realized investment gains (losses)	—	—	—	(1,505)	—	—
Change in fair value of equity securities	(87)	(151)	595	446	43	694
Gain from sale of renewal rights	2,335	—	2,335	—		
Other gains (losses)	—	66	—	60	—	—
Agency commission income					4,336	430
Other income	439	603	1,463	1,964	260	196
Total revenue and other income	28,116	26,336	77,618	76,385	23,078	24,579
Expenses						
Losses and loss adjustment expenses, net	20,911	16,671	53,943	56,940	10,520	13,713
Policy acquisition costs	4,725	6,230	13,859	17,419	7,013	4,721
Operating expenses	4,403	4,380	13,796	13,010	4,495	4,279
Interest expense	855	778	2,361	2,216	877	686
Total expenses	30,894	28,059	83,959	89,585	22,905	23,399

Income (loss) before equity earnings in Affiliate and income taxes	(2,778)	(1,723)	(6,341)	(13,200)	173	1,180
Equity earnings (loss) in Affiliate, net of tax	72	199	(103)	368	58	(179)
Income tax expense (benefit)	—	(1)	—	(40)	—	—
Net income (loss)	$ (2,706)	$ (1,523)	$ (6,444)	$ (12,792)	$ 231	$ 1,001
Preferred stock dividends					157	—
Net income (loss) allocable to common shareholders					$ 74	$ 1,001
Earnings (loss) per common share, basic and diluted	$ (0.22)	$ (0.14)	$ (0.53)	$ (1.26)	$ 0.01	$ 0.08
Weighted average common shares outstanding, basic and diluted	12,222,881	11,101,194	12,219,713	10,178,975	12,222,881	12,215,849

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONIFER HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(dollars in thousands)

	Three Months Ended September 30,		**Nine Months Ended September 30,**		**Three Months Ended March 31,**	
	2023	**2022**	**2023**	**2022**	**2024**	**2023**
Net income (loss)	$ (2,706)	$ (1,523)	$ (6,444)	$ (12,792)	$ 231	$ 1,001
Other comprehensive income (loss), net of tax:						
Unrealized investment gains (losses):						

Unrealized investment gains (losses) during the period	(2,404)	(4,347)	(859)	(16,641)	(436)	2,286
Income tax (benefit) expense	—	—	—	—	—	—
Unrealized investment gains (losses), net of tax	(2,404)	(4,347)	(859)	(16,641)	(436)	2,286
Less: reclassification adjustments to:						
Net realized investment gains (losses) included in net income (loss)	—	—	—	70	—	—
Income tax (benefit) expense	—	—	—	—	—	—
Total reclassifications included in net income (loss), net of tax	—	—	—	70	—	—
Other comprehensive income (loss)	(2,404)	(4,347)	(859)	(16,711)	(436)	2,286
Total comprehensive income (loss)	$ (5,110)	$ (5,870)	$ (7,303)	$ (29,503)	$ (205)	$ 3,287

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONIFER HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(dollars in thousands)

	No Par, Common Stock	Accumulated	Accumulated Other Comprehensive	Total Shareholders'	No Par, Preferred Stock	No Par, Common Stock	Accumulated	Accumulated Other Comprehensive	Total Shareholders'

	Shares	Amount	Deficit	Income (Loss)	Equity	Shares	Amount	Shares	Amount	Deficit	Income (Loss)	Equity
Balances at June 30, 2023	**12,222,881**	**$ 98,013**	**$ (64,498)**	**$ (16,658)**	**$ 16,857**							
Balances at December 31, 2023						**1,000**	**6,000**	**12,222,881**	**$ 98,100**	**$ (86,683)**	**$ (14,528)**	**$ 2,889**
Net income (loss)	—	—	(2,706)	—	(2,706)	—	—	—	—	231	—	231
Stock-based compensation expense	—	44	—	—	44	—	—	—	32	—	—	32
Cash dividends paid on preferred stock						—	—	—	—	(157)	—	(157)
Other comprehensive income (loss)	—	—	—	(2,404)	(2,404)	—	—	—	—	—	(436)	(436)
Balances at September 30, 2023	**12,222,881**	**$ 98,057**	**$ (67,204)**	**$ (19,062)**	**$ 11,791**							
Balances at June 30, 2022	**9,715,324**	**$ 92,799**	**$ (61,348)**	**$ (14,474)**	**$ 16,977**							
Net income (loss)	—	—	(1,523)	—	(1,523)							
Issuance of common stock private placement	2,500,000	5,000	—	—	5,000							

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Stock-based compensation expense	—	58	—	—	58
Other comprehensive income (loss)	—	—	—	(4,347)	(4,347)
Balances at September 30, 2022	**12,215,324**	**$ 97,857**	**$ (62,871)**	**$ (18,821)**	**$ 16,165**
Balances at March 31, 2024	**1,000**	**6,000**	**12,222,881**	**$ 98,132**	**$ (86,609)**	**$ (14,964)**	**$ 2,559**

	No Par, Common Stock		Accumulated	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	No Par, Common Stock		Accumulated	Accumulated Other Comprehensive	Total Shareholders'
	Shares	**Amount**	**Deficit**			**Shares**	**Amount**	**Deficit**	**Income (Loss)**	**Equity**
Balances at December 31, 2022	**12,215,849**	**$ 97,913**	**$ (60,760)**	**$ (18,203)**	**$ 18,950**	**12,215,849**	**$ 97,913**	**$ (60,760)**	**$ (18,203)**	**$ 18,950**
Net income (loss)	—	—	(6,444)	—	(6,444)	—	—	1,001	—	1,001
Repurchase of common stock	(1,968)	(3)	—	—	(3)					
Issuance of common stock private placement	—	—	—	—	—					
Stock-based compensation expense	9,000	147	—	—	147	—	55	—	—	55
Other comprehensive income (loss)	—	—	—	(859)	(859)	—	—	—	2,286	2,286
Balances at September 30, 2023	**12,222,881**	**$ 98,057**	**$ (67,204)**	**$ (19,062)**	**$ 11,791**					

Balances at December 31, 2021	**9,707,817**	**$ 92,692**	**$ (50,079)**	**$ (2,110)**	**$ 40,503**
Net income (loss)	—	—	(12,792)	—	(12,792)
Repurchase of common stock	(1,493)	11	—	—	11
Issuance of common stock private placement	2,500,000	5,000	—	—	5,000
Stock-based compensation expense	9,000	154	—	—	154
Other comprehensive income (loss)	—	—	—	(16,711)	(16,711)
Balances at September 30, 2022	**12,215,324**	**$ 97,857**	**$ (62,871)**	**$ (18,821)**	**$ 16,165**
Balances at March 31, 2023	**12,215,849**	**$ 97,968**	**$ (59,759)**	**$ (15,917)**	**$ 22,292**

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONIFER HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
(dollars in thousands)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	**2022**	**2024**	**2023**
Cash Flows From Operating Activities				
Net income (loss)	$ (6,444)	$ (12,792)	$ 231	$ 1,001
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Proceeds from sale of renewal rights	(2,500)	—		
Depreciation and amortization	392	306	148	98

Amortization of bond premium and discount, net	(736)	292	(167)	(97)
Net realized investment (gains) losses	—	1,505		
Change in fair value of equity securities	(595)	(446)	(43)	(694)
Stock-based compensation expenses	147	154	32	55
Equity loss (earnings) in Affiliate, net of tax	103	(368)	(58)	179
Other (gains) losses	—	93		
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Premiums and agents' balances and other receivables	(2,534)	(737)	5,205	(91)
Reinsurance recoverables	35,579	(2,547)	4,544	19,180
Prepaid reinsurance premiums	(26,733)	(7,032)	8,422	(5,530)
Deferred policy acquisition costs	4,553	1,784	622	1,964
Other assets	241	(469)	(499)	(418)
Increase (decrease) in:				
Unpaid losses and loss adjustment expenses	(26,325)	5,472	1,214	(20,177)
Unearned premiums	10,978	2,523	(9,919)	1,920
Funds held under reinsurance agreements			(339)	(2,759)
Reinsurance premiums payable	14,024	(1,966)	2,153	1,319
Premiums payable to other insureds			(5,146)	—
Accounts payable and other liabilities	(879)	137	1,775	(1,968)
Net cash provided by (used in) operating activities	(729)	(14,091)	8,175	(6,018)
Cash Flows From Investing Activities				
Purchase of investments	(172,143)	(234,620)	(52,396)	(60,052)
Proceeds from maturities and redemptions of investments	7,467	17,638	1,764	2,105
Proceeds from sales of investments	159,070	237,062	49,074	58,413
Proceeds from sale of renewal rights	2,500	—		
Obligation to SSU	(934)	—	—	(934)
Net cash provided by (used in) investing activities	(4,040)	20,080	(1,558)	(468)
Cash Flows From Financing Activities				
Proceeds from issuance of common stock	—	5,000		
Proceeds from issuance of long-term debt	6,727	—		
Repurchase of common stock	(3)	11		
Borrowings under line of credit	—	5,000		
Borrowings under Federal Home Loan Bank of Indianapolis	—	14,500		
Dividends paid to shareholders			(176)	—
Repayment of long-term debt	(13,721)	—	(250)	—
Repayment of borrowings under debt arrangements	—	(5,000)		
Debt issuance costs	(1,908)	—		
Net cash provided by (used in) financing activities	(8,905)	19,511	(426)	—
Net increase (decrease) in cash	(13,674)	25,500	6,191	(6,486)

Cash at beginning of period	28,035	9,913	11,125	28,035
Cash at end of period	$ 14,361	$ 35,413	$ 17,316	$ 21,549
Supplemental Disclosure of Cash Flow Information:				
Interest paid	$ 2,491	$ 2,196	$ 964	$ 686
Income taxes paid (refunded), net	(17)	(12)		
Non cash debt activity see Note 8 ~ *Debt*				

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONIFER HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation and Management Representation

The consolidated financial statements include accounts, after elimination of intercompany accounts and transactions, of Conifer Holdings, Inc. (the “Company” or “Conifer”), its wholly owned subsidiaries, Conifer Insurance Company ("CIC"), White Pine Insurance Company ("WPIC"), Red Cedar Insurance Company ("RCIC"), Conifer Insurance Services ("CIS"), which is our managing general agency ("MGA"), formerly known as Sycamore Insurance Agency, Inc. ("Sycamore"), and VSRM, Inc. ("VSRM"). CIC, WPIC, and RCIC are collectively referred to as the "Insurance Company Subsidiaries." On a stand-alone basis, Conifer Holdings, Inc. is referred to as the "Parent Company." VSRM owns a 50% non-controlling interest in Sycamore Specialty Underwriters, LLC ("SSU" or "Affiliate").

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which differ from statutory accounting practices prescribed or permitted for insurance companies by regulatory authorities. The Company has applied the rules and regulations of the United States Securities and Exchange Commission (“SEC”) regarding interim financial reporting and therefore the consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting of items of a normal recurring nature, necessary for a fair presentation of the consolidated interim financial statements, have been included.

These consolidated financial statements and the notes thereto should be read in conjunction with the Company's audited consolidated financial statements and related notes included in its Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, as filed with the SEC.

The results of operations for the nine three months ended September 30, 2023 March 31, 2024, are not necessarily indicative of the results expected for the year ended December 31, 2023 December 31, 2024.

Business

The Company is engaged in the sale of property and casualty insurance products and has organized its principal operations into three types of insurance businesses: commercial lines, personal lines, and agency business. The Company underwrites a variety of specialty insurance products, including property, general liability, liquor liability, automobile, and homeowners and dwelling policies. The Company markets and sells its insurance products through a network of independent agents, including managing general agents, whereby policies are written in almost all 50 states in the United States of America ("U.S."). The Company is in the process of strategically shifting from mostly underwriting insurance products (generating revenues through premiums) to mostly producing, or selling, insurance products through its MGA. Utilizing its existing relationships with retail agencies and other agencies, in the first quarter of 2024, the Company began producing business that was directly underwritten by a third-party insurer. The Company's corporate headquarters are located in Troy, Michigan with additional office facilities in Florida and Michigan.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes the amounts included in the consolidated financial statements reflect management's best estimates and assumptions, actual results may differ from these estimates.

Cash, Cash Equivalents, and Short-term Investments

Cash consists of cash deposits in banks, generally in operating accounts. Cash equivalents consist of money-market funds that are specifically used as overnight investments tied to cash deposit accounts. Short-term investments, consisting of money market funds, are classified as investments in the consolidated balance sheets as they relate to the Company's investment activities.

Recently Adopted Accounting Pronouncements

Effective January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which introduces a new process for recognizing credit losses on financial instruments based on expected credit losses. This new standard replaces the incurred loss methodology and the concept of Other-than-Temporary Impairment (or "OTTI") with an expected credit loss methodology that is sometimes referred to as the Current Expected Credit Loss (CECL) methodology. The guidance applies to Conifer's reinsurance

recoverables, premium receivable, and debt securities. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP. The adoption of ASC 326 did not have a material impact on the Company's financial statements.

Among other updates which management deems to have no material impact, ASC 326 made changes to the accounting for available-for-sale debt securities. At each quarter-end, for available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through earnings.

For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectability of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Recently Issued Accounting Guidance Not Yet Adopted

In January 2021, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848)*. This guidance provides optional expedients and exceptions that are intended to ease the burden of updating contracts to contain a new reference rate due to the discontinuation of the London Inter-Bank Offered Rate (LIBOR). This guidance is available immediately and may be

implemented in any period prior to the guidance expiration on December 31, 2024. Management does not expect the new guidance to have a material impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280). This guidance is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses, allowing financial statement users to better understand the components of a segment's profit or loss to assess potential future cash flows for each reportable segment and the entity as a whole. The amendments expand a public entity's segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), clarifying when an entity may report one or more additional measures to assess segment performance, requiring enhanced interim disclosures, providing new disclosure requirements for entities with a single reportable segment, and requiring other new disclosures. ASU 2023-07 is effective for fiscal years beginning after December 31, 2024. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740). ASU 2023-09 requires public business entities to disclose additional information with respect to the reconciliation of the effective tax rate to the statutory rate. Additionally, public business entities will need to disaggregate federal, state and foreign taxes paid in their financial statements. ASU 2023-09 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2024. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

Company Liquidity and Management's Plans

We conduct our business operations primarily through our Insurance Company Subsidiaries. Subsidiaries and MGA. Our ability to service debt, and pay administrative expenses is primarily reliant upon our intercompany service fees paid by the Insurance Company Subsidiaries and MGA to the holding company for management, administrative, and information technology services provided to the Insurance Company Subsidiaries and MGA by the Parent Company. The Parent Company may receive dividends from the Insurance Company Subsidiaries; however, this is not the primary means in which the holding company supports its funding as state insurance laws restrict the ability of our Insurance Company Subsidiaries to declare dividends to the Parent Company. Company, and we do not anticipate any dividends being paid to us from our Insurance Company Subsidiaries during 2024 and 2025. The Parent Company is required to pay certain intercompany obligations before December 31, 2023. may receive dividends from our MGA without regulatory restrictions.

In September Due to significant losses in 2023, much of which was attributable to strengthening reserves and severe storm activity affecting the Oklahoma homeowners business, both Insurance Company Subsidiaries lack sufficient capital to continue to underwrite the volume of business they have historically written. Accordingly, in the first quarter of 2024, management implemented a strategic shift in which the Company repaid its $24.4 million began utilizing third-party insurers to mostly rely on commission revenues generated by our MGA to fund operations and service debt, going forward. Substantially all of senior public debt and funded it, in part, with issuing new public debt in our commercial lines business will no longer be written by our Insurance Company Subsidiaries by the end of the second quarter of 2024. However, we do plan to continue to write a limited amount of $17.9 million. the personal lines on CIC. We do not expect to be writing any business in WPIC by the end of the second quarter of 2024. The Company also refinanced its subordinated debt may need to contribute more capital into a senior secured note, paying down $500,000WPIC before the end of the debt resulting year in order to maintain its licenses, however, since the Company will no longer be writing business in WPIC, this will not have a remaining $ material impact on the Company's operations or cash flows. We expect to be able to fund any needed contributions with existing cash and investments at the Parent Company.

10.0 million The Company will expect to generate the vast majority of its revenue from commissions from third-party insurers, going forward. The Company has executed multiple producer agreements that will underwrite a senior secured note outstanding with a 12.5% interest rate. The changes majority of the Company's commercial lines business. We expect to continue to underwrite the existing personal lines business within our Insurance Company Subsidiaries. Management may also consider the sale of other assets to generate additional cash resources available to the debt structure will result in $1.0 million per year of principal to be paid on the senior secured debt Company. We believe that previously was not required.

Management is anticipating there our existing cash, cash equivalents, short-term investments and investment securities balances will be a current potential cash short fall adequate to meet our capital and liquidity needs and the needs of our subsidiaries over the next several twelve months. To alleviate any concern as to whether the Company will have enough funds to satisfy its near term obligations, a member of the Company's board of directors has pledged to fund up to $6.0 million in capital which could be used to fund these obligations or other cash needs. The member's funding was conditioned on 1) the contribution would be in the form of a preferred stock with a dividend equal to the prime rate plus 2%, and is redeemable at the option of the company in 24 months with a redemption premium of $1.5 million. If the preferred is not redeemed, the preferred will convert into common stock at a price of $1.25 per share. And, 2) the member would have the right to nominate an additional board member.

As a result of this additional capital commitment, management believes that the Parent Company will have adequate cash flow to fund operations, service debt and fund its other obligations going forward through at least November 2024.

2. Sale of Renewal Rights

In September 2023, the Company sold the renewal rights of one of its insurance programs to another insurer for $2.5 million in cash. The program provided mostly liability insurance to the security guard and alarm installation industries. This program produced $41.0 million of gross earned premiums in 2022 and $41.4 million for the nine months ended September 30,

2023. The buyer began writing new and renewal policies for this program as of September 15, 2023. Under a related 100% quota share reinsurance agreement, the Company also ceded $30.9 million of its gross unearned premium in the program to the buyer on September 30, 2023, net of a 27% ceding commission. The Company retained the $22.6 million of the net cash owed to the buyer under a funds withheld provision within the agreement which increased the funds held under reinsurance agreements on the Consolidated Balance Sheets as of September 30, 2023. The funds withheld balance is expected to be paid out over the next four quarters as the ceded unearned premium is earned. The Company incurred $135,000 in expense related to this transaction. As part of this transaction, five claims staff transferred employment to the buyer. The buyer will handle all of the Company's run-off claims for this program under a related claims administration agreement. The buyer also participated in the Company's issuance of new public debt by purchasing $5.0 million of the new debt.

3. Investments

Results for reporting periods occurring before January 1, 2023 continue to be reported in accordance with previously applicable U.S. GAAP and note presented under ASC 326, which was adopted by the Company on January 1, 2023. The Company analyzed its investment portfolio in accordance with its credit loss review policy and determined it did not need to record a credit loss for the three and nine months ended

September 30, 2023 March 31, 2024. The Company holds only investment grade securities from high credit quality issuers. The gross unrealized losses of $17.8 13.8 million as of September 30, 2023 March 31, 2024, from the Company's available-for-sale securities are due to market conditions and interest rate changes.

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The cost or amortized cost, gross unrealized gains or losses, and estimated fair value of the investments in securities classified as available for sale at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were as follows (dollars in thousands):

	September 30, 2023				March 31, 2024			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt Securities:								
U.S. Government	$ 6,410	$ —	$ (272)	$ 6,138	$ 5,702	$ —	$ (172)	$ 5,530
State and local government	25,016	—	(4,951)	20,065	23,961	—	(3,799)	20,162
Corporate debt	34,024	—	(4,898)	29,126	33,880	—	(3,667)	30,213
Asset-backed securities	19,956	—	(837)	19,119	37,813	75	(485)	37,403
Mortgage-backed securities	27,306	—	(6,115)	21,191	26,320	—	(5,044)	21,276
Commercial mortgage-backed securities	3,386	—	(138)	3,248	3,382	—	(142)	3,240
Collateralized mortgage obligations	3,401	—	(543)	2,858	3,161	—	(451)	2,710
Total debt securities available for sale	$ 119,499	$ —	$ (17,754)	$ 101,745	$ 134,219	$ 75	$ (13,760)	$ 120,534

	December 31, 2022				December 31, 2023			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt Securities:								
U.S. Government	$ 7,833	$ —	$ (335)	$ 7,498	$ 5,405	$ 3	$ (161)	$ 5,247
State and local government	25,487	1	(4,672)	20,816	24,274	—	(3,810)	20,464
Corporate debt	35,347	—	(4,788)	30,559	34,002	—	(3,507)	30,495

Asset-backed securities	21,742	—	(1,246)	20,496	38,289	47	(584)	37,752
Mortgage-backed securities	29,194	—	(5,157)	24,037	26,768	—	(4,641)	22,127
Commercial mortgage-backed securities	3,414	—	(186)	3,228	3,404	—	(160)	3,244
Collateralized mortgage obligations	4,102	—	(535)	3,567	3,228	—	(444)	2,784
Total debt securities available for sale	$ 127,119	$ 1	$ (16,919)	$ 110,201	$ 135,370	$ 50	$ (13,307)	$ 122,113

The following table summarizes the aggregate fair value and gross unrealized losses, by security type, of the available-for-sale securities in unrealized loss positions. The table segregates the holdings based on the length of time that individual securities have been in a continuous unrealized loss position (dollars in thousands):

	September 30, 2023									March 31, 2024								
	Less than 12 months			Greater than 12 months			Total			Less than 12 months			Greater than 12 months			Total		
	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses
Debt Securities:																		
U.S. Government	3	$ 1,808	$ (45)	10	$ 4,330	$ (227)	13	$ 6,138	$ (272)	3	$ 1,938	$ (27)	9	$ 3,407	$ (145)	12	$ 5,345	$ (172)

State and local government	3	1,179	(23)	117	18,686	(4,928)	120	19,865	(4,951)	1	300	(1)	114	19,862	(3,798)	115	20,162	(3,799)
Corporate debt	—	—	—	66	29,126	(4,898)	66	29,126	(4,898)	—	—	—	65	30,213	(3,667)	65	30,213	(3,667)
Asset-backed securities	—	—	—	24	19,119	(837)	24	19,119	(837)	7	3,453	(4)	11	11,175	(481)	18	14,628	(485)
Mortgage-backed securities	6	39	(2)	63	21,152	(6,113)	69	21,191	(6,115)	1	5	(1)	66	21,271	(5,043)	67	21,276	(5,044)
Commercial mortgage-backed securities	—	—	—	4	3,248	(139)	4	3,248	(139)	—	—	—	4	3,240	(142)	4	3,240	(142)
Collateralized mortgage obligations	2	14	—	31	2,844	(542)	33	2,858	(542)	—	—	—	31	2,710	(451)	31	2,710	(451)

Total debt securities available for sale	14	$ 3,040	$ (70)	315	$ 98,505	$ (17,684)	329	$ 101,545	$ (17,754)	12	$ 5,696	$ (33)	300	$ 91,878	$ (13,727)	312	$ 97,574	$ (13,760)

	December 31, 2022								
	Less than 12 months			Greater than 12 months			Total		
	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses
Debt Securities:									
U.S. Government	8	$ 3,534	$ (135)	5	$ 3,964	$ (200)	13	$ 7,498	$ (335)
State and local government	77	12,966	(2,318)	45	7,147	(2,354)	122	20,113	(4,672)
Corporate debt	27	10,069	(1,373)	42	20,890	(3,415)	69	30,959	(4,788)
Asset-backed securities	6	3,188	(76)	20	17,308	(1,170)	26	20,496	(1,246)
Mortgage-backed securities	57	4,006	(573)	12	20,031	(4,584)	69	24,037	(5,157)
Commercial mortgage-backed securities	4	3,205	(186)	—	—	—	4	3,205	(186)
Collateralized mortgage obligations	26	1,789	(196)	9	1,802	(339)	35	3,591	(535)
Total debt securities available for sale	**205**	**$ 38,757**	**$ (4,857)**	**133**	**$ 71,142**	**$ (12,062)**	**338**	**$ 109,899**	**$ (16,919)**

	December 31, 2023								
	Less than 12 months			Greater than 12 months			Total		
	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses	No. of Issues	Fair Value of Investments with Unrealized Losses	Gross Unrealized Losses
Debt Securities:									
U.S. Government	1	$ 649	$ (7)	9	$ 3,400	$ (154)	10	$ 4,049	$ (161)

State and local government	3	1,193	(7)	113	19,096	(3,803)	116	20,289	(3,810)
Corporate debt	—	—	—	66	30,495	(3,507)	66	30,495	(3,507)
Asset-backed securities	1	1,090	(1)	21	16,270	(583)	22	17,360	(584)
Mortgage-backed securities	4	11	(1)	64	22,116	(4,640)	68	22,127	(4,641)
Commercial mortgage-backed securities	—	—	—	4	3,225	(160)	4	3,225	(160)
Collateralized mortgage obligations	—	—	—	32	2,803	(444)	32	2,803	(444)
Total debt securities available for sale	**9**	**$ 2,943**	**$ (16)**	**309**	**$ 97,405**	**$ (13,291)**	**318**	**$ 100,348**	**$ (13,307)**

The Company's sources of net investment income and losses are as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Debt securities	$ 1,130	$ 636	$ 3,009	$ 1,814	$ 1,225	$ 853
Equity securities	9	3	27	41	11	11
Cash, cash equivalents and short-term investments	360	279	1,244	316	377	503
Total investment income	1,499	918	4,280	2,171	1,613	1,367
Investment expenses	(49)	(58)	(169)	(240)	(61)	(60)
Net investment income	$ 1,450	$ 860	$ 4,111	$ 1,931	$ 1,552	$ 1,307

The following table summarizes the Company had no gross realized gains and or losses from sales, calls and maturities of available-for-sale debt and equity securities (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Debt securities:				
Gross realized gains	$ —	$ —	$ —	$ 6

Gross realized losses	—	—	—	(155)
Total debt securities	—	—	—	(149)
Equity securities:				
Gross realized gains	$ —	$ —	$ —	375
Gross realized losses	—	—	—	(1,731)
Total equity securities	—	—	—	(1,356)
Total net realized investment gains (losses)	$ —	$ —	$ —	$ (1,505)

for the three months ended March 31, 2024 and 2023, respectively.

Proceeds from available-for-sale debt securities were $86.1 1.8 million and $29.3 23.6 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

There were no gross realized gains payables or losses receivables from the sale of available-for-sale debt securities purchased or sold for the three and nine months ended September 30, 2023. There were no gross realized gains March 31, 2024 and losses from the sale of available-for-sale debt securities for three months ended September 30, 2022. The gross realized gains and losses from the sale of available-for-sale debt securities for nine months ended September 30, 2022, were $5,000 and $155,000, respectively.

As of September 30, 2023 and 2022, there were $0 of payables from securities purchased, respectively. There were $0 of receivables from securities sold as of September 30, 2023, and 2022, 2023, respectively.

The Company's gross unrealized gains related to its equity investments were $507,000 and $0 505,000 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The Company's gross unrealized losses related to its equity investments were $549,000 492,000 and $638,000 535,000 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The Company also carries other equity investments that do not have a readily determinable fair value at cost, less impairment or observable changes in price. We review these investments for impairment during each reporting period. There were no impairments or observable changes in price recorded during for the three months ended March 31, 2024 and 2023, and 2022 respectively, related to the Company's other equity securities without readily determinable fair value. investments. These investments are included in Other Assets in the Consolidated Balance Sheets and amounted to $1.4 million as of September 30, 2023 March 31, 2024 and $1.8 million as of December 31, 2022.

December 31, 2023, respectively.

The table below summarizes the amortized cost and fair value of available-for-sale debt securities by contractual maturity at September 30, 2023 March 31, 2024. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties (dollars in thousands):

	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 3,765	$ 3,712	$ 4,629	$ 4,564
Due after one year through five years	31,155	28,381	30,738	28,557
Due after five years through ten years	19,574	15,640	17,489	14,648
Due after ten years	10,956	7,596	10,687	8,136
Securities with contractual maturities	65,450	55,329	63,543	55,905
Asset-backed securities	19,956	19,119	37,813	37,403
Mortgage-backed securities	27,306	21,191	26,320	21,276

Commercial mortgage-backed securities	3,386	3,248	3,382	3,240
Collateralized mortgage obligations	3,401	2,858	3,161	2,710
Total debt securities	$ 119,499	$ 101,745	$ 134,219	$ 120,534

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Insurance Company Subsidiaries had $7.8 8.1 million and $8.0 8.2 million, respectively, on deposit in trust accounts to meet the deposit requirements of various state insurance departments. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had $116.2 122.5 million and $95.7 123.5 million, respectively, held in trust accounts to meet collateral requirements with other third-party insurers, relating to various fronting arrangements. Approximately $121.7 million of the trust account balances are for collateral of gross unearned premiums and gross loss reserves of the fronted business on the security guard and installation industries ("Security Program") and the quick service restaurant program. There are withdrawal and other restrictions on these deposits, including the type of investments that may be held, however, the Company may generally invest in high-grade bonds and short-term investments and earn interest on the funds. As the unearned premiums run off to zero and loss reserves are paid on these programs, the remaining trust balances will be released and available for general use.

4. 3. Fair Value Measurements

The Company’s financial instruments include assets carried at fair value, as well as debt carried at face value, net of unamortized debt issuance costs, and are disclosed at fair value in this note. All fair values disclosed in this note are determined on a recurring basis other than the debt which is a non-recurring fair value measure. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in the principal most advantageous market for the asset or liability in an orderly transaction between market participants. In determining fair value, the Company applies the market approach, which uses prices and other relevant data based on market transactions involving identical or comparable assets and liabilities. The inputs to valuation techniques used to measure fair value are prioritized into a three-level hierarchy. The hierarchy gives the highest priority to quoted prices from sources independent of the reporting entity (“observable inputs”) and the lowest priority to prices determined by the reporting entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (“unobservable inputs”). The fair value hierarchy is as follows:

Level 1 - Valuations that are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Valuations that are based on observable inputs (other than Level 1 prices) such as quoted prices for similar assets or liabilities at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Unobservable inputs that are supported by little or no market activity. The unobservable inputs represent the Company’s best assumption of how market participants would price the assets or liabilities.

Net Asset Value (NAV) - The fair values of investment company limited partnership investments and mutual funds are based on the capital account balances reported by the investment funds subject to their management review and adjustment. These capital account balances reflect the fair value of the investment funds.

The following tables present the Company's assets and liabilities measured at fair value, classified by the valuation hierarchy as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (dollars in thousands):

	September 30, 2023				March 31, 2024			
	Fair Value Measurements				Fair Value Measurements			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Debt Securities:								
U.S. Government	$ 6,138	$ —	$ 6,138	$ —	$ 5,530	$ —	$ 5,530	$ —
State and local government	20,065	—	20,065	—	20,162	—	20,162	—
Corporate debt	29,126	—	29,126	—	30,213	—	30,213	—
Asset-backed securities	19,119	—	19,119	—	37,403	—	37,403	—
Mortgage-backed securities	21,191	—	21,191	—	21,276	—	21,276	—
Commercial mortgage-backed securities	3,248	—	3,248	—	3,240	—	3,240	—
Collateralized mortgage obligations	2,858	—	2,858	—	2,710	—	2,710	—
Total debt securities	101,745	—	101,745	—	120,534	—	120,534	—
Equity Securities	883	126	757	—	939	182	757	—
Short-term investments	40,523	40,523	—	—	23,724	23,724	—	—
Total marketable investments measured at fair value	$ 143,151	$ 40,649	$ 102,502	$ —	$ 145,197	$ 23,906	$ 121,291	$ —
Investments measured at NAV:								
Investment in limited partnership	1,462				1,448			
Total assets measured at fair value	$ 144,613				$ 146,645			
Liabilities:								
Senior unsecured notes *	$ 17,887	$ —	$ 17,887	$ —	$ 10,896	$ —	$ 10,896	$ —
Senior secured notes *	10,000	—	—	10,000	9,599	—	—	9,599

Total Liabilities (non-recurring fair value measure)	$ 27,887	$ —	$ 17,887	$ 10,000	$ 20,495	$ —	$ 10,896	$ 9,599

* Carried at face value of debt net of unamortized debt issuance costs on the consolidated balance sheets

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	December 31, 2022				December 31, 2023			
	Fair Value Measurements				Fair Value Measurements			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Debt Securities:								
U.S. Government	$ 7,498	$ —	$ 7,498	$ —	$ 5,247	$ —	$ 5,247	$ —
State and local government	20,816	—	20,816	—	20,464	—	20,464	—
Corporate debt	30,559	—	30,559	—	30,495	—	30,495	—
Asset-backed securities	20,496	—	20,496	—	37,752	—	37,752	—
Mortgage-backed securities	24,037	—	24,037	—	22,127	—	22,127	—
Commercial mortgage-backed securities	3,228	—	3,228	—	3,244	—	3,244	—
Collateralized mortgage obligations	3,567	—	3,567	—	2,784	—	2,784	—
Total debt securities	110,201	—	110,201	—	122,113	—	122,113	—
Equity securities	917	160	757	—	896	139	757	—
Short-term investments	25,929	25,929	—	—	20,838	20,838	—	—
Total marketable investments measured at fair value	$ 137,047	$ 26,089	$ 110,958	$ —	$ 143,847	$ 20,977	$ 122,870	$ —
Investments measured at NAV:								
Investment in limited partnership	350				1,458			

Total assets measured at fair value	$ 137,397				$ 145,305			
Liabilities:								
Senior unsecured notes *	$ 22,430	$ —	$ 22,430	$ —	$ 11,791	$ —	$ 11,791	$ —
Subordinated notes *	11,300	—	—	11,300	9,965	—	—	9,965
Total Liabilities (non-recurring fair value measure)	$ 33,730	$ —	$ 22,430	$ 11,300	$ 21,756	$ —	$ 11,791	$ 9,965

* Carried at face value of debt net of unamortized debt issuance costs on the consolidated balance sheets

Level 1 investments consist of equity securities traded in an active exchange market. The Company uses unadjusted quoted prices for identical instruments to measure fair value. Level 1 also includes money market funds and other interest-bearing deposits at banks, which are reported as short-term investments. The fair value measurements that were based on Level 1 inputs comprise 28 16% and 19 15% of the fair value of the total marketable investments measured at fair value as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Level 2 investments include debt securities and equity securities, which consist of U.S. government agency securities, state and local municipal bonds (including those held as restricted securities), corporate debt securities, mortgage-backed and asset-backed securities. The fair value of securities included in the Level 2 category were based on the market values obtained from a third-party pricing service that were evaluated using pricing models that vary by asset class and incorporate available trade, bid and other observable market information. The third-party pricing service monitors market indicators, as well as industry and economic events. The fair value measurements that were based on Level 2 inputs comprise 72 84% and 81 85% of the fair value of the total marketable investments measured at fair value as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The Company obtains pricing for each security from independent pricing services, investment managers or consultants to assist in determining fair value for its Level 2 investments. To validate that these quoted prices are reasonable estimates of fair value, the Company performs various quantitative and qualitative procedures, such as (i) evaluation of the underlying methodologies, (ii) analysis of recent sales activity, (iii) analytical review of our fair values against current market prices and (iv) comparison of the pricing services' fair value to other pricing services' fair value for the same investment. No markets for the investments were determined to be inactive at period-ends. Based on these procedures, the Company did not adjust the prices or quotes provided from independent pricing services, investment managers or consultants.

As of September 30, 2023 March 31, 2024 and December 31, 2023, the fair value of the senior secured notes was $10.0 million, which is equal to the face value of the senior secured notes that were issued on September 30, 2023. The senior secured notes were considered a Level 3 liability in the fair value hierarchy as of September 30, 2023. The Company determined the fair value of the senior secured notes based on the fact that the transaction occurred on the same day as the balance sheet date, in an arms-length transaction. The price at this time was deemed to be at fair value.

As of December 31, 2022, the fair value of the subordinated debt Senior Secured Notes reported at amortized cost was considered a Level 3 liability in the fair value hierarchy and is entirely comprised of the Company's Subordinated Senior Secured Notes. In determining the fair

value of the Subordinated Senior Secured Notes outstanding at December 31, 2022 March 31, 2024 and December 31, 2023, the security attributes (issue date, maturity, coupon, calls, etc.) and market rates on September 24, 2018 (the date of the restated and amended agreement which was repriced at that time) were entered into a valuation model. A lognormal trinomial interest rate lattice was created within the model to compute the option adjusted spread ("OAS") which is the amount, in basis points, of interest rate required to be paid under the debt agreement over the risk-free U.S. Treasury rates. The OAS was then entered back into the model along with the December 31, 2022 March 31, 2024 and December 31, 2023 U.S. Treasury rates, respectively. A new lattice was

generated and the fair value was computed from the OAS. There were no changes in assumptions of credit risk from the issuance date.

The Company's policy on recognizing transfers between hierarchies is applied at the end of each reporting period. There were no transfers in or out out of Level 3 for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

5. 4. Deferred Policy Acquisition Costs

The Company defers costs incurred which are incremental and directly related to the successful acquisition of new or renewal insurance business, net of corresponding amounts of ceded reinsurance commissions. Net deferred policy acquisition costs are amortized and charged to expense in proportion to premium earned over the estimated policy term. The Company anticipates that its deferred policy acquisition costs will be fully recoverable and there were no premium deficiencies for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023. The activity in deferred policy acquisition costs, net of reinsurance transactions, is as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Balance at beginning of period	$ 9,500	$ 10,747	$ 10,290	$ 12,267	$ 6,285	$ 10,290
Deferred policy acquisition costs	4,292	5,966	12,636	15,635	6,391	2,757
Amortization of policy acquisition costs	(3,752)	(6,230)	(12,886)	(17,419)	(7,013)	(4,721)
Impact from renewal rights sale	(4,303)	—	(4,303)	—		
Net change	(3,763)	(264)	(4,553)	(1,784)	(622)	(1,964)
Balance at end of period	$ 5,737	$ 10,483	$ 5,737	$ 10,483	$ 5,663	$ 8,326

6. 5. Unpaid Losses and Loss Adjustment Expenses

The Company establishes reserves for unpaid losses and loss adjustment expenses ("LAE") which represent the estimated ultimate cost of all losses incurred that were both reported and unreported (i.e., incurred but not yet reported losses; or "IBNR") and LAE incurred that remain unpaid at the balance sheet date. The Company's reserving process takes into account known facts and interpretations of circumstances and factors including the Company's experience with similar cases, actual claims paid, historical trends involving claim payment patterns and pending levels of unpaid claims, loss management programs, product mix and contractual terms, changes in law and regulation, judicial decisions, and economic conditions. In the normal course of business, the Company may also supplement its claims processes by utilizing third-party adjusters, appraisers, engineers, inspectors, and other professionals and information sources to assess and settle catastrophe and non-catastrophe related claims. The effects of inflation are implicitly considered in the reserving process.

Reserves are estimates of unpaid portions of losses that have occurred, including IBNR losses; therefore, the establishment of appropriate reserves is an inherently uncertain and complex process. The ultimate cost of losses may vary materially from recorded amounts, which are based on management's best estimates. The highest degree of uncertainty is associated with reserves for losses incurred in the current reporting period as it contains the greatest proportion of losses that have not been reported or settled. The Company regularly updates its reserve estimates as new information becomes available and as events unfold that may affect the resolution of unsettled claims. Changes in reserve estimates, which may be material, are reported in the results of operations in the period such changes are determined to be needed and recorded.

Management believes that the reserve for losses and LAE is appropriately established in the aggregate and adequate to cover the ultimate net cost of reported and unreported claims arising from losses which had occurred by the date of the consolidated financial statements based on available facts and in accordance with applicable laws and regulations.

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The table below provides the changes in the reserves for losses and LAE, net of reinsurance recoverables, for the periods indicated as follows (dollars in thousands):

	Three months ended September 30,		**Nine months ended September 30,**		**Three months ended March 31,**	
	2023	**2022**	**2023**	**2022**	**2024**	**2023**
Gross reserves - beginning of period	$ 145,004	$ 140,996	$ 165,539	$ 139,085	$ 174,612	$ 165,539
Less: reinsurance recoverables on unpaid losses	(56,505)	(37,769)	(82,651)	(40,344)	(70,807)	(82,651)
Net reserves - beginning of period	88,499	103,227	82,888	98,741	103,805	82,888
Add: incurred losses and LAE, net of reinsurance:						
Current period	17,281	13,541	51,004	38,765	10,981	14,926

Prior period	3,630	3,130	2,939	18,175	(461)	(1,213)
Total net incurred losses and LAE	20,911	16,671	53,943	56,940	10,520	13,713
Deduct: loss and LAE payments, net of reinsurance:						
Current period	9,194	5,634	18,635	13,313	2,862	1,987
Prior period	7,768	11,456	25,748	39,560	9,444	10,353
Total net loss and LAE payments	16,962	17,090	44,383	52,873	12,306	12,340
Net reserves - end of period	92,448	102,808	92,448	102,808	102,019	84,261
Plus: reinsurance recoverables on unpaid losses	46,766	41,749	46,766	41,749	73,807	61,101
Gross reserves - end of period	$ 139,214	$ 144,557	$ 139,214	$ 144,557	$ 175,826	$ 145,362

Net losses and LAE increased decreased by $4.2 3.2 million, or 25.4 23.3%, to $20.9 10.5 million during the third first quarter of 2023, 2024, compared to $16.7 13.7 million for the same period in 2022. 2023. The increase decrease was attributable to a $3.7 3.9 million increase decrease in current accident year losses during the third first quarter of 2023, 2024, compared to the same period in 2022. There was $2.5 million of additional homeowners loss emergence in the third quarter related to the second quarter storm activity. 2023.

The Company's incurred losses during the three and nine months ended September 30, 2023 March 31, 2024 included prior-year adverse reserve favorable development of $3.6 461,000. Of the $461,000 million and of favorable development experience during the first quarter of 2024, $2.9 508,000 million, respectively. For the quarter, the Company recognized $4.0 million of reserve favorable development was experienced in the commercial liability Company's personal lines of business, relating mostly related to accident years 2020 through 2022, offset by year 2023. The $414,000 508,000 of favorable development in the Company's personal lines segment. For the nine months ended September 30, 2023, the Company recognized was offset by $4.1 47,000 million of adverse development in the Company's commercial liability lines of business, mostly related to accident years 2020 through 2022, offset by year 2022.

Net losses and LAE were $13.7 million during the first quarter of 2023. The Company experienced favorable development of $1.2 million of favorable development in the personal lines segment.

The Company's incurred losses during the three and nine months ended September 30, 2022 included prior-year adverse reserve development first quarter of 2023, of which $3.1 817,000 million and $18.2 million, respectively. Of the $3.1 million of adverse development, $2.3 million was related to 2019 and prior accident years and $1.8 million was related to the 2021 accident year. This was offset by $958,000 of favorable development experienced in the 2020 accident year. Of the $3.1 million of adverse development $2.7 million was related to the Company's commercial lines of business, while and $381,000 396,000 was related to the personal lines of business.

Of The majority of the favorable development occurred in the 2022 and 2021 accident years. For accident year 2022, the redundancy was due in part to less-than-expected commercial property loss emergence during the first quarter of 2023. For accident year 2021, the claim frequency of the quick service restaurant program was less than expected resulting in a reduction in the estimated ultimate loss. There was $18.2 1.8 million of adverse development for the nine months ended September 30, 2022, $14.3 million was related relating to 2019 and prior accident years that was covered under the Loss Portfolio Transfer ("LPT"), resulting in no net development. As of March 31, 2023, the Company was $2.2 2.4 million was related to 2020 accident year, and into the $1.7 20.0 million was related to the 2021 accident year. Of the $18.2 million of adverse development $17.7 million was related to cover provided by the commercial lines of business, while $430,000 came from the personal lines of business. LPT.

7. 6. Reinsurance

In the normal course of business, the Company participates in reinsurance agreements in order to limit losses that may arise from catastrophes or other individually severe events. The Company ceded primarily all specific commercial liability risks in excess of $400,000 in 2023, 2024 and $340,000 in 2022. 2023. The Company ceded specific commercial property risks in excess of $400,000 in 2023, 2024 and $300,000 in 2022. 2023. The Company ceded homeowners specific risks in excess of $400,000 and $300,000 in both 2024 and 2023, and 2022. respectively.

A "treaty" is a reinsurance agreement in which coverage is provided for a class of risks and does not require policy by policy underwriting of the reinsurer. "Facultative" reinsurance is where a reinsurer negotiates an individual reinsurance agreement for every policy it will reinsure on a policy by policy basis. A loss is covered under a reinsurance contract if the loss occurs within the effective dates of the agreement notwithstanding when the loss is reported.

Reinsurance does not discharge the direct insurer from liability to its policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors the concentration of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. To date, the Company has not experienced any significant difficulties in collecting reinsurance recoverables.

The Company assumes written premiums under a few fronting arrangements. The fronting arrangements are with unaffiliated insurers who write on behalf of the Company in markets that require a higher minimum A.M. Best rating, than the Company's current rating, or where the policies are written in a state where the Company is not licensed or for other strategic reasons.

On September 30, 2023, the Company entered into a 100% quota share reinsurance agreement with the buyer of the renewal rights described in Note 2 ~ *Sale of Renewal Rights.* the Security Program. The Company ceded $30.9 million of its gross unearned premiums relating to the security guard and alarm installation program Security Program in exchange for a 22% - 27% ceding commission.

On November 1, 2022, the Company entered into a loss portfolio transfer ("LPT") reinsurance agreement with Fleming Reinsurance Ltd ("Fleming Re"). Under the agreement, Fleming Re will cover an aggregate limit of $66.3 million of paid losses on $40.8 million of stated net reserves as of June 30, 2022, relating to accident years 2019 and prior. This covers substantially all of the commercial liability lines underwritten by the Company. Within the aggregate limit, there is a $5.5 million loss corridor in which the Company retains losses in excess of $40.8 million. Fleming Re is then responsible to cover paid losses in excess of $46.3 million up to $66.3 million. Accordingly, there is $20.0 million of adverse development cover for accident years 2019 and prior. Under the agreement, Fleming Re was compensated with $40.8 million for stated net reserves as of June 30, 2022, plus a one-time risk fee of $5.4 million. Recoverables due to the Company under this agreement are recorded as reinsurance recoverables. The agreement is between CIC and WPIC and Fleming Re.

agreement. As of September 30, 2023 March 31, 2024, the Company has recorded losses through the $5.5 million corridor and $4.5 8.5 million into the $20.0 million layer. As of December 31, 2022 December 31, 2023, the Company recorded losses through the $5.5 million corridor and $644,000 9.1 million into the $20.0 million layer.

As of September 30, 2023 March 31, 2024, the Consolidated Balance Sheet Sheets included $3.5 2.5 million and $7.5 million of reinsurance recoverables on paid and unpaid losses related to the LPT, and $13.7 million of reinsurance recoverables on unpaid losses related to the LPT. respectively. As of December 31, 2022 December 31, 2023, the Consolidated Balance Sheet Sheets included $3.8 million and $10.9 million of reinsurance recoverables on paid and unpaid losses related to the LPT, and $25.9 million of reinsurance recoverables on unpaid losses related to the LPT. respectively.

The following table presents the effects of reinsurance and assumption transactions on written premiums, earned premiums and losses and LAE (dollars in thousands):

	Three Months Ended September 30,		Nine months ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Written premiums:						
Direct	$ 25,589	$ 22,682	$ 77,113	$ 73,789	$ 24,099	$ 24,341
Assumed	12,959	10,406	42,323	29,681	214	11,873
Ceded	(32,859)	(9,395)	(66,077)	(34,490)	(8,922)	(17,872)
Net written premiums	$ 5,689	$ 23,693	$ 53,359	$ 68,980	$ 15,391	$ 18,342
Earned premiums:						
Direct	$ 24,725	$ 24,679	$ 71,637	$ 73,667	$ 24,808	$ 23,315
Assumed	13,425	9,722	36,820	27,280	9,424	10,979
Ceded	(14,171)	(9,443)	(39,343)	(27,458)	(17,345)	(12,342)
Net earned premiums	$ 23,979	$ 24,958	$ 69,114	$ 73,489	$ 16,887	$ 21,952
Losses and LAE:						
Direct	$ 13,337	$ 15,837	$ 39,876	$ 46,375	$ 21,982	$ 1,969
Assumed	7,314	7,225	13,072	26,136	(3,264)	1,497
Ceded	260	(6,391)	995	(15,571)	(8,198)	10,247
Net Losses and LAE	$ 20,911	$ 16,671	$ 53,943	$ 56,940	$ 10,520	$ 13,713

Ceded losses and LAE for the three and nine months ended September 30, 2023, were negative due to a reduction in ceded IBNR during 2023.

8. 7. Debt

As of September 30, 2023 March 31, 2024, the Company's Company's debt is was comprised of two instruments: $17.9 million of publicly traded 9.75% public senior unsecured notes (the "new notes" "New Public Notes") which were issued during the third quarter of 2023, and $10.0 9.5 million of privately placed 12.5% senior secured notes ("Senior Secured Notes"), which were issued on September 30, 2023. The new notes New Public Notes have substantially the same terms as the existing6.75% public senior unsecured notes (the "Old Public Notes") which matured on September 30, 2023, except for the coupon. A summary of the Company's outstanding debt is as follows (dollars in thousands):

	As of September 30, 2023			As of December 31, 2022			As of March 31, 2024			As of December 31, 2023		
	Gross Debt	Unamortized Debt Issuance Costs	Net Debt	Gross Debt	Unamortized Debt Issuance Costs	Net Debt	Gross Debt	Unamortized Debt Issuance Costs	Net Debt	Gross Debt	Unamortized Debt Issuance Costs	Net Debt
Senior unsecured notes	$ 17,887	$ 1,679	$ 16,208	$ 24,381	$ 195	$ 24,186	$ 17,887	$ 1,591	$ 16,296	$ 17,887	$ 1,679	$ 16,208
Senior secured notes	10,000	944	9,056	—	—	—	9,500	850	8,650	9,750	897	8,853
Subordinated notes	—	—	—	10,500	810	9,690						
Total	$ 27,887	$ 2,623	$ 25,264	$ 34,881	$ 1,005	$ 33,876	$ 27,387	$ 2,441	$ 24,946	$ 27,637	$ 2,576	$ 25,061

Note extinguishment and new issuance 17

The Company extinguished all $24.4 million of its 6.75% senior unsecured notes (the “old notes”) which matured on September 30, 2023, by paying off $13.2 million in cash and exchanging $11.2 million for the new notes. The new notes have substantially the same terms as the existing notes, except for the coupon.

In August and September of 2023, the Company raised $6.7 million in cash under and S-1 registration statement for the new notes.

Non-cash Exchange: The Company also raised $6.2 million under an S-4 registration statement exchange offering for the new notes and Company's lender of its subordinated notes also exchanged its $5.0 million holding of the Company's old notes for $5.0 million of the new notes under the S-1 registration statement. As such, there was a non-cash exchange of $11.2 million of old notes for new notes. The remaining $6.5 million of cash needed to pay down the old notes was provided with cash on hand.

Senior unsecured notes New Public Notes

The Company issued $17.9 million of new notes New Public Notes during the third quarter of 2023. The new notes bear an interest rate of 9.75% per annum, payable quarterly at the end of March, June, September and December and mature on September 30, 2028. The Company may redeem the new notes, in whole or in part, at face value at any time after September 30, 2025.

Senior secured notes Secured Notes

The Company paid down $500,000 of principal on restructured its subordinated notes on September 29, 2023. The Company then restructured its existing $10.0 million of subordinated notes to senior secured notes Senior Secured Notes with its lender as of on September 30, 2023. The senior secured notes Senior Secured Notes mature on September 30, 2028. The senior secured notes, and bear an interest rate of 12.5% per annum. Interest is payable quarterly at the end of March, June, September, and December. The senior secured notes require Quarterly principal payments of $250,000 of principal payments quarterly are required starting on December 31, 2023 through September 30, 2028. The Company may redeem the senor senior secured notes, in whole or in part, for a call premium of $1.8 million less 22% of the interest payment amounts that were paid prior to the date of redemption. The Company accounted for this debt restructuring as a debt modification because there was no concession made to the lender. The Company had $9.5 million of outstanding Senior Secured Notes as of March 31, 2024.

Debt issuance costs

The Company incurred $173,000 of restructuring costs from the lender related to the senior secured notes. Senior Secured Notes. These costs were capitalized as debt issuance costs as of September 30, 2023.

As of September 30, 2023 March 31, 2024, the carrying value of the new notes New Public Notes and the senior secured notes are Senior Secured Notes were offset by $1.7 1.6 million and $944,000 850,000, respectively, by of capitalized debt issuance costs. costs, respectively. The debt issuance costs will be are amortized through interest expense over the life of the loans.

Debt covenants

The senior secured notes Senior Secured Notes contain various restrictive financial debt covenants that relate to the Company's minimum tangible net worth, minimum fixed-charge coverage ratios, dividend paying capacity, reinsurance retentions and risk-based

capital ratios. As of September 30, 2023, the Company was in compliance with all of its financial covenants. The senior secured notes Senior Secured Notes also require that any net proceeds the Company receives from asset sales be used to pay down the principal. Debt covenants have been waived for violation of compliance as of December 31, 2023 and any potential future violations through May 31, 2025.

The following table shows the scheduled principal payments of the Company's debt as of September 30, 2023 March 31, 2024 (dollars in thousands):

Year	Senior unsecured notes	Senior secured notes	Senior unsecured notes	Senior secured notes
2023	$ 250	$ —		

2024	1,000	—	750	—
2025	1,000	—	1,000	—
2026	1,000	—	1,000	—
2027	1,000	—	1,000	—
2028	5,750	17,887	5,750	17,887
Total	$ 10,000	$ 17,887	$ 9,500	$ 17,887

8. Shareholder's Equity

***9.* Shareholder's Equity**Preferred Stock

On August 10, 2022 December 20, 2023, the Company issued $5.0 6.0 million of equity its newly designated Series A Preferred Stock (the "Preferred Stock"), no par value, through a private placement for of 2,500,000 1,000 shares priced at $2.00 6,000 per share. share that matures on June 30, 2026. The participants in the private placement consisted of Preferred Stock was sold to Clarkston 91 West LLC (the "Purchaser"), an entity affiliated with Gerald and Jeffrey Hakala, members of the Company's Board of Directors. Directors of the Company. Preferred Stock shareholders have no voting rights and optional redemption is only in the control of the Company.

The Preferred Stock requires quarterly dividend payments. The Preferred Stock dividend rate is equal to the prime rate of Waterford Bank, N.A. ("Waterford Bank"), or 8.0%, whichever is higher, plus 200 basis points. As of March 31, 2024, this equated to an annualized rate of 10.5%.

The Company used has the proceeds for growth capital option to redeem the Preferred Stock at the end of any fiscal quarter, in whole or in part, at a price equal to issue price, plus the amount that would result in a 20.0%, compounded annually, annualized return to the holder (inclusive of the dividends paid), on the portion being redeemed.

On the maturity date, each outstanding share of the Preferred Stock, that has not otherwise been redeemed, shall, without any further action by the holders, automatically convert into 4,000 shares of the Company's specialty core business segments. common stock, subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the common stock that occur after the initial issue date.

For the three months ended September 30, 2023 As of March 31, 2024 and 2022, December 31, 2023, the Company had no 1,000 restricted stock units vest, issued and made no repurchases of stock related to the vesting of the Company's restricted stock units. For the nine months ended September 30, 2023 and 2022, the Company had 1,968 and 1,493 outstanding shares of stock valued at approximately $ Preferred Stock, respectively.

3,000 and $3,000, respectively. Upon the repurchase of the Company's shares, the shares remain authorized, but not issued or outstanding. Common Stock

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had 12,222,881 and 12,215,849 issued and outstanding shares of common stock, respectively. Holders of common stock are entitled to one vote per share and to receive dividends only when and if declared by the board of directors. The holders have no preemptive, conversion or subscription rights.

10. 9. Earnings Per Share

Basic and diluted earnings (loss) per share are computed by dividing net income (loss) allocable to common shareholders by the weighted average number of common shares outstanding during the period. The dividends on preferred stock are deducted from the net income to arrive at net income allocable to common shareholders. The following table presents the calculation of basic and diluted earnings (loss) per common share, as follows (dollars in thousands, except per share and share amounts):

	Three Months Ended September 30,		Nine months ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Net income (loss)	$ (2,706)	$ (1,523)	$ (6,444)	$ (12,792)	$ 231	$ 1,001
Preferred stock dividends					157	—
Net income (loss) allocable to common shareholders					$ 74	$ 1,001
Weighted average common shares, basic and diluted *	12,222,881	11,101,194	12,219,713	10,178,975	12,222,881	12,215,849
Earnings (loss) per common share, basic and diluted	$ (0.22)	$ (0.14)	$ (0.53)	$ (1.26)	$ 0.01	$ 0.08

* The preferred shares that may be convertible into a total of 4,000,000 common shares were anti-dilutive and thus did not impact the diluted earnings per share calculation. There were no unvested restricted stock units as of March 31, 2024. The non-vested shares of stock options were anti-dilutive as of March 31, 2024. The non-vested shares of the restricted stock units and stock options were anti-dilutive as of September 30, 2023 and 2022. March 31, 2023. Therefore, the basic and diluted weighted average common shares are equal for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. March 31, 2023.

11. 10. Stock-based Compensation

On March 8, 2022, the Company issued options to purchase 630,000 shares of the Company’s Company's common stock to two named executive officers. The right to exercise the options will vest over a five-year period on a straight-line basis. The options have a strike price of $4.53 per share and will expire on March 8, 2032. The estimated grant date fair value of these options is $612,000, which is being expensed ratably over the vesting period. A Black Scholes model was used to determine the fair value of the options at the time the options were issued, using the Company’s historical 5-year market price of its stock to determine volatility (equating to 65.04%), an estimated 5-year term to exercise the options, a 5-year risk-free rate of return of 1.8%, and the market price for the Company’s stock of $2.40 per share.

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On June 30, 2020, the Company issued options to purchase 280,000 shares of the Company’s common stock, to certain executive officers and other employees. The right to exercise the options will vest over a five-year period on a straight-line basis. The options have a strike price of $3.81 per share and expire on June 30, 2030. The estimated grant date fair value of these options is $290,000, which is being expensed ratably over the vesting period.

In 2016 and 2018, the Company issued 111,281 and 70,000, respectively, of restricted stock units (“RSUs”) to various employees to be settled in shares of common stock, which were valued at $909,000 and $404,000, respectively, on the dates date of the grant.

The Company recorded $0 and $14,000 12,000 of compensation expense related to the RSUs for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. The Company recorded $17,000 and $43,000 of compensation expense related to the RSUs for the nine months ended September 30, 2023 and 2022, 2023, respectively. There were no unvested RSUs remaining as of September 30, 2023 March 31, 2024.

The Company recorded $44,000 1,000 and $12,000 of compensation expense for the three months ended March 31, 2024 and 2023, respectively, related to the stock options for the three months ended September 30, 2023 and 2022. The Company recorded $130,000 and $111,000 of compensation expense related to the stock options for the nine months ended September 30, 2023 and 2022, respectively. granted on June 30, 2020. There were 604,000 94,000 options outstanding and unvested options as of September 30, 2023 March 31, 2024, which will generate an estimated future expense of $508,000 61,000.

The Company recorded $31,000 through February 2027. three months ended March 31, 2024 and 2023, respectively, related to the stock options granted on March 8, 2022. There were 378,000 options outstanding and unvested as of March 31, 2024, which will generate an estimated future expense of $357,000.

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12. 11. Commitments and Contingencies

Legal proceedings

The Company and its subsidiaries are subject at times to various claims, lawsuits and proceedings relating principally to alleged errors or omissions in the placement of insurance, claims administration, and other business transactions arising in the ordinary course of business. Where appropriate, the Company vigorously defends such claims, lawsuits and proceedings. Some of these claims, lawsuits and proceedings seek damages, including consequential, exemplary or punitive damages, in amounts that could, if awarded, be significant. Most of the claims, lawsuits and proceedings arising in the ordinary course of business are covered by the insurance policy at issue. We account for such activity through the establishment of unpaid losses and LAE reserves. In accordance with accounting guidance, if it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss is reasonably estimable; then an accrual for the costs to resolve these claims is recorded by the Company in the accompanying consolidated financial statements. Periodic expenses related to the defense of such claims are included in the accompanying consolidated statements of operations. On the basis of current information, the Company does not believe that there is a reasonable possibility that any material loss exceeding amounts already accrued, if any, will result from any of the claims, lawsuits and proceedings to which the Company is subject to, either individually or in the aggregate.

13. 12. Segment Information

The Company is engaged in the sale of property and casualty insurance products and has organized its business model around three classes of insurance businesses: commercial lines, personal lines, and wholesale agency business. Within these three businesses, the Company offers various insurance products and insurance agency services. Such insurance businesses are engaged in underwriting and marketing insurance coverages, and administering claims processing for such policies. The Company views the commercial and personal lines segments as underwriting business (business that takes on insurance underwriting risk). The wholesale agency business provides non-risk bearing revenue through commissions and policy fees. The wholesale agency business increases the product options to the Company's independent retail agents by offering both insurance products from the Insurance Company Subsidiaries as well as products offered by other insurers.

The Company defines its operating segments as components of the business where separate financial information is available and used by the co-chief chief operating decision makers in deciding how to allocate resources to its segments and in assessing its performance. In assessing performance of its operating segments, the Company's co-chief chief operating decision makers, maker, the Co-Chief Chief Executive Officers, Officer, review a number of financial measures including gross written premiums, net earned premiums, losses and LAE, net of reinsurance recoveries, and other revenue and expenses. The primary measure used for making decisions about resources to be allocated to an operating segment and assessing its performance is segment underwriting gain or loss which is defined as segment revenues, consisting of net earned premiums and other income, less segment expenses, consisting of losses and LAE, policy acquisition costs and operating expenses of the operating segments. Operating expenses primarily include compensation and related benefits for personnel, policy issuance and claims systems, rent and utilities. The Company markets, distributes and sells its insurance products through its own insurance agencies and a network of independent agents. All of the Company's insurance activities are conducted in the United States with a concentration of activity in Michigan, Texas, Oklahoma and California. Ohio. For the nine three months ended September 30, 2023 March 31, 2024 and

2022, 2023, gross written premiums attributable to these four states were 56.6 83.1% and 54.0 52.4%, respectively, of the Company's total gross written premiums.

The Wholesale Agency wholesale agency business sells insurance products on behalf of the Company's commercial and personal lines businesses as well as to third-party insurers. Certain acquisition costs incurred by the commercial and personal lines businesses are reflected as commission revenue for the Wholesale Agency wholesale agency business and are eliminated in the Eliminations category.

In addition to the reportable operating segments, the Company maintains a Corporate and Other category to reconcile segment results to the consolidated totals. The Corporate and Other category includes: (i) corporate operating expenses such as salaries and related benefits of the Company's executive management team, and some finance and information technology personnel, and other corporate headquarters expenses, (ii) interest expense on the Company's debt obligations; (iii) depreciation and amortization on property and equipment, and (iv) all investment income activity. All investment income activity is reported within net investment income, net realized investment gains, and change in fair value of equity securities on the consolidated statements of operations. The Company's assets on the consolidated balance sheet are not allocated to the reportable segments.

The following tables present information by reportable operating segment (dollars in thousands):

	Three months ended September 30, 2023							Three months ended March 31, 2024						
	Commercial Lines	Personal Lines	Total Underwriting	Wholesale Agency	Corporate	Eliminations	Total	Commercial Lines	Personal Lines	Total Underwriting	Wholesale Agency	Corporate	Eliminations	Total
Gross written premiums	$ 28,492	$ 10,056	$ 38,548	$ —	$ —	$ —	$ 38,548	$ 12,762	$ 11,551	$ 24,313	$ —	$ —	$ —	$ 24,313
Net written premiums	$ (3,155)	$ 8,844	$ 5,689	$ —	$ —	$ —	$ 5,689	$ 8,287	$ 7,104	$ 15,391	$ —	$ —	$ —	$ 15,391
Net earned premiums	$ 17,315	$ 6,664	$ 23,979	$ —	$ —	$ —	$ 23,979	$ 8,797	$ 8,090	$ 16,887	$ —	$ —	$ —	$ 16,887

Agency commission income								—	—	—	4,336	—	—	4,336
Other income	61	24	85	589	24	(259)	439	50	28	78	6,369	71	(6,258)	260
Segment revenue	17,376	6,688	24,064	589	24	(259)	24,418	8,847	8,118	16,965	10,705	71	(6,258)	21,483
Losses and LAE, net	15,424	5,487	20,911	—	—	—	20,911	6,766	3,754	10,520	—	—	—	10,520
Policy acquisition costs	2,583	1,813	4,396	606	—	(277)	4,725	1,147	2,013	3,160	9,119	—	(5,266)	7,013
Operating expenses	2,928	845	3,773	310	320	—	4,403	1,748	971	2,719	1,633	143	—	4,495
Segment expenses	20,935	8,145	29,080	916	320	(277)	30,039	9,661	6,738	16,399	10,752	143	(5,266)	22,028
Segment gain (loss)	$ (3,559)	$ (1,457)	$ (5,016)	$ (327)	$ (296)	$ 18	$ (5,621)	$ (814)	$ 1,380	$ 566	$ (47)	$ (72)	$ (992)	$ (545)

Investment income					1,450		1,450					1,552		1,552
Change in fair value of equity securities					(87)		(87)					43		43
Gain from sale of renewal rights					2,335		2,335							
Other gains (losses)					—		—							
Interest expense					(855)		(855)					(877)		(877)
Income (loss) before equity earnings in Affiliate and income taxes	$ (3,559)	$ (1,457)	$ (5,016)	$ (327)	$ 2,547	$ 18	$ (2,778)	$ (814)	$ 1,380	$ 566	$ (47)	$ 646	$ (992)	$ 173

Three months ended September 30, 2022	**Commercial Lines**	**Personal Lines**	**Total Underwriting**	**Wholesale Agency**	**Corporate**	**Eliminations**	**Total**
Gross written premiums	$ 27,635	$ 5,453	$ 33,088	$ —	$ —	$ —	$ 33,088
Net written premiums	$ 18,730	$ 4,963	$ 23,693	$ —	$ —	$ —	$ 23,693
Net earned premiums	$ 20,789	$ 4,169	$ 24,958	$ —	$ —	$ —	$ 24,958
Other income	57	26	83	793	113	(386)	603
Segment revenue	20,846	4,195	25,041	793	113	(386)	25,561
Losses and LAE, net	13,348	3,323	16,671	—	—	—	16,671
Policy acquisition costs	4,950	1,214	6,164	498	—	(432)	6,230
Operating expenses	3,297	519	3,816	245	319	—	4,380

Segment expenses	21,595	5,056	26,651	743	319	(432)	27,281
Segment gain (loss)	$ (749)	$ (861)	$ (1,610)	$ 50	$ (206)	$ 46	$ (1,720)
Investment income					860		860
Change in fair value of equity securities					(151)		(151)
Other gains (losses)					66		66
Interest expense					(778)		(778)
Income (loss) before equity earnings in Affiliate and income taxes	$ (749)	$ (861)	$ (1,610)	$ 50	$ (209)	$ 46	$ (1,723)

Nine months ended September 30, 2023	**Commercial Lines**	**Personal Lines**	**Total Underwriting**	**Wholesale Agency**	**Corporate**	**Eliminations**	**Total**
Gross written premiums	$ 92,228	$ 27,208	$ 119,436	$ —	$ —	$ —	$ 119,436
Net written premiums	$ 29,571	$ 23,788	$ 53,359	$ —	$ —	$ —	$ 53,359
Net earned premiums	$ 51,925	$ 17,189	$ 69,114	$ —	$ —	$ —	$ 69,114
Other income	169	70	239	2,062	170	(1,008)	1,463
Segment revenue	52,094	17,259	69,353	2,062	170	(1,008)	70,577
Losses and LAE, net	39,568	14,375	53,943	—	—	—	53,943
Policy acquisition costs	8,745	4,655	13,400	1,503	—	(1,044)	13,859
Operating expenses	9,556	2,229	11,785	1,027	984	—	13,796
Segment expenses	57,869	21,259	79,128	2,530	984	(1,044)	81,598
Segment gain (loss)	$ (5,775)	$ (4,000)	$ (9,775)	$ (468)	$ (814)	$ 36	$ (11,021)
Investment income					4,111		4,111
Change in fair value of equity securities					595		595
Gain from sale of renewal rights					2,335		2,335
Other gains (losses)					—		—
Interest expense					(2,361)		(2,361)
Income (loss) before equity earnings in Affiliate and income taxes	$ (5,775)	$ (4,000)	$ (9,775)	$ (468)	$ 3,866	$ 36	$ (6,341)

Nine months ended September 30, 2022	Commercial Lines	Personal Lines	Total Underwriting	Wholesale Agency	Corporate	Eliminations	Total
Gross written premiums	$ 88,297	$ 15,173	$ 103,470	$ —	$ —	$ —	$ 103,470
Net written premiums	$ 55,456	$ 13,524	$ 68,980	$ —	$ —	$ —	$ 68,980
Net earned premiums	$ 62,097	$ 11,392	$ 73,489	$ —	$ —	$ —	$ 73,489
Other income	195	58	253	2,969	407	(1,665)	1,964

Three months ended March 31, 2023	Commercial Lines	Personal Lines	Total Underwriting	Wholesale Agency	Corporate	Eliminations	Total
Gross written premiums	$ 28,975	$ 7,239	$ 36,214	$ —	$ —	$ —	$ 36,214
Net written premiums	$ 12,241	$ 6,101	$ 18,342	$ —	$ —	$ —	$ 18,342
Net earned premiums	$ 17,123	$ 4,829	$ 21,952	$ —	$ —	$ —	$ 21,952
Agency commission income	—	—	—	430	—	—	430
Other income	52	23	75	449	72	(400)	196

Segment revenue	62,292	11,450	73,742	2,969	407	(1,665)	75,453	17,175	4,852	22,027	879	72	(400)	22,578
Losses and LAE, net	49,864	7,076	56,940	—	—	—	56,940	10,547	3,166	13,713	—	—	—	13,713
Policy acquisition costs	13,717	3,530	17,247	2,026	—	(1,854)	17,419	3,196	1,389	4,585	548	—	(412)	4,721
Operating expenses	9,966	1,405	11,371	811	828	—	13,010	3,028	592	3,620	352	307	—	4,279
Segment expenses	73,547	12,011	85,558	2,837	828	(1,854)	87,369	16,771	5,147	21,918	900	307	(412)	22,713
Segment gain (loss)	$ (11,255)	$ (561)	$ (11,816)	$ 132	$ (421)	$ 189	$ (11,916)	$ 404	$ (295)	$ 109	$ (21)	$ (235)	$ 12	$ (135)
Investment income					1,931		1,931					1,307		1,307

Net realized investment gains (losses)					(1,505)		(1,505)							
Change in fair value of equity securities					446		446					694		694
Other gains (losses)					660		660							
Interest expense					(2,216)		(2,216)					(686)		(686)
Income (loss) before equity earnings in Affiliate and income taxes	$(11,255)	$(561)	$(11,816)	$132	$(1,705)	$189	$(13,200)	$404	$(295)	$109	$(21)	$1,080	$12	$1,180

24 13. Subsequent Events

14. Subsequent Events

The Company performed an evaluation of subsequent events through the date the financial statements were issued and determined there were no recognized or unrecognized subsequent events that would require an adjustment or additional disclosure in the condensed consolidated financial statements as of September 30, 2023 March 31, 2024.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Periods Ended September 30, 2023 March 31, 2024 and 2022 2023

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Consolidated Financial Statements (Unaudited), related notes and other financial information appearing elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K, filed on March 27, 2023 April 1, 2024 with the U. S. Securities and Exchange Commission.

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q, which are not statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, as Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements give current expectations or forecasts of future events or our future financial or operating performance. Words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "seek" and similar terms and phrases, or the negative thereof, may be used to identify forward-looking statements.

The forward-looking statements contained in this report are based on management's good-faith belief and reasonable judgment based on current information. The forward-looking statements are qualified by important factors, risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from those in the forward-looking statements, including those described in our Form 10-K ("Item 1A Risk Factors") filed with the SEC on March 27, 2023 April 1, 2024 and subsequent reports filed with or furnished to the SEC. Any forward-looking statement made by us in this report speaks only as of the date hereof or as of the date specified herein. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable laws or regulations.

Recent Developments

Sale of Renewal Rights Strategic Shift from Premium Revenues to Commission Revenues

In September 2023, the first quarter of 2024, the Company sold began a strategic shift that will reduce premiums revenues from underwriting operations and increase commission revenues from policy production within the renewal rights of MGA. The Company began utilizing one of its insurance programs to another third-party insurer for $2.5 million the underwriting capacity in cash. The one program, provided mostly liability insurance but is expected to the security guard and alarm installation industries. This program produced $41.0 million of gross earned premiums in 2022 and $41.4 million for the nine months ended September 30, 2023. The buyer began writing new and renewal policies for this program as of September 15, 2023. Under a related 100% quota share reinsurance agreement, the Company also ceded $30.9 million of its gross unearned premium in the program to the buyer on September 30, 2023, net of a 27% ceding commission. The Company retained the $22.6 million see significant expansion of the net cash owed to use of two third-party insurers during the buyer under a funds withheld provision within second quarter of 2024. By the agreement which increased the funds held under reinsurance agreements on the Consolidated Balance Sheets as third quarter of September 30. 2023. The Company incurred $135,000 in expense related to this transaction. As part of this transaction, five claims staff transferred employment to the buyer. The buyer will handle 2024, we expect that almost all of the Company's run-off claims for this program under a related claims administration agreement. The buyer also participated in the Company's issuance of new public debt by purchasing $5.0 million of the new debt.

The Company recognized a net gain of $2.3 million, which is reflected in Gain from sale of renewal rights on the Consolidated Statements of Operations.

Debt Restructuring

The Company extinguished all of the $24.4 million of public notes that matured on September 30, 2023. The Company funded this through a combination of newly issued public notes as well as exchanging the maturing notes for new notes. The Company also restructured its $10.5 million subordinated under a new amended and restated agreement in which the Company paid down $500,000 of the outstanding debt, changed the priority to a senior secured position, and changed the maturity from September 30, 2038, to September 30, 2028. There is also a new provision requiring $250,000 quarterly principal payments with the remainder due upon maturity and a requirement that net proceeds from any asset sales be applied against the principal balance of the senior secured notes. See Note 8 ~ *Debt* for further details.

VSRM Transaction

Prior to October 13, 2022, Sycamore owned 50% of Venture Agency Holdings, Inc. ("Venture") and has accounted for its ownership under the equity method of accounting. On October 13, 2022, Sycamore purchased the other 50% of Venture from an individual for $9.7 million. Following this purchase, Sycamore owned 100% of Venture, which was then renamed to

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VSRM, Inc. ("VSRM"). VRSM and its two wholly owned subsidiaries, The Roots Insurance Agency, Inc. ("Roots") and Mitzel Insurance Agency, Inc. ("Mitzel") were incorporated into the Company's consolidated financial statements as of the date of the acquisition.

The Company recognized Sycamore's purchase of the individual's shares of VSRM as a step acquisition and revalued all assets and liabilities upon the acquisition date.

On October 14, 2022, VSRM sold all of its security guard and alarm installation insurance brokerage business (the "Security & Alarm Business") to a third party insurance brokerage firm for $38.2 million. As part of the transaction, the individual who previously owned 50% of VSRM transitioned employment to the buyer, along with a team of approximately eight other employees of VSRM. The Company recognized this transaction as the sale of a business.

On December 30, 2022, VSRM contributed its remaining business, including its two wholly owned subsidiaries (Mitzel and Roots) to a new wholly owned subsidiary, Sycamore Specialty Underwriters, LLC ("SSU"). The business contributed to SSU consisted of customer accounts of substantially all of the personal lines business and a small subset of the commercial lines business previously underwritten by the Company's Insurance Company Subsidiaries and all of the customer accounts VSRM produced for will be written by third-party insurers, other than the security guard and alarm installation brokerage business previously sold.

On December 31, 2022, Andrew D. Petcoff purchased 50% of SSU from VSRM, Inc. for $1,000. As a result, SSU and its two wholly owned subsidiaries, Roots and Mitzel, are no longer consolidated in the Company's consolidated financial statements as of December 31, 2022, and VSRM's investment in SSU is accounted for using the equity method.

Loss Portfolio Transfer

On November 1, 2022, the Company entered into a loss portfolio transfer ("LPT") reinsurance agreement with Fleming Reinsurance Ltd ("Fleming Re"). Under the agreement, Fleming Re covers an aggregate limit of $66.3 million of paid losses on $40.8 million of stated net reserves as of June 30, 2022, relating to accident years 2019 and prior. This covers substantially all of the commercial liability lines underwritten by the Company. Within the aggregate limit, there is a $5.5 million loss corridor in which the Company retains losses in excess of $40.8 million. Fleming Re is then responsible to cover paid losses in excess of $46.3 million up to $66.3 million. Accordingly, there is $20.0 million of adverse development cover for accident years 2019 and prior. Under the agreement, Fleming Re was paid $40.8 million for stated net reserves as of June 30, 2022, plus a one-time risk fee of $5.4 million. Recoverables due to the Company under this agreement are recorded as reinsurance recoverables. The agreement is between CIC and WPIC and Fleming Re.

As of September 30, 2023, the Company has recorded losses through the $5.5 million corridor and $4.5 million into the $20.0 million layer. As of December 31, 2022, the Company recorded losses through the $5.5 million corridor and $644,000 into the $20.0 million layer.

insurers. The Company paid $25.0 million in cash on October 14, 2022, which was offset for claims paid through September 30, 2022 expects to continue to directly write the Midwest and $13.6 million of funds withheld.

Texas homeowners business.

A.M. Best and Kroll

On April 21, 2022 March 25, 2024, Kroll downgraded the financial strength ratings of CIC and WPIC. Kroll has given CIC an insurance financial strength rating of BB- with a negative outlook. Kroll has given WPIC an insurance financial strength rating of B with a negative outlook. A BB- and a B rating indicates that the insurer's financial condition is low quality. Concurrently, the Company withdrew its participation in the rating process, and shall be non-rated by Kroll going forward.

On March 14, 2024, A.M. Best downgraded the Company's Long-Term Issuer Credit Rating (Long-Term ICR) from "bb" (Fair) financial strength ratings of CIC and WPIC to "bb-" (Fair), C. A rating of C means A.M. Best considers both companies to have a "weak" ability to meet ongoing financial obligations. Concurrently, the Company withdrew its participation in the rating process, and downgraded the Company's insurance subsidiaries Financial Strength Rating from "B++" (Good) to "B+" (Good) and the Long-Term ICR from "bbb" (Good) to "bbb-" (Good). The outlook assigned to all these ratings shall be non-rated by A.M. Best was Stable. We do not believe the rating changes will have a material effect on our business.
going forward.

Business Overview

We are an insurance holding company that markets and services our product offerings through specialty commercial and specialty personal insurance business lines. Our growth has been significant since our founding in 2009. Currently, we are authorized to write insurance as an excess and surplus lines carrier in 45 44 states, including the District of Columbia. We are licensed to write insurance as an admitted carrier in 42 states, including the District of Columbia, and we offer our insurance products in almost all 50 states.

Our revenues are primarily derived from premiums earned from our insurance operations. We also generate other revenues through investment income and other income which mainly consists of: installment fees and policy issuance fees generally related to the policies we write.

Our expenses consist primarily of losses and loss adjustment expenses, agents' commissions, and other underwriting and administrative expenses. We organize our operations in three insurance businesses: commercial insurance lines, personal lines,

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and agency business. Together, the commercial and personal lines refer to "underwriting" operations that take insurance risk, and the agency business refers to non-risk insurance business.

Through our commercial insurance lines, we offer coverage for both commercial property and commercial liability. We also offer coverage for commercial automobiles and workers' compensation. Our insurance policies are sold to targeted small and mid-sized businesses on a single or multiple-coverage basis.

Through our personal insurance lines, we offer homeowners insurance and dwelling fire insurance products to individuals in several states. Our specialty homeowners insurance product line is primarily comprised of low-value dwelling insurance tailored for owners of lower valued homes, which we offer in Illinois, Indiana and Texas.

Through our MGA, CIS operates through our wholesale agency business segment, segment. Through CIS, we offer commercial and personal lines insurance products for our Insurance Company Subsidiaries as well as a small number of third-party insurers. The wholesale agency business segment provides our agents with more insurance product options. We expect the wholesale agency segment to become more prominent going forward as substantially all of our commercial lines business will be produced by our MGA and underwritten by third-party insurers.

An advantage of using these third-party insurers is they will both have a minimum of an A- A.M. Best rating, which greatly improves our competitive edge in the marketplace.

As we transition to more of a MGA operation, more revenues will be derived from commissions while insurance premiums and investment income will diminish over time. Cash flows from written premiums will decline quickly over the next two quarters and will be almost entirely comprised of the homeowners business by the third quarter of 2024. Concurrently, cash flows from commissions revenues will increase. As claims are settled, claim payments will be funded from the sale of investments within the Insurance Company Subsidiaries. Such claims payments will reduce cash flows provided by operating activities and will be offset by an increase in cash flows from investing activities as the investment portfolio is liquidated over time to fund the claim payments. Management may consider the sale of other assets to generate additional cash resources available to the Company.

There will be fewer claim payments as loss reserves run off. Other operating costs and commissions to retail agencies will fluctuate relatively similarly to the premiums produced by the MGA as they did when the premiums were written by the insurance companies. However, certain insurance company specific costs will decrease as the premium volume in the insurance company subsidiaries decreases. We expect that the net revenues generated in the MGA will provide the majority of the cash flows needed to cover operating and debt service costs going forward.

Critical Accounting Policies and Estimates

In certain circumstances, we are required to make estimates and assumptions that affect amounts reported in our consolidated financial statements and related footnotes. We evaluate these estimates and assumptions periodically on an on-going basis based on a variety of factors. There can be no assurance, however, that actual results will not be materially different than our estimates and assumptions, and that reported results of operations will not be affected by accounting adjustments needed to reflect changes in these estimates and assumptions. During the nine three months ended September 30, 2023 March 31, 2024, there were no material changes to our critical accounting policies and estimating methodologies, which are disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K filed with the SEC on March 27, 2023 April 1, 2024.

Executive Overview

The Company reported $38.5 million $24.3 million of gross written premiums in the third first quarter of 2023, 2024, representing a 16.5% increase 32.9% decrease as compared to the same period in 2022. 2023. Our commercial lines gross written premiums increased decreased by $857,000, $16.2 million, or 3.1% 56.0%, to $28.5 million $12.8 million in the third first quarter of 2023, 2024, compared to $27.6 million $29.0 million for the same period in 2022. 2023. Personal lines gross written premiums increased by $4.6 million $4.3 million, or 84.4% 59.6%, to $10.1 million $11.6 million in the third first quarter of 2023, 2024, compared to $5.5 million $7.2 million for the same period in 2022. 2023.

The Company reported $119.4 million net income allocable to common shareholders of gross written premiums for the nine months ended September 30, 2023, compared to $103.5 million for the same period in 2022.

The Company reported a net loss of $2.7 million, $74,000, or $0.22 per share, and a net loss of $6.4 million, or $0.53 $0.01 per share for the three and nine months ended September 30, 2023, respectively. March 31, 2024. The Company reported a net loss income of $1.5 million $1.0 million, or $0.14 per share, and a net loss of $12.8 million, or $1.26 $0.08 per share, for the three and nine months ended September 30, 2022, respectively. March 31, 2023.

Adjusted operating loss income per share is a non-GAAP measure that represent represents net loss income allocable to common shareholders excluding net realized investment gains or losses, other gains or losses, and changes change in fair value of equity securities; all net of tax. securities, and other gains or losses. Adjusted operating loss income was $5.0 million, $188,000, or $0.41 $0.02 per share, for the three months ended September 30, 2023 March 31, 2024. Adjusted operating loss income was $9.4 million, $307,000, or $0.77 per share, for the nine months ended September 30, 2023. Adjusted operating loss was $1.4 million, or $0.13 $0.03 per share, for the three months ended September 30, 2022. Adjusted operating loss was $11.8 million, or $1.16 per share for the nine months ended September 30, 2022 March 31, 2023.

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Our underwriting combined ratio was 120.8% 96.7% and 114.1% 99.5% for the three and nine months ended September 30, 2023, compared to 106.5% March 31, 2024 and 116.0% for the three and nine months ended September 30, 2022.

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2023, respectively.

Results of Operations For The Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023

The following table summarizes our operating results for the periods indicated (dollars in thousands):

Summary of Operating Results

	Three Months Ended September 30,				Three Months Ended March 31,			
	2023	2022	$ Change	% Change	2024	2023	$ Change	% Change
Gross written premiums	$ 38,548	$ 33,088	$ 5,460	16.5 %	$ 24,313	$ 36,214	$ (11,901)	(32.9 %)
Net written premiums	$ 5,689	$ 23,693	$ (18,004)	(76.0 %)	$ 15,391	$ 18,342	$ (2,951)	(16.1 %)
Net earned premiums	$ 23,979	$ 24,958	$ (979)	(3.9)%	$ 16,887	$ 21,952	$ (5,065)	(23.1)%
Agency commission income					4,336	430	3,906	*
Other income	439	603	(164)	(27.2 %)	260	196	64	32.7 %
Losses and loss adjustment expenses, net	20,911	16,671	4,240	25.4 %	10,520	13,713	(3,193)	(23.3)%
Policy acquisition costs	4,725	6,230	(1,505)	(24.2)%	7,013	4,721	2,292	48.5 %
Operating expenses	4,403	4,380	23	0.5 %	4,495	4,279	216	5.0 %

Underwriting gain (loss)	(5,621)	(1,720)	(3,901)	*	(545)	(135)	(410)	*
Net investment income	1,450	860	590	68.6%	1,552	1,307	245	18.7%
Change in fair value of equity securities	(87)	(151)	64	42.4%	43	694	(651)	(93.8)%
Gain from sale of renewal rights	2,335	—	2,335	*				
Other gains (losses)	—	66	(66)	*				
Interest expense	855	778	77	9.9%	877	686	191	27.8%
Income (loss) before equity earnings in Affiliate, net of tax	(2,778)	(1,723)	(1,055)	*	173	1,180	(1,007)	*
Equity earnings (loss) in Affiliate, net of tax	72	199	(127)	*	58	(179)	237	*
Income tax expense	—	(1)	1	*				
Income tax expense (benefit)					—	—	—	*
Net income (loss)	$ (2,706)	$ (1,523)	$ (1,183)	*	$ 231	$ 1,001	$ (770)	*
Book value per common share outstanding	$ 0.96	$ 1.32			$ 0.21	$ 1.82		
Underwriting Ratios:								
Loss ratio (1)	86.9%	66.6%			62.0%	62.2%		
Expense ratio (2)	33.9%	39.9%			34.7%	37.3%		
Combined ratio (3)	120.8%	106.5%			96.7%	99.5%		

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

(2) The expense ratio is the ratio, expressed as a percentage, of policy acquisition costs and other underwriting expenses to net earned premiums and other incor from underwriting operations.

(3) The combined ratio is the sum of the loss ratio and the expense ratio. A combined ratio under 100% indicates an underwriting profit. A combined ratio over 10(indicates an underwriting loss.

* Percentage change is not meaningful.

Premiums

Premiums are earned ratably over the term of the policy, whereas written premiums are reflected on the effective date of the policy. Almost all commercial lines and homeowners products have annual policies, under which premiums are earned evenly over one year. The resulting net earned premiums are impacted by the gross and ceded written premiums, earned ratably over the terms of the policies.

Our premiums are presented below for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 (dollars in thousands):

Summary of Premium Revenue

	Three Months Ended September 30,				Three Months Ended March 31,			
	2023	**2022**	**$ Change**	**% Change**	**2024**	**2023**	**$ Change**	**% Change**
Gross written premiums								
Commercial lines	$ 28,492	$ 27,635	$ 857	3.1 %	$ 12,762	$ 28,975	$ (16,213)	(56.0)%
Personal lines	10,056	5,453	4,603	84.4 %	11,551	7,239	4,312	59.6 %
Total	$ 38,548	$ 33,088	$ 5,460	16.5 %	$ 24,313	$ 36,214	$ (11,901)	(32.9)%
Net written premiums								
Commercial lines	$ (3,155)	$ 18,730	$ (21,885)	(116.8)%	$ 8,287	$ 12,241	$ (3,954)	(32.3)%
Personal lines	8,844	4,963	3,881	78.2 %	7,104	6,101	1,003	16.4 %
Total	$ 5,689	$ 23,693	$ (18,004)	(76.0)%	$ 15,391	$ 18,342	$ (2,951)	(16.1)%
Net earned premiums								
Commercial lines	$ 17,315	$ 20,789	$ (3,474)	(16.7)%	$ 8,797	$ 17,123	$ (8,326)	(48.6)%
Personal lines	6,664	4,169	2,495	59.8 %	8,090	4,829	3,261	67.5 %
Total	$ 23,979	$ 24,958	$ (979)	(3.9)%	$ 16,887	$ 21,952	$ (5,065)	(23.1)%

Gross written premiums increased $5.5 million decreased $11.9 million, or 16.5% 32.9%, to $38.5 million $24.3 million for the three months ended September 30, 2023 March 31, 2024, as compared to $33.1 million $36.2 million for the same period in 2022. 2023.

Commercial lines gross written premiums increased $857,000, decreased $16.2 million, or 3.1% 56.0%, to $28.5 million $12.8 million in the third first quarter of 2023, 2024, as compared to $27.6 million $29.0 million for the third first quarter of 2022. The increased gross written 2023. There was a $13.5 million decrease in premiums were due to $2.0 million the sale of quarter-over-quarter the Security Program in September 2023, as well as continued reductions in certain hospitality lines as we exited less profitable states. To a lesser degree, some of the premium growth reduction was due to our MGA beginning to shift business from our Insurance Company Subsidiaries to the third-party insurers. This impact will be significantly greater in the Company's small business programs. This increase was offset by a $1.1 million quarter-over-quarter decrease in the Company's hospitality programs. second and third quarters of 2024.

Personal lines gross written premiums increased $4.6 million $4.3 million, or 84.4% 59.6%, to $10.1 million $11.6 million in the third first quarter of 2023, 2024, as compared to $5.5 million $7.2 million for the same period in 2022. 2023. The increase was due to the organic growth in the low-value dwelling book of business in Texas and Oklahoma. The Company is expected to discontinue writing in Oklahoma in the second quarter of 2024, while Texas homeowners is expected to continue to grow.

Net written premiums decreased $18.0 million $3.0 million, or 76.0% 16.1%, to $5.7 million $15.4 million for the three months ended September 30, 2023 March 31, 2024, as compared to $23.7 million $18.3 million for the same period in 2022. As part of the renewal rights sale, the Company ceded to the buyer 100% of its gross unearned premium, or $30.9 million, related to its security guard and alarm installation program as of September 30, 2023. There was $12.3 million of previously ceded written premium relating to other reinsurance treaties that was reversed this quarter so that 100% of the unearned premiums could be ceded to the buyer. As a result, the Company's ceded written premiums increased by $18.6 million during the quarter relating to the renewal rights sale.

2023. Net written premiums in commercial lines, before the impact declined as a result of the renewal rights transaction, was $15.5 million, or a $3.3 million decrease. This decrease was due, Company's reduction in part, to a 50% quota share reinsurance agreement, effective January 1, 2023 that applies to a subset of our commercial business that represents approximately 10.4% of our gross written premiums in during the third first quarter of 2023. The Company ceded $1.7 million of written premium related to this quota share reinsurance agreement during the third quarter of 2023. Additional reductions in net written premiums were largely due to increases in reinsurance rates in 2023 as compared to 2022. 2024.

Net written premiums in personal lines grew commensurate with the gross written premiums, offset by slightly higher reinsurance rates.

Other Agency Commission Income

Other income consists primarily of fees charged to policyholders by the Company for services outside of the premium charge, such as installment billings and policy issuance costs. Commission income is also received by the Company's insurance agency for writing policies for third-party insurance companies. Other Agency commission income decreased increased by $164,000, or 27.2%, $3.9 million to $439,000 for $4.3 million during the three months ended September 30, 2023, first quarter of 2024, compared to $603,000 $430,000 for the same period in 2022. 2023. The decrease increase was due to the Company's Wholesale Security Program transaction in September of 2023. As part of the arrangement with the buyer, our MGA was appointed as the producer for this business, for approximately a two-year transition period. During this time our MGA will receive a commission from the buyer, and pay a sub-producer substantially the same commission. This will result in higher consolidated Agency business revenue decreasing by $204,000, or 25.7%, to $589,000 for three months ended September 30, 2023, compared to $793,000 Commission Income for the Company. Policy acquisition costs will remain substantially the same amount for the period in 2022. A majority of this agreement. In the decrease in Wholesale Agency first quarter of 2024, the Company recorded $3.6 million of commission revenue was because and $3.6 million of the commission expense as a result of this arrangement. Going forward, as our MGA produces more business contributed for third-party insurers, we expect that commission revenue, net of expense, is to SSU, which was then deconsolidated as of December 31, 2022, and thus not reflected in the Company's consolidated income. grow significantly.

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Losses and Loss Adjustment Expenses

The tables below detail our losses and loss adjustment expenses and loss ratios in our underwriting business for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 (dollars in thousands):

Three months ended September 30, 2023	**Commercial Lines**	**Personal Lines**	**Total**			
Three months ended March 31, 2024				**Commercial Lines**	**Personal Lines**	**Total**
Accident year net losses and LAE	$ 11,380	$ 5,901	$ 17,281	$ 6,719	$ 4,262	$ 10,981
Net (favorable) adverse development	4,044	(414)	3,630	47	(508)	(461)
Calendar year net losses and LAE	$ 15,424	$ 5,487	$ 20,911	$ 6,766	$ 3,754	$ 10,520
Accident year loss ratio	65.5 %	88.3 %	71.9 %	76.0 %	52.5 %	64.7 %
Net (favorable) adverse development	23.3 %	(6.3)%	15.0 %	0.5 %	(6.3)%	(2.7)%
Calendar year loss ratio	88.8 %	82.0 %	86.9 %	76.5 %	46.2 %	62.0 %

Three months ended September 30, 2022	**Commercial Lines**	**Personal Lines**	**Total**			
Three months ended March 31, 2023				**Commercial Lines**	**Personal Lines**	**Total**
Accident year net losses and LAE	$ 10,599	$ 2,942	$ 13,541	$ 11,364	$ 3,562	$ 14,926
Net (favorable) adverse development	2,749	381	3,130	(817)	(396)	(1,213)
Calendar year net losses and LAE	$ 13,348	$ 3,323	$ 16,671	$ 10,547	$ 3,166	$ 13,713
Accident year loss ratio	50.8 %	70.1 %	54.0 %	66.2 %	73.4 %	67.8 %
Net (favorable) adverse development	13.2 %	9.1 %	12.6 %	(4.8)%	(8.1)%	(5.6)%
Calendar year loss ratio	64.0 %	79.2 %	66.6 %	61.4 %	65.3 %	62.2 %

Net losses and LAE increased decreased by $4.2 million $3.2 million, or 25.4% 23.3%, to $20.9 million $10.5 million during the third first quarter of 2023, 2024, compared to $16.7 million $13.7 million for the same period in 2022. 2023. The increase decrease was attributable to a $3.7 million increase $3.9 million decrease in current accident year losses during the third first quarter of 2023, 2024, compared to the same period in 2022. There was $2.5 million of additional homeowners loss emergence in the third quarter related to the second quarter storm activity. 2023.

The Company's incurred losses during the three and nine months ended September 30, 2023 March 31, 2024 included prior-year adverse reserve favorable development of $3.6 million and $2.9 million, respectively. For $461,000. Of the $461,000 of favorable development experience during the first quarter the Company recognized $4.0 million of reserve 2024, $508,000 of favorable development was experienced in the commercial liability Company's personal lines of business, relating mostly related to accident years 2020 through 2022, offset by $414,000 year

2023. The $508,000 of favorable development in the Company's personal lines segment. For the nine months ended September 30, 2023, the Company recognized $4.1 million was offset by $47,000 of adverse development in the commercial liability lines of business, related to accident years 2020 through 2022, offset by $1.2 million of favorable development in the personal lines segment.

Net losses and LAE were $16.7 million during the third quarter of 2022. Of the $3.1 million of adverse development that occurred for the three months ended September 30, 2022, $2.3 million was related to 2019 and prior accident years and $1.8 million was related to the 2021 accident year. This was offset by $958,000 of favorable development experienced in the 2020 accident year. Of the $3.1 million of adverse development, $2.7 million was related to the Company's commercial lines of business, while $381,000 was mostly related to the personal lines of business. accident year 2022.

Expense Ratio

Our expense ratio is a measure of the efficiency and performance of the commercial and personal lines of business (our risk-bearing underwriting operations). It is calculated by dividing the sum of policy acquisition costs and other underwriting expenses by the sum of net earned premiums and other income of the underwriting business. Costs that cannot be readily identifiable as a direct cost of a segment or product line remain in Corporate for segment reporting purposes. The expense ratio excludes wholesale agency and Corporate expenses.

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The table below provides the expense ratio by major component.

	Three Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Commercial Lines				
Policy acquisition costs	14.8 %	23.8 %	13.0 %	18.6 %
Operating expenses	16.9 %	15.8 %	19.7 %	17.6 %
Total	31.7 %	39.6 %	32.7 %	36.2 %
Personal Lines				
Policy acquisition costs	27.1 %	28.9 %	24.8 %	28.6 %
Operating expenses	12.6 %	12.4 %	12.0 %	12.2 %
Total	39.7 %	41.3 %	36.8 %	40.8 %
Total Underwriting				
Policy acquisition costs	18.2 %	24.6 %	18.7 %	20.8 %
Operating expenses	15.7 %	15.3 %	16.0 %	16.5 %
Total	33.9 %	39.9 %	34.7 %	37.3 %

Our expense ratio decreased by 6.0% 2.6% during the third first quarter of 2023, 2024, compared to the same period in 2022. 2023.

Policy acquisition costs are costs we incur to issue policies, which include commissions, premium taxes, underwriting reports and underwriter compensation costs. The Company offsets direct commissions with ceding commissions from reinsurers. The percentage of policy acquisition costs to net earned premiums and other income decreased by 6.4%, from 24.6% in 2.1% during the third first quarter of 2022, 2024 to 18.2% for 18.7%, compared to 20.8% during the same period in 2023. The decrease was primarily related to additional the impact from the ceding commissions which reduces commission expense, as a result received from the unearned premium transfer of the new quota share reinsurance treaty mentioned above. Security Program effective September 30, 2023.

Operating expenses consist primarily of employee compensation, information technology and occupancy costs, such as rent and utilities. Operating expenses as a percent of net earned premiums and other underwriting income increased decreased by 0.4% 0.5% during the third first quarter of 2023 2024 to 15.7% 16.0%, compared to 15.3% 16.5% for the same period in 2022. 2023. The main reason for the increase decrease was primarily due to a combination of some higher non-recurring expenses and lower net earned premiums as a result of cost-reducing measures taken by management throughout the increased reinsurance costs. year.

Segment Results

We measure the performance of our consolidated results, in part, based on our underwriting gain or loss. The following table provides the underwriting gain or loss for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 (dollars in thousands):

Segment Gain (Loss)

	Three Months Ended September 30,			Three Months Ended March 31,		
	2023	2022	$ Change	2024	2023	$ Change
Commercial Lines	$ (3,559)	$ (749)	$ (2,810)	$ (814)	$ 404	$ (1,218)
Personal Lines	(1,457)	(861)	(596)	1,380	(295)	1,675
Total Underwriting	(5,016)	(1,610)	(3,406)	566	109	457
Wholesale Agency	(327)	50	(377)	(47)	(21)	(26)
Corporate	(296)	(206)	(90)	(72)	(235)	163
Eliminations	18	46	(28)			
Eliminations *				(992)	12	(1,004)
Total segment gain (loss)	$ (5,621)	$ (1,720)	$ (3,901)	$ (545)	$ (135)	$ (410)

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Results of OperationsFor The Nine Months Ended September 30, 2023 and 2022

The following table summarizes our operating results for the periods indicated (dollars in thousands):

	Nine months ended September 30,			
	2023	2022	$ Change	% Change
Gross written premiums	$ 119,436	$ 103,470	$ 15,966	15.4 %
Net written premiums	$ 53,359	$ 68,980	$ (15,621)	(22.6)%
Net earned premiums	$ 69,114	$ 73,489	$ (4,375)	(6.0)%
Other income	1,463	1,964	(501)	(25.5)%

Losses and loss adjustment expenses, net	53,943	56,940	(2,997)	(5.3)%
Policy acquisition costs	13,859	17,419	(3,560)	(20.4)%
Operating expenses	13,796	13,010	786	6.0%
Underwriting gain (loss)	(11,021)	(11,916)	895	7.5%
Net investment income	4,111	1,931	2,180	112.9%
Net realized investment gains (losses)	—	(1,505)	1,505	*
Change in fair value of equity securities	595	446	149	33.4%
Gain from sale of renewal rights	2,335	—	2,335	*
Other gains (losses)	—	60	(60)	*
Interest expense	2,361	2,216	145	6.5%
Income (loss) before equity earnings in Affiliate and income taxes	(6,341)	(13,200)	6,859	*
Equity earnings (loss) in Affiliate, net of tax	(103)	368	(471)	*
Income tax expense	—	(40)	40	*
Net income (loss)	$ (6,444)	$ (12,792)	$ 6,348	*
Book value per common share outstanding	$ 0.96	$ 1.32		
Underwriting Ratios:				
Loss ratio (1)	77.8%	77.2%		
Expense ratio (2)	36.3%	38.8%		
Combined ratio (3)	114.1%	116.0%		

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

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

(3) The combined ratio is the sum of the loss ratio and the expense ratio. A combined ratio under 100% indicates an underwriting profit. A combined ratio over 100% indicates an underwriting loss.

* Percentage change is not meaningful.

Premiums

Premiums Elimination amounts are earned ratably over the term of the policy, whereas written premiums are reflected on the effective date of the policy. Almost all commercial lines and homeowners products have annual policies, under which premiums are earned evenly over one year. The resulting net earned premiums are impacted by the gross and ceded written premiums, earned ratably over the terms of the policies.

Our premiums are presented below for the nine months ended September 30, 2023 and 2022 (dollars in thousands):

	Nine months ended September 30,			
	2023	**2022**	**$ Change**	**% Change**
Gross written premiums				
Commercial lines	$ 92,228	$ 88,297	$ 3,931	4.5%
Personal lines	27,208	15,173	12,035	79.3%

Total	$ 119,436	$ 103,470	$ 15,966	15.4 %
Net written premiums				
Commercial lines	$ 29,571	$ 55,456	$ (25,885)	(46.7)%
Personal lines	23,788	13,524	10,264	75.9 %
Total	$ 53,359	$ 68,980	$ (15,621)	(22.6)%
Net earned premiums				
Commercial lines	$ 51,925	$ 62,097	$ (10,172)	(16.4)%
Personal lines	17,189	11,392	5,797	50.9 %
Total	$ 69,114	$ 73,489	$ (4,375)	(6.0)%

Gross written premiums increased $16.0 million, or 15.4%, to $119.4 million for the nine months ended September 30, 2023, as compared to $103.5 million for the same period in 2022.

Commercial lines gross written premiums increased $3.9 million, or 4.5%, to $92.2 million for the nine months ended September 30, 2023, as compared to $88.3 million in the same period of 2022. The increase was due to $8.3 million of premium growth in the Company's small business programs, partially offset by a $4.4 million reduction of gross written premium in the Company's hospitality programs.

Personal lines gross written premiums increased $12.0 million, or 79.3%, to $27.2 million for the nine months ended September 30, 2023, as compared to $15.2 million for the same period in 2022. The increased gross written premiums were due to $7.0 million of premium growth in the Company's low-value dwelling book of business.

Net written premiums decreased $15.6 million, or 22.6%, to $53.4 million for the nine months ended September 30, 2023, as compared to $69.0 million for the same period in 2022. The Company's gross unearned premium related to its security guard and alarm program was $30.9 million as of September 30, 2023. As part of the Core Specialty transaction, the Company ceded 100% of its gross unearned premium related to its security guard and alarm book of business to Core Specialty as of September 30, 2023. This increased the Company's net ceded written premium by $18.6 million in its commercial lines of business for the nine months ended September 30, 2023. Commercial lines net written premiums further decreased due to more ceded premiums as a result of a higher reinsurance cost and more intercompany commission revenue being generated in the Company entered into a new quota share reinsurance agreement, effective January 1, 2023. The new 50% quota share treaty applies to a subset of our commercial business that represents approximately 11.0% of our gross written premiums for the nine months ended September 30, 2023. The Company ceded $8.7 million of written premium related to this quota share reinsurance agreement for the nine months ended September 30, 2023.

Other Income

Other income consists primarily of fees charged to policyholders by the Company for services outside of the premium charge, such as installment billings and policy issuance costs. Commission income is also received by the Company's insurance agency for writing policies for third-party insurance companies. Other income decreased by $501,000, or 25.5%, to $1.5 million, for the nine months ended September 30, 2023, compared to $2.0 million for the same period in 2022. The decrease was due to the Company's Wholesale Agency, business revenue decreasing by $907,000, or 30.6%, to $2.1 million for which is recognized when the nine months ended September 30, 2023, compared to $3.0 million for premiums are written, while the same period in 2022. A majority of Insurance Company Subsidiaries recognize the decrease in Wholesale Agency revenue was because of the business contributed to SSU, which was then deconsolidated as of December 31, 2022, and thus not reflected in the Company's consolidated income.

Losses and Loss Adjustment Expenses

The tables below detail our losses and loss adjustment expenses and loss ratios in our underwriting business for the nine months ended September 30, 2023 and 2022(dollars in thousands).

Nine months ended September 30, 2023	Commercial Lines	Personal Lines	Total
Accident year net losses and LAE	$ 35,455	$ 15,549	$ 51,004
Net (favorable) adverse development	4,113	(1,174)	2,939
Calendar year net losses and LAE	$ 39,568	$ 14,375	$ 53,943
Accident year loss ratio	68.1 %	90.1 %	73.6 %
Net (favorable) adverse development	7.9 %	(6.8)%	4.2 %
Calendar year loss ratio	76.0 %	83.3 %	77.8 %

Nine months ended September 30, 2022	Commercial Lines	Personal Lines	Total
Accident year net losses and LAE	$ 32,119	$ 6,646	$ 38,765
Net (favorable) adverse development	17,745	430	18,175
Calendar year net losses and LAE	$ 49,864	$ 7,076	$ 56,940
Accident year loss ratio	51.6 %	58.0 %	52.6 %
Net (favorable) adverse development	28.4 %	3.8 %	24.6 %
Calendar year loss ratio	80.0 %	61.8 %	77.2 %

Net losses and LAE decreased by $3.0 million, or 5.3%, to $53.9 million for the nine months ended September 30, 2023, compared to $56.9 million for the same period in 2022. The decrease in losses was driven by a $15.2 million decrease in adverse development quarter-over-quarter. This decrease was partially offset by a $12.2 million increase in current accident year losses, driven by the storm losses described above.

For the nine months ended September 30, 2023, the Company recognized $4.1 million of adverse development in the commercial liability lines of business, related to accident years 2020 through 2022, offset by $1.2 million of favorable development in the personal lines segment.

Of the $18.2 million of adverse development experienced in the first nine months of 2022, $14.3 million was related to 2019 and prior accident years, $2.2 million was related to the 2020 accident year, and $1.7 million was related to the 2021 accident year. Substantially all of the $18.2 million of adverse development was related to the Company’s commercial lines of business.

Expense Ratio

Our expense ratio is a measure of the efficiency and performance of the commercial and personal lines of business (our risk-bearing underwriting operations). It is calculated by dividing the sum of policy acquisition costs and other underwriting expenses by the sum of net earned premiums and other income of the underwriting business. Costs that cannot be readily identifiable as a direct cost of a segment or product line remain in Corporate for segment reporting purposes. The expense ratio excludes wholesale agency and Corporate expenses.

The table below provides the expense ratio by major component.

	Nine months ended September 30,	
	2023	2022

Commercial Lines		
Policy acquisition costs	16.8 %	22.0 %
Operating expenses	18.3 %	16.0 %
Total	35.1 %	38.0 %
Personal Lines		
Policy acquisition costs	27.0 %	30.8 %
Operating expenses	12.9 %	12.3 %
Total	39.9 %	43.1 %
Total Underwriting		
Policy acquisition costs	19.3 %	23.4 %
Operating expenses	17.0 %	15.4 %
Total	36.3 %	38.8 %

Our expense ratio decreased 2.5% during the first nine months of 2023, compared to the same period in 2022.

Policy acquisition costs are costs we incur to issue policies, which include commissions, premium taxes, underwriting reports and underwriter compensation costs. The Company offsets direct commissions with ceded commissions from reinsurers. The percentage of policy acquisition costs to net earned premiums and other income decreased by 4.1%, from 23.4% in the first nine months of 2022, to 19.3% for the same period in 2023. The decrease was primarily related to additional ceding commissions, which reduces intercompany commission expense as a result of when the new quota share reinsurance treaty mentioned above.

Operating expenses consist primarily of employee compensation, information technology and occupancy costs, such as rent and utilities. Operating expenses as a percent of net earned premiums and other underwriting income increased by 1.6% to 17.0% for the nine months ended September 30, 2023, as compared to 15.4% for the same period in 2022. The operating expense ratios are higher primarily due to increased reinsurance costs which have lowered net earned premiums.

Segment Results

We measure the performance of our consolidated results, in part, based on our underwriting gain or loss. The following table provides the underwriting gain or loss for the nine months ended September 30, 2023 and 2022 (dollars in thousands):

	Nine months ended September 30,		
	2023	**2022**	**$ Change**
Commercial Lines	$ (5,775)	$ (11,255)	$ 5,480
Personal Lines	(4,000)	(561)	(3,439)
Total Underwriting	(9,775)	(11,816)	2,041
Wholesale Agency	(468)	132	(600)
Corporate	(814)	(421)	(393)
Eliminations	36	189	(153)
Total segment gain (loss)	$ (11,021)	$ (11,916)	$ 895

earned. This timing difference between two consolidating companies is adjusted through Eliminations.

Liquidity and Capital Resources

Sources and Uses of Funds

At September 30, 2023 March 31, 2024, the Company had $54.9 million $41.0 million in cash, cash equivalents and short-term investments. Our principal sources of funds are insurance premiums, investment income, proceeds from maturities and sales of invested assets and

installment fees. These funds are primarily used to pay claims, commissions, employee compensation, taxes and other operating expenses, and service debt.

We believe that our existing cash, cash equivalents, short-term investments and investment securities balances For the next twelve months, based on the capital structure as of March 31, 2024, the Company will be adequate required to meet our capital make $1.0 million of principal payments on the senior secured notes, $630,000 of preferred dividend payments and liquidity needs and approximately $2.9 million of interest on all of the needs Company's debt instruments, all of our subsidiaries on a short-term and long-term basis.

which are paid quarterly.

We conduct our business operations primarily through our Insurance Company Subsidiaries. Subsidiaries and our MGA. Our ability to service debt, and pay administrative expenses is primarily reliant upon our intercompany service fees paid by the Insurance Company Subsidiaries and MGA to the holding company for management, administrative, and information technology services provided to the Insurance Company Subsidiaries and MGA by the Parent Company. Secondarily, the Parent Company may receive dividends from the Insurance Company Subsidiaries; however, this is not the primary means in which the holding company supports its funding as state insurance laws restrict the ability of our Insurance Company Subsidiaries to declare dividends to the Parent Company. Generally, the limitations are based on the greater of statutory net income for the preceding year or 10% of statutory surplus at the end of the preceding year. No There were no dividends were paid from our Insurance Company Subsidiaries during for the nine three months ended September 30, 2023 March 31, 2024 and 2022.

On November 2, 2023, CIC purchased $4.0 million of the Company's new public notes providing another means in which the holding company can source cash. This will be 2023, respectively. We do not be reflected as outstanding debt on a consolidated basis.

In September 2023, the Company repaid its $24.4 million of senior public debt and funded it, in part, with issuing new public debt anticipate any dividends being paid to us from our insurance subsidiaries in the amount of $17.9 million with a 9.75% interest rate, or three percentage points higher than the old public notes. This new public debt has a five year term and all other terms and conditions are substantially the same as the old public debt. near term. The Company also refinanced its subordinated debt into a senior secured note, paying down $500,000 of the debt resulting in a remaining $10.0 million of a senior secured note outstanding with a 12.5% interest rate. This rate is five percentage points higher than the historical rate on the subordinated debt of 7.5%. The maturity of the new senior secured note was shortened to five years (maturing on September 30, 2028) from 15 years (maturing on September 30, 2038) and there are now required quarterly principal payments of $250,000 with the balance due at maturity.

The changes to the debt structure will result in $1.0 million per year of principal to be paid on the senior secured debt that previously was not required. And the first year interest payments will be approximately $400,000 greater than with the subordinated debt. The interest payments on the public debt will be approximately $100,000 greater going forward. Management believes that there will be continued sufficient cash flow MGA may pay dividends to the Parent Company without regulatory restrictions, and we believe is will be utilized as the MGA begins to service these additional interest and principal payments. produce more business for third-party insurers.

Parent Due to significant losses in 2023, much of which was attributable to strengthening reserves and severe storm activity affecting the Oklahoma homeowners business, both Insurance Company is required Subsidiaries lack sufficient capital to pay continue to underwrite the volume of business they have historically written. Also, both CIC and WPIC fell below critical statutory capital and surplus minimum requirements including the Risk Based Capital ("RBC") ratio. CIC's and WPIC's RBC ratios at December 31, 2023, were 169% and 142%, respectively. The Insurance Company Subsidiaries submitted an action plan with the state of domicile insurance regulator on April 1, 2024, to remediate certain intercompany obligations before December 31, 2023 statutory capital and surplus regulatory deficiencies. As part of the plan, WPIC will no longer write any business after June 30, 2024, and CIC will only write a small amount of commercial business as well as the homeowners business after June 30, 2024. Management believes that the Parent Company will have adequate cash flow These actions were part of a strategic shift implemented by management to utilize third-party insurers and to mostly rely on commission revenues generated by our MGA to fund operations and service debt, going forward. However, there is a current potential short fall

With the producer agreements currently executed, the Company expects to be able to generate the needed revenues to meet our obligations as they become due over the next several twelve months. To alleviate any concern as Management believes the actions that were executed to whether implement the planned strategic shift coupled with additional available sources of available liquidity, will be sufficient to enable the Company to meet its obligations for the foreseeable future.

Our outstanding public debt securities are currently trading at a discount to their face amount. In order to reduce future cash interest payments, as well as future amounts due at maturity or upon redemption, we may, from time to time, purchase such debt for cash, in exchange for common stock, or for a combination of cash and common stock, in open market or privately negotiated transactions. We will have enough funds evaluate any such transactions in light of then-existing market conditions, taking into account our current liquidity and prospects for future access to satisfy its near term obligations, a member of the Company's board of directors has pledged to fund up to $6.0 million capital. The amounts involved in capital, by December 15, 2023, which could be used to fund these obligations such transactions, individually or other cash needs. The member's funding was conditioned on 1) the contribution would be in the form aggregate, may be material.

We believe that our existing cash, cash equivalents, short-term investments and investment securities balances will be adequate to meet our capital and liquidity needs and the needs of our subsidiaries on a preferred stock with a dividend equal to the prime rate plus 2%, short-term and is redeemable at the option of the company in 24 months with a redemption premium of $1.5 million. If the preferred is not redeemed, the preferred will convert into common stock at a price of $1.25 per share. And, 2) the member would have the right to nominate an additional board member. long-term basis.

Cash Flows

Operating Activities. Cash provided by operating activities for the three months ended March 31, 2024 was $8.2 million compared to cash used in operating activities for the nine months ended September 30, 2023 was $729,000 compared to $14.1 million of $6.0 million for the same period in 2022. 2023. The $13.5 million decrease $14.2 million increase in cash used in provided by operating activities was primarily due a $9.3 million $12.4 million decrease in paid total net losses a $6.0 million decrease in acquisition costs paid and a $15.4 million $4.0 million increase in the funds held under reinsurance agreements liability account other income received during the period. These amounts were offset by a $16.1 million decrease $2.4 million increase in net premiums collected for acquisition costs paid during the first nine three months of 2023, 2024, compared to the same period in 2022. 2023.

Investing Activities. Cash used in investing activities for the nine three months ended September 30, 2023 March 31, 2024 was $4.0 million $1.6 million, compared to $20.1 million of cash provided by investing activities $468,000 for the same period in 2022. 2023. The $24.3 million decrease $1.1 million increase in cash provided used by investing activities was driven by a $78.0 million $9.3 million decrease in proceeds from sales of investments. investment during the period. This amount was partially offset by $62.5 million a $7.7 million decrease in purchases of investments during the first nine months of 2023. period.

Financing Activities. Cash used in financing activities for the nine three months ended September 30, 2023 March 31, 2024 was $8.9 million $426,000 compared to $19.5 million of cash provided by financing activities in $0 for the same period of 2022. in 2023. The $28.4 million decrease $426,000 increase in cash provided by used for financing activities was mostly attributable to the Company paying down $13.7

million $176,000 of its long-term debt during the third quarter of 2023, and the Company borrowing $14.5 million from the Federal Home Loan Bank of Indianapolis preferred stock dividends paid during the first nine months quarter of 2022. 2024, and a $250,000 principal payment towards the Company's senior secured notes during the first quarter of 2024. The Company did not have the Senior Secured Notes or the preferred stock in the first quarter of 2023.

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Statutory Capital and Surplus

Our Insurance Company Subsidiaries are required to file quarterly and annual financial reports with state insurance regulators. These financial reports are prepared using statutory accounting practices promulgated by the Insurance Company

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Subsidiaries' state of domiciliary, rather than GAAP. The Insurance Company Subsidiaries' aggregate statutory capital and surplus (which is a statutory measure of equity) was $53.2 million $34.0 million and $59.9 million $32.8 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Non-GAAP Financial Measures

Adjusted Operating Income and Adjusted Operating Income Per Share

Adjusted operating income and adjusted operating income per share are non-GAAP measures that represent net income allocable to common shareholders excluding net realized investment gains or losses, changes in fair value of equity securities the gain from the sale of the renewal rights business, and other gains and losses; all net of tax. losses. The most directly comparable financial GAAP measures to adjusted operating income and adjusted operating income per share are net income and net income per share, respectively. Adjusted operating income and adjusted operating income per share are intended as supplemental information and are not meant to replace net income or net income per share. Adjusted operating income and adjusted operating income per share should be read in conjunction with the GAAP financial results. Our definition of adjusted operating income may be different from that used by other companies. The following is a reconciliation of net income (loss) to adjusted operating income (loss) (dollars in thousands), as well as net income (loss) per share to adjusted operating income (loss) per share:

	Three Months Ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss)	$ (2,706)	$ (1,523)	$ (6,444)	$ (12,792)
Exclude:				
Net realized investment gains (losses), net of tax	—	—	—	(1,505)
Change in fair value of equity securities, net of tax	(87)	(151)	595	446
Gain from sale of renewal rights	2,335	—	2,335	—
Other gains (losses), net of tax	—	66	—	60
Adjusted operating income (loss)	$ (4,954)	$ (1,438)	$ (9,374)	$ (11,793)

Weighted average common shares diluted	12,222,881	11,101,194	12,219,713	10,178,975
Diluted income (loss) per common share:				
Net income (loss)	$ (0.22)	$ (0.14)	$ (0.53)	$ (1.26)
Exclude:				
Net realized investment gains (losses), net of tax	—	—	—	(0.15)
Change in fair value of equity securities, net of tax	—	(0.01)	0.05	0.04
Gain from sale of renewal rights	0.19	—	0.19	—
Other gains (losses), net of tax	—	—	—	0.01
Adjusted operating income (loss) per share	$ (0.41)	$ (0.13)	$ (0.77)	$ (1.16)

	Three Months Ended March 31,	
	2024	2023
Net income (loss)	$ 231	$ 1,001
Less:		
Change in fair value of equity securities	43	694
Impact of income tax expense (benefit) from adjustments *	—	—
Adjusted operating income (loss)	$ 188	$ 307
Weighted average common shares diluted	12,222,881	12,215,849
Diluted income (loss) per common share:		
Net income (loss)	$ 0.02	$ 0.08
Less:		
Change in fair value of equity securities	—	0.05
Impact of income tax expense (benefit) from adjustments *	—	—
Adjusted operating income (loss) per share	$ 0.02	$ 0.03

* The Company has recorded a full valuation allowance against its deferred tax assets as of March 31, 2024 and March 31, 2023, respectively. As a result, there were no taxable impacts to adjusted operating income from the adjustments to net income (loss) in the table above after taking into account the use of NOLs and the change in the valuation allowance.

We use adjusted operating income and adjusted operating income per share to assess our performance and to evaluate the results of our overall business. We believe these measures provide investors with valuable information relating to our ongoing performance that may be obscured by the net effect of realized gains and losses as a result of our market risk sensitive instruments, which primarily relate to debt securities that are available for sale and not held for trading purposes. The change in fair value of equity securities and realized gains and losses may vary significantly between periods and are generally driven by external economic developments, such as capital market conditions. Accordingly, adjusted operating income excludes the effect of items that tend to be highly variable from period to period and highlights the results from our ongoing business operations and the underlying results of our business. We believe that it is useful for investors to evaluate adjusted operating income and adjusted operating income per share, along with net income and net income per share, when reviewing and evaluating our performance.

Recently Issued Accounting Pronouncements

Refer to Note 1 ~ Summary of Significant Accounting Policies – Recently Issued Accounting Guidance of the Notes to the Consolidated Financial Statements for detailed information regarding recently issued accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices such as interest rates, other relevant market rates or price changes. The volatility and liquidity in the markets in which the underlying assets are traded directly influence market risk. The following is a discussion of our primary market risk exposures and how those exposures are currently managed as of September 30, 2023 March 31, 2024. Our market risk sensitive instruments are primarily related to fixed income securities, which are available-for-sale and not held for trading purposes.

Interest Rate Risk

At September 30, 2023 March 31, 2024, the fair value of our investment portfolio, excluding cash and cash equivalents, was $144.6 million $146.6 million. Our investment portfolio consists principally of investment-grade, fixed-income securities, all of which are classified as available for sale. Accordingly, the primary market risk exposure to our debt securities is interest rate risk. In general, the fair market value of a portfolio of debt securities increases or decreases inversely with changes in market interest rates, while net investment income realized from future investments in debt securities increases or decreases along with interest rates. We attempt to mitigate interest rate risks by investing in securities with varied maturity dates and by managing the duration of our investment portfolio to a defined range of three to four years. The effective duration of our portfolio as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was 2.8 2.7 and 3.5 2.9 years, respectively.

The table below illustrates the sensitivity of the fair value of our debt investments, classified as debt securities and short-term investments, to selected hypothetical changes in interest rates as of September 30, 2023 March 31, 2024. The selected scenarios are not predictions of future events, but rather illustrate the effect that events may have on the fair value of the debt portfolio and shareholders' equity (dollars in thousands).

Hypothetical Change in Interest Rates	Estimated Fair Value	Estimated Change in Fair Value	Hypothetical Percentage Increase (Decrease) in Fair Value	Hypothetical Percentage Increase (Decrease) in Shareholders' Equity	Estimated Fair Value	Estimated Change in Fair Value	Hypothetical Percentage Increase (Decrease) in Fair Value	Hypothetical Percentage Increase (Decrease) in Shareholders' Equity
As of September 30, 2023								
As of March 31, 2024								
200 basis point increase	$ 134,842	$ (7,426)	(5.2)%	(63.0)%	$ 136,973	$ (7,285)	(5.1)%	(284.7)%
100 basis point increase	138,413	(3,855)	(2.7)%	(32.7)%	140,478	(3,780)	(2.6)%	(147.7)%

No change	142,268	—	—	—	144,258	—	—	—
100 basis point decrease	146,436	4,168	2.9 %	35.4 %	148,326	4,068	2.8 %	159.0 %
200 basis point decrease	150,946	8,678	6.1 %	73.6 %	152,654	8,396	5.8 %	328.1 %

Credit Risk

An additional exposure to our debt securities portfolio is credit risk. We manage our credit risk by investing only in investment-grade securities. In addition, we comply with applicable statutory requirements, which limit the portion of our total investment portfolio that we can invest in any one security.

We are subject to credit risks with respect to our reinsurers. Although a reinsurer is liable for losses to the extent of the coverage which it assumes, our reinsurance contracts do not discharge our insurance companies from primary liability to each policyholder for the full amount of the applicable policy, and consequently our insurance companies remain obligated to pay claims in accordance with the terms of the policies regardless of whether a reinsurer fulfills or defaults on its obligations under the related reinsurance agreement. To mitigate our credit risk to reinsurance companies, we attempt to select financially strong reinsurers with an A.M. Best rating of “A-” or better and continue to evaluate their financial condition throughout the duration of our agreements.

At September 30, 2023 March 31, 2024, the net amount due to the Company from reinsurers, including prepaid reinsurance premiums, was $92.1 million $72.8 million. We believe all amounts recorded as due from reinsurers are recoverable.

Effects of Inflation

We do not believe that inflation has a material effect on our results of operations, except for the effect that inflation may have on interest rates and claims costs. We consider the effects of inflation in pricing and estimating reserves for unpaid losses and LAE. The actual effects of inflation on our results are not known until claims are ultimately settled. In addition to general price inflation, we are exposed to a long-term upward trend in the cost of judicial awards for damages.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company’s management, including its Co-Chief Chief Executive Officers Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of September 30, 2023 March 31, 2024. Based on such evaluations, the Co-Chief Executive Officers Officer and Chief Financial Officer have concluded the Company’s disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the

Exchange Act, and that information is accumulated and communicated to the Company's management, including the Co-Company's Company's Chief Executive Officers Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

For the three months ended September 30, 2023 March 31, 2024, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information required by this item is included under Note 12 11 ~ *Commitments and Contingencies* of the Notes to the Consolidated Financial Statements of the Company's Form 10-Q for the nine three months ended September 30, 2023 March 31, 2024, which is hereby incorporated by reference.

ITEM 1A. RISK FACTORS

There were no material changes to the risk factors disclosed in our Annual Report on Form 10-K ("Item 1A Risk Factors") filed with the SEC on March 27, 2023 April 1, 2024.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMTION

During the three months ended March 31, 2024, none of the Company's directors or Section 16 officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Conifer securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any "non-Rule 10b5-1 trading arrangement" as such term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Period Ending	Exhibit / Appendix Number	Filing Date
10.30	Second Amended and Restated Note Purchase Agreement dated as of September 30, 2023 between the Company and Elanus Capital Investments Master SP Series 3				
31.1	Section 302 Certification — Co-CEO				
31.2	Section 302 Certification — Co-CEO				
31.3	Section 302 Certification — CFO				
32.1*	Section 906 Certification — Co-CEO				
32.2*	Section 906 Certification — Co-CEO				
32.3*	Section 906 Certification — CFO				
101.INS	inline XBRL Instance Document				
101.SCH	inline XBRL Taxonomy Extension Schema Document				
101.CAL	inline XBRL Taxonomy Extension Calculation Linkbase				
101.DEF	inline XBRL Taxonomy Extension Definition Linkbase				
101.LAB	inline XBRL Taxonomy Extension Label Linkbase				
101.PRE	inline XBRL Taxonomy Extension Presentation Linkbase				
104	Cover Page Interactive Date File (embedded within the Inline XBRL document)				

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Period Ending	Exhibit / Appendix Number	Filing Date
10.1	Limited Waiver Regarding Second Amended and Restated Note Purchase Agreement	10-K	December 31, 2023	10.8	April 1, 2024
31.1	Section 302 Certification — CEO				
31.2	Section 302 Certification — CFO				
32.1*	Section 906 Certification — CEO				

32.2*	Section 906 Certification — CFO
101.INS	inline XBRL Instance Document
101.SCH	inline XBRL Taxonomy Extension Schema Document
104	Cover Page Interactive Date File (embedded within the Inline XBRL document)

* This certification is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONIFER HOLDINGS, INC.

By: /s/ Harold J. Meloche

Harold J. Meloche
Chief Financial Officer,
Principal Financial Officer,
Principal Accounting Officer

Dated: November 10, 2023 May 14, 2024

$10,000,000

12.5% Senior Secured Notes due September 30, 2028

SECOND AMENDED AND RESTATED NOTE PURCHASE AGREEMENT

Dated as of September 30, 2023

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Conifer Holdings, Inc.
550 West Merrill Street, Suite 200
Birmingham, MI 48009
12.5% Subordinated Notes due September 30, 2028

As of September 30, 2023

TO EACH OF THE PURCHASERS LISTED IN
THE ATTACHED SCHEDULE 1:

Ladies and Gentlemen:

Conifer Holdings, Inc., a Michigan corporation (the "**Company**"), agrees with each of the Purchasers to amend and restate the Amended and Restated Note Purchase Agreement dated as of September 25, 2018, as amended by the First Amendment dated as of December 13, 2018, the Second Amendment dated as of June 21, 2019 and Third Amendment dated May 9, 2022 (as so amended and as otherwise amended, restated, supplemented or modified prior to the date hereof, the "**Existing Note Purchase Agreement**"), as follows:

1. AUTHORIZATION OF THE NOTES.

(a) The Company issued and sold to Elanus Capital Investments Master SP Series 3 ("**Elanus**") $10,500,000 aggregate principal amount of its 7.5/12.5% Subordinated Notes due September 30, 2038 (the "**Existing Notes**") pursuant to the Existing Note Purchase Agreement.

(b) On the Closing Date, the Company will redeem $500,000 (the "**Prepayment Amount**") principal amount of the Existing Notes with Elanus waiving all rights to receive any prepayment premium related to such prepayment pursuant to Section 8.1 of the Existing Note Purchase Agreement.

(c) As of the date hereof, the Company will authorize the issue and sale of $10,000,000 aggregate principal amount of its 12.5% Senior Secured Notes due September 30, 2028 (the **"Notes"**), which will, in addition to the Prepayment Amount, be deemed issued in exchange for the outstanding Existing Notes. Each Note shall be substantially in the form set out in Exhibit A, with such changes therefrom, if any, as may be approved by each Purchaser and the Company. Certain capitalized terms used in this Agreement are defined in Schedule 2; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

2. SALE AND PURCHASE OF THE NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, as of the Closing provided

for in Section 3, each Note in the principal amount specified opposite each Purchaser's name in Schedule 1 at the purchase price of 100% of the principal amount thereof.

3. CLOSING.

The sale and purchase of each Note to be purchased by each Purchaser shall occur at the offices of the Company, 3001 West Big Beaver, Suite 200, Troy, Michigan 48084, at 2:00 p.m., Eastern Standard Time, as of a closing (the **"Closing"**) on September 29, 2023 (the **"Closing Date"**), or on such other Business Day thereafter as may be agreed upon by the Company and each Purchaser. As of the Closing, the Company will deliver to each Purchaser a Note and its pro rata share of the Prepayment Amount. Upon each Purchaser's receipt of the Notes and Prepayment Amount, such Purchaser will return to the Company the Existing Notes in its possession for cancellation by the Company. If at the Closing the Company shall fail to tender a Note to a Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to each Purchaser's satisfaction, each Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights it may have by reason of such failure by the Company to tender such Note or any of the conditions specified in Section 4 not having been fulfilled to its satisfaction.

4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to purchase and pay for a Note to be sold to such Purchaser as of the Closing is subject to the fulfillment to its satisfaction, prior to or as of the Closing, of the following conditions:

4.1 Representations and Warranties.

The representations and warranties of the Company in this Agreement shall be correct when made and as of the time of the Closing.

4.2 Performance; No Default.

(a) Elanus shall have received the Prepayment Amount from the Company in connection with the redemption of the Existing Notes; and

(b) the Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or as of the Closing and after giving effect to the issue and sale of each Note (and the application of the proceeds thereof) no Default or Event of Default shall have occurred and be continuing.

4.3 Compliance Certificates; Security.

(a) Officer's Certificate. The Company shall have delivered to such Purchaser an Officer's Certificate, dated as of the Closing, certifying that the conditions specified in Sections 4.1 and 4.2 have been fulfilled.

(b) Secretary's Certificate. The Company shall have delivered to such Purchaser a certificate certifying as to the resolutions attached thereto and other corporate proceedings

relating to the authorization, execution and delivery of each Note and the Agreements and the Company's organizational documents as then in effect.

(c) Covenant Compliance Certificate. The Company shall have delivered to such Purchaser a covenant compliance certificate certifying that as of the Closing Date, the Company is in pro forma compliance with the financial covenants set forth in Section 11 hereof.

(d) Solvency Certificate. The Company shall have delivered to such Purchaser a solvency certificate signed by the chief executive officer or the chief financial officer of the Company as to the solvency of the Company as of the Closing Date and immediately after giving effect to the transactions contemplated hereby.

(e) Security. The Company shall have delivered to such Purchaser each collateral document and deliverable contemplated by Section 17 as required to be executed on the Closing Date, in each case duly executed and delivered by an authorized officer of the Company, and all documents and instruments required by law or reasonably requested by the Purchasers to be delivered, filed, registered or recorded in order to create and perfect the Liens on the Collateral intended to be created hereby, including but not limited to:

(i) all UCC financing statements in proper form for filing in the applicable filing offices; and

(ii) evidence satisfactory to the Purchasers that the Liens created by or pursuant to, or purported to be created by or pursuant to, the terms hereof have been duly created and perfected in favor of the Purchasers as a valid and enforceable first priority Lien in all the Collateral, in each case free and clear of all other Liens except for Permitted Liens.

(f) Lien Searches. Results of searches or other evidence reasonably satisfactory to the Purchasers (in each case dated as of a date reasonably satisfactory to the Purchasers) indicating the absence of Liens on the assets of the Company and its Subsidiaries, except for Permitted Liens for which termination statements and releases, satisfactions and discharges of any mortgages, and releases or subordination agreements reasonably satisfactory to the Holders are being tendered concurrently with the sale and purchase of the Notes, and that arrangements reasonably satisfactory to the Holders for the delivery of such termination statements and releases, satisfactions and discharges have been made.

4.4 Purchase Permitted By Applicable Law, etc.

As of the date of the Closing such Purchaser's purchase of a Note shall (i) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, (ii) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect as of the date hereof.

4.5 Payment of Fees.

(a) The Company shall have paid a structuring fee to the Purchasers in the amount of $172,500 payable as follows: $43,125 payable on each of the Closing Date, December 31, 2023, March 31, 2024 and June 30, 2024.

(b) No later than October 9, 2023, the Company shall have paid the out-of-pocket and documented fees, charges and disbursements of such Purchaser, and its counsel, Clifford Chance US LLP in an aggregate amount not to exceed $300,000 (inclusive of the $172,500 restructuring fee payable under Section 4.5(a) hereof).

4.6 Opinion of Counsel.

Such Purchaser shall have received an opinion in form and substance satisfactory to such Purchaser from counsel for the Company, covering the matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request, including without limitation, the execution and delivery of this Agreement and performance of the Company's obligations thereunder do not constitute a default under or result in a breach of the 2028 Senior Unsecured Notes.

4.7 Proceedings and Documents.

All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its counsel, and such Purchaser and its counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or its counsel may reasonably request.

4.8 Discharge of 2023 Senior Unsecured Notes; Other.

As of October 2, 2023, all of the Company's obligations under the 2023 Senior Unsecured Notes shall be discharged in full, and such other information, instruments, documents, agreements, certificates and opinions as the Purchasers may reasonably request.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

5.1 Organization; Power and Authority.

The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or

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hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and each Note and to perform the provisions hereof and thereof.

5.2 Authorization, etc.

This Agreement and each Note have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3 Disclosure.

This Agreement, the financial statements listed in Schedule 5.6 and the documents, certificates or other writings delivered to such Purchaser by or on behalf of the Company prior to the Closing Date in connection with the transactions contemplated hereby and identified in Schedule 5.3 (this Agreement and such documents, certificates or other writings and such financial statements delivered to such Purchaser being referred to, collectively, as the **"Disclosure Documents"**), taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents, since June 30, 2023 there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes described in the Form 10-Q filed with the Securities and Exchange Commission on August 9, 2023, that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein, in the Disclosure Documents.

5.4 No Conflict.

The execution, delivery and performance by the Company of this Agreement and each Note will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien (except as contemplated hereby) in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary, (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect or (v) conflict with, contravene, constitute a default or breach under, or result in or permit the termination or acceleration of 2028 Senior Unsecured Notes.

5.5 Organization and Ownership of Shares of Subsidiaries; Affiliates.

(a) Schedule 5.5 contains complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) of the Company's Affiliates, other than Subsidiaries, and (iii) of the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.5 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.5).

(c) Each Subsidiary identified in Schedule 5.5 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal restriction or any agreement (other than this Agreement, the agreements listed on Schedule 5.5 and customary limitations imposed by corporate law statutes) restricting the ability of such Subsidiary to pay dividends out of profits (subject to standard insurance regulations) or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

5.6 Financial Statements; Material Liabilities.

The Company has delivered to the holder of each Note copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.6. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed in the Disclosure Documents or permitted under Section 10.2 hereof.

5.7 Governmental Authorizations, etc.

Each of the Company and its Subsidiaries holds all necessary permits, approvals, authorizations, orders, licenses, consents, registrations, qualifications, certificates and permits including, without limitation, insurance licenses from the insurance departments of the various

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states and jurisdictions where the Insurance Subsidiaries write insurance business or otherwise conduct insurance or reinsurance business, (collectively, the **"Insurance Licenses"**) as the case may be, or as may be required by any applicable insurance statutes of such states or other jurisdictions of and from Governmental Authorities necessary to conduct their respective businesses as now being conducted, (collectively, including the Insurance Licenses, the **"Governmental Licenses"**) and neither the Company nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental License, except where the failure to hold such Governmental Licenses or the receipt of an unfavorable decision, ruling or finding in respect of any such proceeding, would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except where the invalidity or the failure of such Governmental Licenses to be in full force and effect would not, singly or in the aggregate, have a Material Adverse Effect; and the Company and its Subsidiaries are in compliance with all applicable laws, rules, regulations, judgments, orders, decrees and consents, except where the failure to be in such compliance would not, singly or in the aggregate, have a Material Adverse Effect.

5.8 Litigation; Observance of Agreements, Statutes and Orders.

There are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

5.9 Taxes.

The Company and its Subsidiaries have filed all income and other material Tax returns that are required to have been filed in any jurisdiction, and have paid all Taxes relating to such returns and all other Taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such Taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP on the financial statements of the Company and its Subsidiaries listed on Schedule 5.6. The Company knows of no basis for any other tax or assessment that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of U.S. federal, state or other Taxes for all fiscal periods are adequate. All income Tax liabilities of the Company and its Subsidiaries have been paid for all fiscal years up to and including the fiscal year ended December 31, 2022 (and any fiscal periods thereafter through the date of this Agreement).

5.10 Title to Property; Leases.

The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, in each case free and clear of any Lien other than Permitted Liens. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

5.11 Intellectual Property.

(a) the Company and its Subsidiaries own or possess all licenses, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others;

(b) to the knowledge of the Company, no product of the Company or any of its Subsidiaries infringes in any material respect any license, patent, copyright, service mark, trademark, trade name or other right owned by any other Person; and

(c) to the knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any license, patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

5.12 Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

5.13 ERISA.

Neither Company nor any ERISA Affiliate maintains or contributes or has any direct or indirect, actual or contingent liability, or has, at any time within the past six years, maintained, contributed to or had any direct or indirect, actual or contingent liability, with respect to any Plan. There was no unfunded past service liability of any pension plan maintained by the Company or an ERISA Affiliate as of the Closing Date, and there is no failure to satisfy the minimum funding standards of Section 412 of the Code or Section 302 of ERISA, or any existing material liability with respect to any Plan owed to the PBGC or any successor thereto.

5.14 Use of Proceeds; Margin Regulations.

The Company is not engaged principally, or as one of its important activities, directly or indirectly, in the business of extending credit for the purpose of purchasing or carrying margin stock, and none of the proceeds of the Notes will be used, directly or indirectly, for the purpose of buying or carrying any “margin stock” within the meaning of, or otherwise for any purpose which would violate the provisions of, Regulation T, U or X of the Board of Governors of the Federal

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Reserve System. Terms for which meanings are provided in Regulation U of the Board of Governors of the Federal Reserve System or any regulations substituted therefor, as from time to time in effect, are used in this paragraph with such meanings.

5.15 Existing Indebtedness; Future Liens.

(a) Schedule 10.2 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of the Closing Date not otherwise described in Section 10.2. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15 and for Permitted Liens, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien.

(c) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including its charter or any other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company.

5.16 Investment Company Act.

Neither the Company nor any Subsidiary is an "investment company" within the meaning of the Investment Company Act of 1940.

5.17 Solvency.

As of the Closing Date and immediately after the consummation of the transactions to occur pursuant to this Agreement, the Company and its Subsidiaries will be, taken as a whole, Solvent.

5.18 Foreign Assets Control Regulations, Etc.

(a) Neither the Company nor any Controlled Entity (i) is a Blocked Person, (ii) has been notified that its name appears or may in the future appear on a State Sanctions List or (iii) is a target of sanctions that have been imposed by the United Nations or the European Union.

(b) Neither the Company nor any Controlled Entity (i) has violated, been found in violation of, or been charged or convicted under, any applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws or (ii) to the Company's knowledge, is under investigation by any Governmental Authority for possible violation of any U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws.

(c) No part of the proceeds from the sale of the Notes hereunder:

(i) constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (A) in connection with any investment in, or any transactions or dealings with, any Blocked Person, (B) for any purpose that would cause any Purchaser to be in violation of any U.S. Economic Sanctions Laws or (C) otherwise in violation of any U.S. Economic Sanctions Laws;

(ii) will be used, directly or indirectly, in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Money Laundering Laws; or will be used, directly or indirectly, for the purpose of making any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage, in each case which would be in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Corruption Laws.

(d) The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws and Anti- Corruption Laws.

6. REPRESENTATIONS OF THE PURCHASER.

6.1 Purchase for Investment.

Each Purchaser represents that it is purchasing each Note for its own account or for one or more separate accounts maintained by it or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of its or their property shall at all times be within its or their control. Each Purchaser understands that each Note has not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register any Note.

6.2 Tax Matters.

Each Purchaser represents that it and each of its beneficial owners is either: (1) a United States person (within the meaning of Section 7701(a)(30) of the Code), or (2) not a "bank" described in Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Company within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" that is related to the Company as described in Section 881(c)(3)(C) of the Code. Each Purchaser shall deliver to the Company on or prior to the date it acquires a Note and from time to time thereafter upon the reasonable request of the Company (or the expiration, obsolescence or material inaccuracy of any form previously delivered) an executed original of, as applicable, (a) Internal

Revenue Service Form W-8BEN, W-8BEN-E, or other appropriate W-8, or (b) Internal Revenue Service Form W-9.

7. INFORMATION AS TO COMPANY.

7.1 Financial and Business Information.

The Company shall deliver to the holder of each Note:

(a) Quarterly Statements – as soon as available, but in any event not later than 60 days after the end of each fiscal quarter (excluding the fourth fiscal quarter of each fiscal year) commencing with the fiscal quarter ended September 29, 2023), (i) copies of the Company's quarterly report filed on Form 10-Q promulgated under the Securities Exchange Act of 1934 prepared in compliance with the requirements therefor and filed or required to be filed with the Securities and Exchange Commission and (ii) a copy of each Insurance Subsidiary's financial statements for such fiscal quarter, including a balance sheet as of the end of such fiscal quarter and the related statements of income and retained earnings for such fiscal quarter, each prepared in accordance with SAP and certified by an officer of the applicable Insurance Subsidiary;

(b) Annual Statements – as soon as available, but in any event not later than 100 days after and as of the end of each fiscal year of the Company (i) a copy of the Company's annual report on Form 10-K promulgated under the Securities Exchange Act of 1934 for such fiscal year prepared in accordance with the requirements therefor and filed or required to be filed with the Securities and Exchange Commission and (ii) a copy of each Insurance Subsidiary's financial statements for such fiscal year, including a balance sheet as of the end of such fiscal year and the related statements of income and retained earnings for such fiscal year, each prepared in accordance with SAP (commonly referred to as the "Yellow Book" statements) and certified by an officer of the applicable Insurance Subsidiary;

(c) SEC and Other Reports -- promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary (x) to any holders of Senior Debt or any Indebtedness incurred pursuant to Section 10.2(c) hereunder or (y) to its public securities holders generally, (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission and of all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning developments that are Material and (iii) all significant reports and financial statements related to Company and/or any of its Subsidiaries filed with any Regulatory Agency;

(d) Notice of Default or Event of Default -- promptly, and in any event within five (5) Business Days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 12(g), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) Proceedings – promptly, and in any event within five (5) Business Days of receipt thereof, copies of any notice of the commencement of (i) any action, suit or proceeding against or affecting the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority relating to any license or licenses of any Insurance Subsidiaries (representing singularly or in the aggregate 10% or more of gross written premiums of the Company and its Subsidiaries) that may be revoked, not renewed or otherwise impaired, or (ii) any other action, suit or proceeding that would reasonably be expected to have a Material Adverse Effect.

(f) Notices from Governmental Authority -- promptly, and in any event within five (5) Business Days of receipt thereof, copies of (i) any notice to the Company or any Subsidiary from an Insurance Regulatory Authority to the effect that any license or licenses of any Insurance Subsidiaries (representing singularly or in the aggregate 10% or more of gross written premiums of the Company and its Subsidiaries) will be revoked, not renewed or otherwise impaired, or (ii) any other notice from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that would reasonably be expected to have a Material Adverse Effect; and

(g) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under each Note as from time to time may be reasonably requested by any such holder of a Note.

7.2 Officer's Certificate.

Each set of financial statements delivered to the holder of a Note pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the covenants set forth in Section 11 hereof, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

7.3 Inspection.

The Company shall permit the representatives of the holder of a Note:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to examine all of its books of account, records, reports and other papers, and to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

8. PREPAYMENT OF NOTES.

8.1 Optional Prepayments with Call Premium.

(a) On the Closing Date, the Company shall prepay $500,000 principal amount of the Existing Notes without paying any penalty or call premium. On the last day of any calendar quarter ending after the Closing Date, the Company may, at its option, upon notice as provided in clause (b) below, pay all or a portion of the Notes, including principal and accrued but unpaid interest accrued to but excluding the date of payment, subject to the Company's payment of a call premium equal to the Premium Amount. The Premium Amount payable shall be adjusted ratably for any partial payments of the Notes, calculated as the amount of the applicable principal payment, divided by the aggregate principal amount of the Notes outstanding and multiplied by the Premium Amount. For avoidance of doubt, payments made pursuant to Section 16.2 hereof, including the final payment due upon the Maturity Date, are not subject to the foregoing premium.

Notwithstanding anything to the contrary herein (but subject to the immediately preceding sentence), any repayment, prepayment or redemption of the Notes made after the Closing Date, in each case whether or not as a result of any Event of Default, any voluntary, involuntary or automatic acceleration of the Notes and/or the exercise of remedies by any holder of a Note, shall be at 100% of the principal amount outstanding, plus accrued but unpaid interest to but excluding the date of repayment, prepayment or redemption, subject to the Company's payment of the call premium as set forth above, if applicable.

Any Premium Amount payable in accordance with the terms hereof shall be presumed to be equal to the liquidated damages sustained by the holders of the Notes as the result of the occurrence of any event triggering the repurchase, redemption or other payment of the Notes and such Premium

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Amount and the Company agrees that it is reasonable under the circumstances currently existing. The parties hereto acknowledge that the Premium Amount shall survive acceleration of the obligations hereunder and/or the occurrence of any insolvency proceeding, and shall upon such occurrences automatically accrue to the principal amount of the Notes and shall constitute part of the obligations hereunder for all purposes herein. If the Notes are accelerated for any reason pursuant to the terms herein, the Premium Amount shall be calculated as if the date of acceleration of the Notes was the date of payment of the Notes (and, for the avoidance of doubt, such Premium Amount shall be included in connection with any repayment of the Notes with the proceeds of any post-acceleration dispositions). THE COMPANY EXPRESSLY WAIVES THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE OR LAW THAT PROHIBITS OR MAY PROHIBIT THE COLLECTION OF THE PREMIUM AMOUNT IN CONNECTION WITH ANY REPURCHASE, REDEMPTION, OTHER PAYMENT OR ACCELERATION. The Company expressly agrees that: (A) the Premium Amount is reasonable and is the product of an arm's-length transaction between sophisticated businesspeople, ably represented by counsel; (B) the Premium Amount shall be payable notwithstanding the then prevailing market rates at the time payment is made; (C) there has been a course of conduct between the Purchasers and the Company giving specific consideration in this transaction for such agreement to pay the Premium Amount; (D) the Premium Amount shall also be payable in the event the obligations hereunder are reinstated pursuant to Section 1124 of the Bankruptcy Code; (E) if the Premium Amount becomes due and payable pursuant to this Agreement, the Premium Amount shall be deemed to be principal of the Notes and obligation under this Agreement and interest shall accrue on the full principal amount of the Notes (including the Premium Amount) from and after the applicable triggering event; (F) in the event that the Premium Amount is determined not to be due and payable by order of any court of competent jurisdiction, including, without limitation, by operation of the Bankruptcy Code, despite such a triggering event having occurred, the Premium Amount shall nonetheless constitute obligations under this Agreement for all purposes hereunder; (G) the Premium Amount shall not constitute unmatured interest, a penalty or an otherwise unenforceable or invalid obligation; (H) the Company shall be estopped hereafter from claiming differently than as agreed to in this paragraph; (I) its agreement to pay the Premium Amount is a material inducement to the Purchasers to purchase the Notes; and (J) the Premium Amount represents a good faith, reasonable estimate and calculation of the lost profits or damages of the Purchasers and that it would be impractical and extremely difficult to ascertain the actual amount of damages to the Purchasers or profits lost by the Purchasers as a result of such event triggering payment of the Premium Amount.

(b) The Company will give the holder of a Note written notice of each optional prepayment under this Section 8.1 not less than 30 days prior to the date fixed for such prepayment under Section 8.1(a). Each such notice shall specify such date and the aggregate principal amount of the Notes outstanding and to be prepaid on such date, and the interest (and premium) to be paid on the prepayment date with respect to such principal (and premium) amount being prepaid. Prepayment notice provided by the Company does not accelerate the Company's obligation to pay any portion of the Notes and any such prepayment notice may be conditioned upon the completion of any financing for such prepayment. From and after the date fixed for such prepayment, unless the Company shall fail to pay such principal amount when so due and payable, interest on such principal amount shall cease to accrue.

8.2 Surrender, etc.

Upon payment or prepayment of each Note in full, such Note shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount.

9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as the Notes are outstanding:

9.1 Compliance with Law.

The Company will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.2 Insurance.

The Company will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective proper- ties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

9.3 Payment of Taxes and Claims.

The Company will and will cause each of its Subsidiaries to file all income and other material Tax returns required to be filed in any jurisdiction and to pay and discharge all Taxes relating to such returns and all other Taxes imposed on them or any of their properties, assets, income or franchises, to the extent such Taxes have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such Tax if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such Taxes in the aggregate would not reasonably be expected to have a Material Adverse Effect.

9.4 Corporate Existence, etc.

The Company will at all times preserve and keep in full force and effect its corporate existence. Except as otherwise permitted in this Agreement, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged

into the Company or a Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a Material Ad- verse Effect.

9.5 [Reserved].

9.6 ERISA.

None of the Company nor any of its ERISA Affiliates shall maintain, contribute to or have any actual or contingent, direct or indirect obligation to maintain or contribute to, any employee benefit plan that is subject to Title I or Title IV of ERISA or section 4975 of the Code.

9.7 **UCC-3 Termination.**

Within five (5) days of the Closing Date, the Company shall send Comerica Bank an authenticated demand to file a UCC-3 termination statement with respect to the UCC-1 financing statement with original filing number 2010068106-7 filed with the Michigan Department of State.

10. NEGATIVE COVENANTS.

The Company covenants that so long as the Notes are outstanding:

10.1 Merger, Consolidation, Disposition of Assets, etc.

The Company shall not consolidate with or merge with any other Person, liquidate, wind-up or dissolve itself, or convey, dispose, transfer or lease all or substantially all of its assets in a single transaction or series of transactions to any Person, outside the ordinary course of its business, unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, disposition, transfer or lease all or substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if the Company is not such corporation, (i) such corporation shall have executed and delivered to each holder of any Note its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement and each Note and (ii) shall have caused to be delivered to the Required Holders an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof;

(b) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing or would result therefrom;

(c) immediately after giving pro forma effect to such transaction, the successor, survivor or transferee Person shall be in compliance with the financial covenants set forth in Section 11 hereof;

(d) the successor, survivor or transferee Person and its Subsidiaries shall be engaged primarily in the business engaged in by the Company and its Subsidiaries as of the Closing Date; and

(e) contemporaneously with the closing of such transaction, the Company shall have delivered to the holder of each Note an officers' certificate stating that such transaction and the requirements of this Section 10.1 have been satisfied.

No such transaction or conveyance, disposition, transfer or lease of all or substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 10.1 from its liability under this Agreement or the Notes.

10.2 Indebtedness.

The Company will not, and will not permit its Subsidiaries to, become or remain obligated for any Indebtedness, except:

(a) Indebtedness to each holder of a Note;

(b) Indebtedness of the Company under Capital Leases or to pay the deferred purchase price for office machinery in existence as of the Closing Date not to exceed in the aggregate $100,000;

(c) Indebtedness of the Company arising under (i) the 2023 Senior Unsecured Notes and the 2028 Senior Unsecured Notes as in effect on the date hereof and not to exceed the aggregate amount of $37,0000,000 from the Closing Date solely through October 2, 2023, and (ii) the 2028 Senior Unsecured Notes as in effect on the date hereof and not to exceed the aggregate amount of $24,000,000 from October 2, 2023 and thereafter;

(d) Indebtedness existing as of the Closing Date and listed on Schedule 10.2;

(e) Indebtedness (including purchase money indebtedness) incurred in connection with the acquisition, construction or improvement of fixed or capital assets (whether pursuant to a loan or a Capital Lease) in an aggregate amount not exceeding $1,000,000 during any single fiscal year of the Company and $3,000,000 in the aggregate during the term of this Agreement at any time outstanding, and any renewals or refinancing of such Indebtedness, on substantially the same terms or terms that are not more burdensome on the Company as in effect on the date of incurrence of such Indebtedness and otherwise in compliance with this Agreement, provided that no Default or Event of Default has occurred and is continuing, both before and after giving effect to the incurrence, renewal or refinancing thereof; provided, further, that the principal amount of such renewed or refinanced Indebtedness shall not exceed the principal amount of the Indebtedness so renewed or refinanced and shall in no event exceed the caps set forth above;

(f) Guaranty Obligations to the extent permitted under Section 10.7;

(g) Indebtedness incurred in the ordinary course of business with respect to surety and appeal bonds, performance and return-of-money bonds and other similar obligations or to or for the benefit of any Person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance, all in the ordinary course of business in accordance with customary industry practices, in amounts and for the purposes customary in the Company's industry;

(h) additional unsecured Indebtedness of the Company and its Subsidiaries not otherwise described above, not in excess of $1,500,000 in aggregate principal amount at any one time outstanding, provided that no Default or Event of Default shall have occurred and be continuing at the time of incurring such Indebtedness or shall result from the incurrence of such Indebtedness; and

(i) Loans from the Federal Home Loan Bank of Indiana issued or created for the account of the Insurance Subsidiaries.

10.3 Acquisitions.

The Company shall not, and shall cause its Subsidiaries to not, purchase or otherwise acquire, or become obligated for the purchase of all or substantially all of the assets or business interests of any Person, firm or corporation or any shares of stock of any corporation, trusteeship or association or in any other manner effectuate or attempt to effectuate an expansion of present business by acquisition with a purchase price or consideration in excess of $10,000,000; provided, further, that, immediately before and after giving effect to such transaction, (a) no Default or Event of Default shall have occurred and be continuing or would result therefrom and (b) the Company shall be in pro forma compliance with the financial covenants set forth in Section 11 hereof.

10.4 Restricted Payments.

Without the prior written consent of the Required Holders, the Company shall not (i) declare or pay any dividends or make any other distribution upon its equity, (ii) pay any management or similar fees to any Affiliates or any holder of equity interests in the Company, or (iii) prepay any Indebtedness incurred under Section 10.2(h) or any Indebtedness that is subordinated to the Notes or otherwise prepay any Indebtedness outside of the ordinary course of business.

10.5 Sale-Leaseback Transactions.

The Company will not, and will not permit its Subsidiaries to, engage in a sale leaseback, synthetic lease or similar transaction involving any of its assets, in excess of $1,500,000 in the aggregate at any time through the Maturity Date.

10.6 Change in Existing Investment Policies.

The Company will not, and will not permit its Subsidiaries to, permit or suffer any material adverse change in its investment policies with respect to cash and marketable securities that would have a Material Adverse Effect on the Company or its Subsidiaries.

10.7 Restriction on Guarantees.

The Company will not, and will not permit its Subsidiaries to, enter into any Guaranty of any Indebtedness of any other Person, except (i) by endorsement for deposit in the ordinary course of business, (ii) guarantees of Indebtedness otherwise permitted pursuant to Section 10.2, (iii) the Company's guaranty of the Surplus Note dated July 15, 2018, between Conifer Insurance Company and White Pine Insurance Company (two wholly owned subsidiaries of the Company), (iv) any guarantees required by regulatory authorities, and (v) guarantees of Indebtedness of other Persons (including joint ventures) to the extent such indebtedness is permitted hereunder.

10.8 Economic Sanctions, etc.

The Company will not, and will not permit any Controlled Entity to (a) become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or (b) directly or indirectly have any investment in or engage in any dealing or transaction (including any investment, dealing or transaction involving the proceeds of the Notes) with any Person if such investment, dealing or transaction (i) would cause any holder or any affiliate of such holder to be in violation of, or subject to sanctions under, any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions Laws.

10.9 **Amendments to Material Contracts.**

The Company will not amend, supplement, waive or otherwise modify the 2028 Senior Unsecured Notes or any other material Indebtedness for borrowed money, in each case, in any manner that would be adverse in any material respect to the Holders, including without limitation, any changes to the 2028 Senior Unsecured Notes or any other material Indebtedness for borrowed money in respect of the principal amount or economic terms, time of payment, or any other provisions that would have the effect of prohibiting or impairing the payment of the Notes, in each case, without the prior written consent of the Required Holders.

11. FINANCIAL COVENANTS.

The Company covenants that so long as the Notes are outstanding it will, and will to the extent applicable cause its Subsidiaries to:

11.1 Tangible Net Worth.

Maintain as of the end of each fiscal quarter of the Company a Tangible Net Worth of not less than $25,000,000 for the measurement periods of September 30, 2023 through September 30, 2024, and $30,000,000 thereafter, beginning on December 31, 2024.

11.2 Fixed Charge Coverage Ratio.

Maintain as of the end of each fiscal quarter of the Company a Fixed Charge Coverage Ratio of not less than 1.25 to 1.0.

11.3 Dividend Paying Capacity.

Not permit the Dividend Paying Capacity of any Insurance Subsidiary for any fiscal year to be less than $1,000,000. This Section does not apply to Red Cedar Insurance Company.

11.4 Reinsurance Retentions.

Not permit reinsurance contracts to have a greater retention (or deductible) than those in place as of July 1, 2017.

11.5 Risk-Based Capital.

Not permit "total adjusted capital" (within the meaning of the Risk-Based Capital for Insurers Model Act as promulgated by the NAIC as of the date of this Agreement (the **"Model Act"**)) of any of its Insurance Subsidiaries as of the last day of each fiscal year for the fiscal year ending December 31, 2023 to be less than 275% and for each fiscal year ending thereafter to be less than 300% of the applicable "authorized control level of risk-based capital" (within the meaning of the Model Act) for such Insurance Subsidiary. This Section does not apply to Red Cedar Insurance Company.

11.6 Consolidated Debt to Capital.

Not permit the ratio of the total Consolidated Indebtedness (excluding from the calculation of Consolidated Indebtedness any loans from the Federal Home Loan Bank of Indiana the proceeds of which were used solely to make investments and Indebtedness under Hedging Contracts related to such Indebtedness) to the Total Capital to exceed 0.55 to 1.00. For purposes of the foregoing calculation, solely with respect to any revolving credit facility of the Company permitted to be incurred hereunder, only amounts drawn or otherwise outstanding thereunder shall be considered Indebtedness.

12. EVENTS OF DEFAULT.

An **"Event of Default"** shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal (or premium, as applicable) on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Section 7.1(d), (e) or (f), Section 9.4, Section 9.5, Section 10 or Section 11; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 12) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from the holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Section 12); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $1,500,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $1,500,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests) the Company or any Subsidiary has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least $1,500,000 (or its equivalent in the relevant currency of payment); or

(g) the Company or any Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing of a petition against it for relief or reorganization or rehabilitation, conservation, supervision, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, rehabilitation, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court of competent jurisdiction or Governmental Authority enters an order appointing, without consent by the Company or any of its Subsidiaries, a custodian, receiver, rehabilitator, supervisor, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization, rehabilitation, conservation, supervision, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up, rehabilitation, liquidation or any similar relief of or with respect to the Company or any of its Subsidiaries, or any such petition shall be filed against the Company or any of its Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final order, orders, judgment or judgments for the payment of money aggregating in excess of $1,000,000 are rendered against one or more of the Company and its

Subsidiaries and which judgments are not, within 30 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 30 days after the expiration of such stay;

(j) if any of the Insurance Subsidiaries shall be prohibited by any Regulatory Agency from issuing new insurance policies in any jurisdiction and such prohibition shall have a Material Adverse Effect on such Insurance Subsidiary's business; or

(k) if the operation of the Company or any of its Subsidiaries shall become subject to the control of any Regulatory Agency, other than in the normal course of business.

13. REMEDIES ON DEFAULT.

13.1 Acceleration.

(a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 12 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, the Required Holders, by notice, may declare the Notes to be immediately due and payable.

Upon the Notes becoming due and payable under this Section 13.1, whether automatically or by declaration, the Notes will forthwith mature and the entire unpaid principal amount of the Notes, including any applicable premium, plus all accrued and unpaid interest thereon (including interest accrued thereon at the Default Rate), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived; provided, that for the avoidance of doubt, the amounts contemplated by Section 8.1(a) shall be payable in each case whether or not any payment, prepayment or redemption of the Notes is as a result of any Event of Default, any voluntary, involuntary or automatic acceleration of the Notes and/or the exercise of remedies by any holder thereof; provided, further, such contemplated amount payable shall be presumed to be liquidated damages sustained by each holder of a Note as the result of the early payment and termination and the Company agrees that it is reasonable under the circumstances.

13.2 Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether the Notes has become or have been declared immediately due and payable under Section 13.1, each holder of a Note at the time outstanding may (a) proceed to protect and enforce the rights of the holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise, (b) in their discretion require the Company to assemble all or any part of the Collateral at such location or locations within the jurisdiction(s) of the Company's principal office(s) or at such other locations as the Purchasers may reasonably designate, (c) exercise in respect of the Collateral, in addition to all other rights and remedies

provided for herein or otherwise available to it, all rights of voting, exercise and conversion with respect to the Collateral and all of the rights and remedies of a secured party upon default under the UCC at that time (whether or not applicable to the affected Collateral) and may also, without obligation to resort to other security, at any time and from time to time sell, resell, assign and deliver, in its sole discretion, all or any of the Collateral, in one or more parcels at the same or different times, and all rights, title and interest, claim and demand therein and right of redemption thereof, on any securities exchange on which any Collateral may be listed, or at public or private sale, for cash, upon credit or for future delivery, and in connection therewith such holder may grant options.

13.3 Rescission.

At any time after any Note has been declared due and payable pursuant to Section 13.1, the holder of such Note then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences (and such rescission and annulment shall be deemed to occur if such action is approved by the Required Holders) if (a) the Company has paid all overdue interest on such Note and all principal (and premium, as applicable) on such Note that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal (and premium, as applicable) and (to the extent permitted by applicable law) any overdue interest in respect of such Note, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 19, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to such Note. No rescission and annulment under this Section 13.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

13.4 No Waivers or Election of Remedies, Expenses, etc.

No course of dealing and no delay on the part of the holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon the holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. The Company will pay to the holder of any Note on demand such further amount as shall be sufficient to cover all costs and expenses of the holder incurred in any enforcement or collection under this Section 13, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

14. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

14.1 Registration of Notes.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. If any holder of one or more Notes is a nominee, then (a) the name and address of the beneficial owner of such Note or Notes shall also be registered in such register as an owner and holder thereof and (b) at any such beneficial owner's option, either such beneficial

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owner or its nominee may execute any amendment, waiver or consent pursuant to this Agreement. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

14.2 Transfer and Exchange of Notes.

Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in Section 14.1), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within 10 Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit A. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.1.

14.3 Replacement of Notes.

Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in Section 14.1) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

15. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and each Note, the purchase and the payment of any Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and each Note embodies the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

16. PAYMENTS ON THE NOTES.

16.1 Place of Payment.

Subject to Section 16.2 and the Schedules hereto, payments of principal and interest becoming due and payable on each Note shall be made by the Company to each Purchaser or holder of a Note as set forth on Schedule 1 hereto or otherwise designated by such Purchaser or holder in writing.

16.2 Principal.

The Company shall make principal payments of $250,000 commencing on December 31, 2023 and continuing each March 31, June 30, September 30, and December 31 thereafter until the Maturity Date. All unpaid principal will be due and payable on the Maturity Date. The foregoing principal payments, including the full and final payment due on the Maturity Date, are not subject to the premium set forth in Section 8.1.

16.3 Mandatory Prepayments.

Not later than three (3) Business Days following the date of receipt by the Company or any of its Subsidiaries of any cash or cash equivalent payments or proceeds received by the Company or any of its Subsidiaries in connection with (i) the sale or disposition of any asset (other than sales in the ordinary course of business and consistent with past practice) or (ii) a casualty or condemnation event, the Company shall prepay the Notes in an aggregate amount equal to the Aggregate Net Cash Proceeds, which such payment shall not exceed the amount of the outstanding obligations under the Note, plus the Premium Amount and all other outstanding amounts due and payable under the Notes and this Agreement. The Premium Amount payable shall be adjusted ratably for any partial payments of the Notes, calculated as the amount of the applicable principal payment, divided by the aggregate principal amount of the Notes outstanding and multiplied by the Premium Amount.

To the extent an asset is sold within one of the Company's Insurance Subsidiaries, the Company will use its best efforts to obtain approval from the applicable Insurance Regulatory Authority to upstream the proceeds to the Company via a cash dividend or other means; provided, that to the extent such approvals are not needed or are obtained, the Company shall promptly cause the prepayments required by this Section. The Company shall only be required to prepay the Notes under this Section with the proceeds of dispositions from Insurance Subsidiaries to the extent the Company receives the funds from such applicable Insurance Subsidiary not in contravention with applicable regulatory guidelines.

16.4 Interest.

Each Note shall bear interest on its principal amount at a rate of 12.5% per annum. Interest on each Note will be payable quarterly in arrears on the last Business Day of each March, June, September and December of each year (each such date, an **"Interest Payment Date"**), to the holder of each Note at the close of business on such day (whether or not a Business Day), as the case may be. Interest shall at all times be computed on the basis of a 360-day year consisting of twelve 30-day months.

16.5 [Reserved].

17. COLLATERAL.

17.1 Grant of Security Interest.

As security for the prompt payment and performance of the Notes, the Company hereby pledges, assigns, transfers, delivers and grants to the Purchasers, the Holders, and any other holder of the Notes (and their successors and assigns), a continuing and unconditional security interest in and to and Lien on any and all property of the Company, of any kind or description, tangible or intangible, wheresoever located and whether now existing or hereafter arising or acquired (all of the same being hereinafter called the "**Collateral**"), including the following:

(a) all personal property and fixtures of every kind and nature, (b) all Accounts and all Goods; (c) all Chattel Paper, Instruments, Documents and General Intangibles (including, without limitation, all patents, patent applications, trademarks, trademark applications, trade names, trade secrets, goodwill, copyrights, copyright applications, registrations, licenses, software, franchises, customer lists, tax refund claims, claims against carriers and shippers, guarantee claims, contract rights, payment intangibles, security interests, security deposits and rights to indemnification); (d) all Inventory; (e) all Goods (other than Inventory), including, without limitation, Equipment, vehicles and Fixtures; (f) all Investment Property; (g) all Letter-of-Credit Rights; (h) Commercial Tort Claims, (i) all Supporting Obligations; (j) any other property of Company now or hereafter in the possession, custody or control of Purchasers or the Holders or any agent or any parent, affiliate or subsidiary of Purchaser or the Holders or any participant with Purchaser or the Holders in the Notes, for any purpose (whether for safekeeping, deposit, collection, custody, pledge, transmission or otherwise) and (k) all additions and accessions to, substitutions for, and replacements, products and Proceeds of the foregoing property, including, without limitation, proceeds of all insurance policies insuring the foregoing property, and all of the Company's books and records relating to any of the foregoing and to Company's business; provided that the foregoing shall not include Excluded Property.

17.2 Authorization to File Financing Statements

The Company hereby irrevocably authorizes the Purchasers or any Holder at any time and from time to time to file in any jurisdiction in which the UCC has been adopted any initial financing statements and amendments thereto that (a) indicate the Collateral as all assets of the Company or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC or such jurisdiction and (b) contain any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any initial financing statement or amendment, including (i) whether the Company is an organization, the type of organization and any organization identification number issued to the Company, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as timber to be cut or as-extracted collateral, a sufficient description of real property to which such Collateral relates. The Company agrees to furnish any such information to the Purchasers and Holders promptly upon request. The Company also ratifies its authorization for the Purchasers to have filed in any UCC jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

17.3 Collateral-Related Representations and Warranties

The Company represents and warrants to each Purchaser that:

(a) The information disclosed on Schedule 17 is, and all information set forth on any supplemental Collateral Information Certificate shall be, accurate and complete.

(b) The Collateral owned by the Company is owned free and clear of any Lien, except for Liens expressly permitted pursuant to this Agreement. It has not filed or consented to the filing of (a) any financing statement or analogous document under the UCC or any other applicable Laws covering any Collateral, or (b) any assignment in which it assigns any Collateral or any security agreement or similar instrument covering any Collateral with the US Patent and Trademark Office or the Copyright Office.

17.4 Perfection; Further Assurances; Security-Related Covenants

The Company shall take all action that may be necessary or desirable, or that any Holder may reasonably request, so as at all times to maintain the validity, perfection, enforceability and priority of the Holders' security interest in and Lien on the Collateral or to enable the Holders to protect, exercise or enforce their rights hereunder and in the Collateral.

The Company covenants that so long as the Notes are outstanding:

(a) To, at least annually or earlier if requested by the Holders or if any material changes have occurred, deliver to the Holders a supplemental Collateral Information Certificate, or, in the alternative, a certification that there have been no changes to the disclosures in Schedule 17 since the Closing Date or the delivery of the last Compliance Certificate.

(b) To provide the Holders with written notice of (and a supplement to the Collateral Information Certificate) all commercial tort claims that constitute Collateral promptly upon the occurrence of any events giving rise to any such claim(s)

(c) To provide the Holders with written notice (and a supplement to the Collateral Information Certificate with respect to) promptly upon becoming the beneficiary under any letter of credit or otherwise obtaining any right, title or interest in any letter of credit rights, and at the Holder's reasonable request shall take such actions as the Holders may reasonably request for the perfection of the security interest therein.

(d) If any securities, whether certificated or uncertificated, or other Investment Property now or hereafter acquired by it are held or acquired by it or its nominee through a securities intermediary or commodities intermediary, it shall promptly notify the Holders and promptly and in any event within five (5) Business Days, either (i) cause such securities intermediary or (as the case may be) commodities intermediary to enter into a written agreement or other authenticated record with the Company and the Holders, in form

and substance satisfactory to the Holders, pursuant to which such securities intermediary or commodities intermediary, as the case may be, shall, among other things, agree to comply with entitlement orders or other instructions from the Holders to such securities intermediary as to such securities or other investment property, or (as the case may be) to apply any value distributed on account of any commodity contract as directed by the Holders to such commodity intermediary, in each case without further consent of the Company or such nominee, or (ii) in the case of financial assets or other investment property held through a securities intermediary, arrange for the Holders to become the entitlement holder with respect to such investment property, with the Company being permitted, only with the consent of the Holders, to exercise rights to withdraw or otherwise deal with such investment property.

And until payment and performance in full in cash of all of the obligations hereunder and termination of this Agreement, the Holders' interests in the Collateral shall continue in full force and effect. During such period, the Company shall not, without the Holders' prior written consent, (i) change its name, type of organization, jurisdiction of organization or other legal structure, (ii) change its principal residence, its place of business or (if it has more than one place of business) its chief executive office or its mailing address,(iii) except to the extent delivered to the Holders in a supplemental Collateral Information Certificate or otherwise permitted pursuant to the terms hereof, remove the Collateral from the locations listed on Schedule 17 or any Collateral Information Certificate, or (iv) pledge, sell (except for sales or other dispositions otherwise permitted in hereunder), assign, transfer, create or suffer to exist a Lien upon or encumber or allow or suffer to be encumbered in any way except for Permitted Liens, any part of the Collateral. The Company shall defend the Holders ' interests in the

Collateral against any and all Persons whatsoever. At any time, following demand by the Holders for payment of all obligations hereunder upon the occurrence of an Event of Default, the Holders shall have the right to take possession of the indicia of the Collateral and the Collateral in whatever physical form contained. If the Holders exercise this right to take possession of the Collateral upon the occurrence of an Event of Default, the Company shall, upon demand, assemble it in the best manner possible and make it available to the Holders at a place reasonably convenient to the Holders. In addition, with respect to all Collateral, the Holders shall be entitled to all of the rights and remedies set forth herein and further provided by the Uniform Commercial Code or other Applicable Law.

17.5 Voting Rights.

Upon the occurrence and during the continuance of any Event of Default, subject to any applicable law and regulations with respect to regulated insurance companies, all rights of the Company to exercise or refrain from exercising the voting and other consensual rights that it would otherwise be entitled to exercise with respect to the Collateral comprised of Investment Property and to receive the payments, proceeds, dividends and distributions shall cease, and thereupon the Holders shall be entitled to exercise all voting power with respect to such Collateral comprised of

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Investment Property and to receive and retain, as additional collateral hereunder, any and all payments, proceeds, dividends and distributions during such an Event of Default.

All such payments, proceeds, dividends and distributions that are received by the Company contrary to the provisions of this Section 17.6 shall be received and held in trust for the benefit of the Holders, shall be segregated by the Company from its other funds and shall be forthwith paid over to the Holders as Collateral in the same form as so received (with any necessary endorsement).

17.6 Purchasers Appointed Attorney-In-Fact; Grant to Use Collateral

To effectuate the terms and provisions hereof, the Company hereby appoints the Holders as its attorney-in-fact for the purpose, from and during the continuance of an Event of Default, of carrying out the provisions of this Section 17 and taking any action and executing any instrument that the Holders from time to time in their reasonable discretion may deem necessary or advisable to accomplish the purposes of this Section 17.

For the purpose of enabling the Holders to exercise rights and remedies under this Agreement at such time as they shall be lawfully entitled to exercise such rights and remedies, the Company hereby grants to the Holders an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Company) to use, license or sub-license any of the Collateral consisting of Intellectual Property now owned or hereafter acquired by the Company, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

18. EXPENSES, ETC.

18.1 Transaction Expenses.

Except as otherwise provided herein, each party hereto shall pay its own fees, costs and expenses incurred in connection herewith and the transactions contemplated hereby, including the fees, costs and expenses of its financial advisors, accountants and legal counsel.

The Company will pay all reasonable and documented costs and expenses (including reasonable attorneys' fees of a single counsel) incurred by the Purchasers and each other holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes, including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes and (c) the costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information with a Regulatory Agency. If required by the NAIC, the Company shall obtain and maintain at its own cost and expense a Legal Entity Identifier (LEI). The Company will pay, and will save each Purchaser and each other holder of a Note harmless from, (i) all claims in respect of any fees, costs or expenses, if any, of

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brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes) and (ii) any judgment, liability, claim, order, decree, fine, penalty, cost, fee, expense (including reasonable attorneys' fees and expenses) or obligation resulting from the consummation of the transactions contemplated hereby; *provided* that such indemnity shall not, as to any Purchaser or holder of Note, be available to the extent that such judgments, liabilities, claims, orders, decrees, fines, penalties, costs, fees, expenses or obligations (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from (i) the gross negligence or willful misconduct of such Purchaser or holder of a Note or (ii) a material breach by such Purchaser or holder of a Note of its express obligations under this Agreement or (y) result from claims of any Purchaser or holder of a Note solely against one or more other Purchasers or holders of a Note.

18.2 Certain Taxes.

Any and all payments by the Company or on account of the Note shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law requires (in the good faith determination of the Company) the deduction or withholding of any Taxes from any such payment, then the Company shall (i) make such deduction or withholding, (ii) timely pay the full amount deducted or withheld to the appropriate Governmental Authority, and (iii) if such Taxes are Indemnified Taxes, pay an additional amount so that the total sum each Purchaser receives net of such deduction or withholding (including any deduction or withholding required with respect to additional amounts) equals the sum that Purchaser would have received had no such deduction or withholding been made. Each Purchaser will use commercially reasonable efforts to cooperate with the Company to reduce any Taxes required to be deducted or withheld from payments by the Company or on account of the Note. The Company and the Subsidiaries shall jointly and severally indemnify each Purchaser, within 10 days of written demand therefor, for the full amount of any Indemnified Taxes paid by such Purchaser on account of the Note or payments thereunder, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority.

18.3 Other Taxes.

The Company agrees to pay all stamp, documentary or similar Taxes or fees which may be payable in respect of the execution and delivery or the enforcement of this Agreement or the execution and delivery (but not the transfer) or the enforcement of any of the Notes in the United States or any other jurisdiction where the Company has assets or of any amendment of, or waiver or consent under or with respect to, this Agreement or of any of the Notes, and to pay any value added Tax due and payable in respect of reimbursement of costs and expenses by the Company pursuant to this Section 18, and will save each holder of a Note to the extent permitted by applicable law harmless against any loss or liability resulting from nonpayment or delay in payment of any such Tax or fee required to be paid by the Company hereunder.

18.4 Tax Treatment.

The parties agree to treat the Note for all U.S. federal income and Code Chapter 3 and 4 purposes as indebtedness.

18.5 Survival.

The obligations of the parties under this Section 18 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

19. AMENDMENT AND WAIVER.

19.1 Requirements.

This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders.

19.2 Binding Effect, etc.

Any amendment or waiver consented to as provided in this Section 19 applies the holders of Notes and is binding upon the holders and upon the Company without regard to whether each such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holders of the Notes nor any delay in exercising any rights hereunder or under the Notes shall operate as a waiver of any rights of the holders of such Notes. As used herein, the term **"this Agreement"** and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

20. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to a Purchaser or its nominee, to such Purchaser or it at the address specified for such communications in Schedule 1, or at such other address as such Purchaser or it shall have specified to the Company in writing,

(ii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Brian Roney, President, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 20 will be deemed given only when actually received.

21. CONFIDENTIAL INFORMATION.

For the purposes of this Section 21, **"Confidential Information"** means in- formation delivered to a Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by a Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to a Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by a Purchaser or any person acting on its behalf, (c) otherwise becomes known to a Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to a Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser and each holder will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by a Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that each Purchaser and each holder may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Note), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 21, (iii) any other holder of any Note, (iv) any Institutional Investor to which it may sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 21), (v) any Person from which it may offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 21), (vi) any federal or state regulatory authority having jurisdiction over it, (vii) the NAIC or any similar organization, or any nationally recognized rating agency that requires access to information about its investment portfolio or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to it, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which it is a party or (z) if an Event of Default has occurred and is continuing, to the extent it may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under its Note and this Agreement.

22. MISCELLANEOUS.

22.1 Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not, except that (x) subject to Section 10.1, the Company may not assign or otherwise transfer any of its rights or obligations hereunder or under the Notes without the prior written consent of each holder and (y) in the absence of the existence and the continuation of an Event of Default, no Purchaser may assign any of its right, title or interest in and to any Note without the consent of the Company (not to be unreasonably withheld, conditioned or delayed). Any assignee of the Purchaser or any other holder shall execute a joinder to this Agreement.

22.2 Accounting Terms.

All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP. For purposes of determining compliance with this Agreement (including Section 9, Section 10, Section 11 and the definition of “Indebtedness”), any election by the Company to measure any financial liability using fair value (as permitted by Financial Accounting Standards Board Accounting Standards Codification Topic No. 825-10-25 – *Fair Value Option,* International Accounting Standard 39 – *Financial Instruments: Recognition and Measurement* or any similar accounting standard) shall be disregarded and such determination shall be made as if such election had not been made.

22.3 Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or interest on the Notes that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

22.4 Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

22.5 Construction.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Defined terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) subject to Section 22.1, any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this

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Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections and Schedules shall be construed to refer to Sections of, and Schedules to, this Agreement, and (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time.

22.6 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

22.7 Governing Law.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit or require the application of the laws of a jurisdiction other than such State.

22.8 Jurisdiction and Process; Waiver of Jury Trial.

(a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company agrees, to the fullest extent permitted by applicable law, that a final judgment in any suit, action or proceeding of the nature referred to in Section 22.8(a) brought in any such court shall be conclusive and binding upon it subject to rights of appeal, as the case may be, and may be enforced in the courts of the United States of America or the State of New York (or any other courts to the jurisdiction of which it or any of its assets is or may be subject) by a suit upon such judgment.

(c) The Company consents to process being served by or on behalf of any holder of a Note in any suit, action or proceeding of the nature referred to in Section 22.8(a) by mailing a copy thereof by registered, certified, priority or express mail (or any substantially similar form of mail), postage prepaid, return receipt or delivery confirmation requested, to it at its address specified in Section 20 or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(d) Nothing in this Section 22.8 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holder of such Note may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(e) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH.

22.9 No Recourse Against Others.

This Agreement, the Notes and the obligations hereunder and thereunder are fully recourse to the Company. No director, officer, employee, incorporator, Affiliate or stockholder of the Company shall have any liability for any obligations of the Company under the Notes or this Agreement or for a claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of a Note, by accepting such Note, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

*   *   *   *   *

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,
CONIFER HOLDINGS, INC.
/s/ Brian J. Roney
Name: Brian J. Roney
Title: President

The foregoing is hereby agreed to as of the date hereof.

ELANUS CAPITAL INVESTMENTS MASTER SP SERIES 3, A S.P. OF ELANUS CAPITAL INVESTMENTS MASTER SPC

By /s/ Mathew Moniot
Matthew Moniot

Its: Sole Director

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SCHEDULE 1

INFORMATION RELATING TO PURCHASERS

Principal Amount of

Name and Address of PurchasersNote to be Purchased

Elanus Capital Investments Master SP Series 3, $10,000,000

a S.P. of Elanus Capital Investments Master SPC

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York Mellon

ABA #: 021000018

Account Number 9932228400

Account Name: ELANUS CAP INVS MSTR SP SER 3

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

Address: c/o Elanus Capital Management LLC (the manager)

3 Woodvale Drive

Syosset, NY 11791

Fax: 917-398-5790

Contacts: Matthew Moniot and Jonathan Imundo

Email: mmoniot@elanuscapital.com; jimundo@elanuscapital.com

(3) All other communications:

Address: c/o Elanus Capital Management LLC (the manager)

3 Woodvale Drive

Syosset, NY 11791

Fax: 917-398-5790

Contacts: Matthew Moniot and Jonathan Imundo

Email: mmoniot@elanuscapital.com; jimundo@elanuscapital.com

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SCHEDULE 1

With a copy to:

Andrew J. Young

CLIFFORD CHANCE US LLP

31 West 52nd Street New York, NY 10019

Fax: 212-878-8375

Email: andrew.young@cliffordchance.com

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SCHEDULE 2

DEFINED TERMS

UCC Terms. When used herein (i) the terms Account, Account Debtor, Certificated Security, Chattel Paper, Commercial Tort Claim, Commodity Account, Commodity Contract, Deposit Account, Document, Electronic Chattel

Paper, Equipment, Financial Assets, Fixture, Goods, Instrument, Inventory, Investment Property, Letter-of-Credit Rights, Security, Security Entitlement, Securities Account, Supporting Obligations and Uncertificated Security have the respective meanings assigned thereto in the Uniform Commercial Code ("UCC");

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"2023 Senior Unsecured Notes" means the Company's 6.75% Senior Unsecured Notes due 2023.

"2028 Senior Unsecured Notes" means the Company's 9.75% Senior Unsecured Notes due 2028.

"Aggregate Net Cash Proceeds"means the cash or cash equivalent proceeds received by the Company or its Subsidiaries in respect of any asset sale or disposition or casualty or condemnation event, net of (i) reasonable and customary direct costs, (ii) subject to the consent of the Required Holders (not to be unreasonably withheld), indebtedness permitted hereunder and secured by a Permitted Lien that is required to be satisfied as a result thereof, and (iii) taxes paid or reasonably estimated to be payable as a result thereof.

"Affiliate" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any Person of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, **"Control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Agreement" means this Amended and Restated Note Purchase Agreement, including all Schedules attached to this Agreement.

"**Amendment Agreement"** is defined in Section 1(c).

"Anti-Corruption Laws" means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding bribery or any other corrupt activity, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010.

"Anti-Money Laundering Laws" means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding money laundering, drug trafficking, terrorist- related activities or other money laundering predicate crimes, including the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act) and the USA PATRIOT Act.

"**Bankruptcy Code**" means Title 11 of the United States Code, 11 U.S.C. 101 et seq., entitled "Bankruptcy".

"**Blocked Person**" means (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Person, entity, organization, country or regime that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws or (c) a Person that is an agent, department or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, any Person, entity, organization, country or regime described in clause (a) or (b). **"Business Day"** means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City or Detroit, Michigan are required or authorized to be closed.

"Capital Lease" means, at any time, a lease with respect to which the lessee is or is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP as in effect on the effective date of this Agreement.

"Closing" is defined in Section 3.

"Closing Date" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Collateral" is defined in Section 17.1.

"Company" means Conifer Holdings, Inc., a Michigan corporation.

"Consolidated Indebtedness" means, as at any date of determination, the aggregate amount of all Indebtedness of the Company and its Subsidiaries.

"Confidential Information" is defined in Section 21.

"Consolidated Net Income" means the net income (or loss) of the Company and its consolidated Subsidiaries for such period, all as determined in accordance with GAAP.

"Controlled Entity" means (a) any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates and (b) if the Company has a parent company, such parent company and its Controlled Affiliates.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means that rate of interest that is 2% per annum above the rate of interest stated in clause (a) of the first paragraph of each Note.

"Disclosure Documents" is defined in Section 5.3.

"Dividend Paying Capacity" means for any Insurance Subsidiary for any fiscal quarter end, the greater of (i) net income of such Insurance Subsidiary for the most recent year end or (ii) 10% of Statutory Surplus for such Insurance Subsidiary as of the last day of the most recent quarter end, all as determined in accordance with GAAP or SAP.

"Elanus" is defined in Section 1(a).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incor- porated) that is treated as a single employer together with the Company under section 414 of the Code.

"Event of Default" is defined in Section 12.

"**Excluded Property"** means:

(a) any lease, license, contract, permit, letter of credit, instrument, or agreement, in each case permitted by this Agreement, to which Company is a party or any of its rights or interests thereunder if and to the extent that the grant of such security interest shall constitute or result in (i) the abandonment, invalidation or unenforceability of any right, title or interest of Company therein or (ii) result in a breach or termination pursuant to the terms of, or a default under, any such lease, license, contract, permit, or agreement (in each case, other than to the extent (i) that any such term would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the Uniform Commercial Code of any relevant jurisdiction or any other applicable law, (ii) the Company's counterparty to such lease, license, contract, permit, letter of credit, instrument, or agreement, is an Affiliate of the Company, or (iii) in respect of any such lease, license, contract, permit, letter of credit, instrument, or agreement, for which the Company received the consent of the counterparty thereto; provided, that, the Company shall undertake commercially reasonable efforts to obtain such consents for any contracts that are material to its businesses); provided, however, that such security interest or lien (x) shall attach immediately at such time as the condition causing such abandonment, invalidation or unenforceability shall be remedied, (y) to the extent severable, shall attach immediately to each term of such lease, license, contract, permit, letter of credit, instrument, or agreement that does not result in any of the consequences specified in (i) or (ii) above and (z) shall attach immediately to each such lease, license, contract, permit, letter of credit, instrument, or agreement to which the account debtor or Company's counterparty has consented to such attachment; and

(b) the Company owned common shares in any Insurance Subsidiary; and

(c) any intent to use U.S. trademark applications for which a statement of use has not been filed and duly accepted by the United States Patent and Trademark Office (provided, that

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upon such filing and acceptance, such intent-to-use application shall be included in the definition of Collateral);

<u>provided</u>, that Excluded Property shall not include any proceeds, substitutions or replacements of Excluded Property (and the security interest created hereby shall otherwise extend to such proceeds, substitutions or replacements of Excluded Property, unless such proceeds, substitutions or replacements would otherwise constitute Excluded Property).

"Excluded Taxes" means any of the following Taxes imposed on or with respect to Purchaser or required to be withheld or deducted from a payment to Purchaser,

(a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Purchaser being organized under the laws of, or having its principal office in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Taxes imposed as a result of a present or former connection between Purchaser and the jurisdiction imposing such Tax (other than connections arising from the Purchaser having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced this Agreement, or sold or assigned an interest in the Note or this Agreement), (b) U.S. federal withholding Taxes imposed on amounts payable to or for the account of Purchaser pursuant to a law in effect on the date on which Purchaser acquires a Note except to the extent that, pursuant to Section 18, amounts with respect to such Taxes were payable to such Purchaser's assignor immediately before such assignee became a party hereto, (c) Taxes attributable to Purchaser's failure to provide the Company appropriate Tax forms pursuant to Section 6.2, and (d) any U.S. federal withholding Taxes imposed under FATCA.

"Exchange Act" means the Securities Exchange Act of 1934, as amended. **"Existing Note Purchase Agreement"** is defined in the Preamble. **"Existing Notes"** is defined in Section 1(a).

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version), current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code, other official administrative guidance promulgated thereunder, any intergovernmental agreements entered into by the United States in connection with the implementation thereof, and any fiscal or regulatory legislation, rules or official guidance adopted pursuant to such intergovernmental agreement.

"Fixed Charge Coverage Ratio" means, as of any date of determination, a ratio, the numerator of which is Consolidated Net Income of the Company less net income from Subsidiaries (to the extent included in Consolidated Net Income when applying the equity basis of accounting, in accordance with GAAP) for the four preceding fiscal quarters ending on such date, plus to the extent deducted in determining Consolidated Net Income, interest expense, depreciation and amortization expenses (only to the extent directly recorded by the Company) for such period, plus the Dividend Paying Capacity of all Insurance Subsidiaries plus dividends received in cash by the Company from its Subsidiaries during such period and the denominator of which is the sum of (A) the amount of all dividends paid by the Company to its shareholders during such period, (B) all scheduled principal and interest payments with respect to the Consolidated Indebtedness of the

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Company and its Subsidiaries during such period and (C) all payments by the Company with respect to Capital Leases during such period.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"**Governmental Authority**" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government, including any securities exchange and any self-regulatory organization (including the NAIC).

"Governmental Licenses" is defined in Section 5.7

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, in- cluding (without limitation) obligations incurred through an agreement, contingent or other- wise, by such Person.

"Hedging Contract" means any foreign exchange contract, currency swap agreement, futures contract, commodities hedge agreement, interest rate protection agreement, interest rate future agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, option agreement or any other similar hedging agreement or arrangement entered into by a Person in the ordinary course of business.

"Holder" or "**holder**" means, with respect to each Note, the Person in whose name the Note is registered in the register maintained by the Company pursuant to Section 14.1.

"Indebtedness" means, with respect to any Person, (a) all indebtedness for borrowed money (excluding trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices) which is evidenced by a note, bond, debenture or similar instrument, (b) all obligations under Capital Leases, (c) all obligations in respect of letters of credit, acceptances or similar obligations issued or created for the account of the Company or any of its Subsidiaries as of such date, other than insurance contracts issued by the Company or any of its Subsidiaries in the ordinary course of business, (d) net obligations in respect of interest rate or currency obligation swaps, hedges or similar arrangements (the amount of any such obligation to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time), (e) amounts owed as deferred

purchase price for the purchase of any property or services (other than trade payables incurred in the ordinary course of business), (f) all indebtedness of others secured by any Lien on property owned or acquired by such Person, whether or not the indebtedness secured thereby has been assumed, (g) all liabilities of Company or any Subsidiary under any securitization, any so-called "synthetic lease" or "tax ownership operating lease" or any other off balance sheet transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on a balance sheet of such Person, based on the outstanding amount of such liability if it had been structured as a financing on the balance sheet of such Person, (h) all obligations of such Person to purchase, redeem, retire, void or otherwise make any payment in respect of any mandatorily redeemable capital stock, and (i) obligations to guarantee any of the foregoing obligations on behalf of any Person other than the Company and its Subsidiaries; *provided* that standard trust accounts, deposit requirements or obligations of regulatory agencies and any collateral requirements or obligations of other insurance business partners in the normal course of business and consistent with past practice shall not constitute Indebtedness.

"Indemnified Taxes" means Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Company or its Subsidiaries under this Agreement and the Note.

“Insurance Licenses” is defined in Section 5.7.

“Insurance Regulatory Authority” means, with respect to any Insurance Subsidiary, the insurance department or similar governmental authority charged with regulating insurance companies or insurance holding companies, in its state of domicile and, to the extent that it has regulatory authority over such Insurance Subsidiary, in each other jurisdiction in which such Insurance Subsidiary conducts business or is licensed to conduct business.

“Insurance Subsidiary” means any Subsidiary of the Company, the ability of which to pay dividends is regulated by an Insurance Regulatory Authority or that is otherwise required to be regulated thereby in accordance with the applicable insurance rules and regulations of its state of domicile.

“Interest Payment Date” is defined in Section 16.2.

“Lien” means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

“Material” means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

“Material Adverse Effect” means a material adverse effect on (a) the busi- ness, condition, or assets of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

“Maturity Date” is defined in the first paragraph of each Note.

“NAIC” means the National Association of Insurance Commissioners or any successor thereto.

"Net Worth" means as of any date of determination shareholders' equity, including all common stock, Preferred Stock and any minority interests of the Company and its consolidated Subsidiaries, excluding the cumulative impact to Net Worth from changes in net unrealized gains or losses from investments since December 31, 2021, as of such date as determined in accordance with GAAP as in effect on the date of this Agreement.

“Note” is defined in Section 1.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“OFAC Sanctions Program” means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx.

“Officer’s Certificate” means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

“Permitted Liens” means, with respect to any Person, (A) to the extent incurred in the normal course of business (i) rights of third parties with respect to standard trust accounts, (ii) deposit requirements or similar obligations of regulatory agencies, and (iii) any collateral requirements or obligations of other insurance business partners including the Federal Home Loan Bank of Indiana relating to loans issued to the Insurance Subsidiaries, (B) Liens securing Indebtedness permitted in Section 10.2(b) or Section 10.2(f), (C) Liens for taxes, fees, assessments or other governmental charges which are not past due or remain payable without penalty or which are disputed in good faith and in appropriate proceedings, and for which the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary, (D) mechanics’, materialmen’s, banker’s, carriers’, warehousemen’s and similar liens and encumbrances arising in the ordinary course of business and securing obligations of such Person that are not overdue for a period of more than thirty (30) days or are disputed in good faith by appropriate proceedings, provided that in the case of any such dispute (i) any proceedings commenced for the enforcement of such liens and encumbrances shall have been duly suspended and (ii) such provision for the payment of such liens and encumbrances has been made in accordance with GAAP on the books of such Person, (E) liens arising in connection with worker’s compensation, unemployment insurance, old age pensions and social security benefits and similar statutory obligations which are not overdue or are disputed in good faith by appropriate proceedings, provided that in the case of any such dispute (i) any proceedings commenced for the enforcement of such liens shall have been duly suspended and (ii) such provision for the payment of such liens has been made in accordance with GAAP on the books of such Person, (F)(i) liens incurred in the ordinary course of business to secure the performance of

statutory obligations arising in connection with progress payments or advance payments due under contracts with the United States government or any agency thereof entered into in the ordinary course of business and (ii) liens incurred or deposits made in the ordinary course of business to secure the performance of statutory obligations, bids, leases, fee and expense arrangements with trustees and fiscal agents and other similar obligations (exclusive of obligations incurred in connection with the borrowing of money, any lease-purchase arrangements or the payment of the deferred purchase price of property), provided that full provision for the payment of all such obligations set forth in clauses (i) and (ii) has been made in accordance with GAAP on the books of such Person, (G) minor survey exceptions or minor encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, which to not materially interfere with the business of such Person, (H) liens in respect of judgments that do not constitute an Event of Default under clause (i) of Section 12, (I) Liens created and permitted hereunder, and (J) other Liens incurred in the ordinary course or which are not material in amount or nature and which do not secure Indebtedness.

“Person” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

“Plan” means an “employee benefit plan” (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

“Preferred Stock” means any class of capital stock of a corporation that is preferred over any other class of capital stock of such corporation as to the payment of divi- dends or the payment of any amount upon liquidation or dissolution of such corporation.

“Property” or **“Properties”** means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

“Purchaser” or **“Purchasers”** means each of the purchasers that has executed and delivered this Agreement to the Company and such Purchaser’s successors and assigns (so long as any such assignment complies with Section 22.1), provided, however, that any Purchaser of a Note that ceases to be the registered holder or a beneficial owner (through a nominee) of such Note as the result of a transfer thereof pursuant to Section 14.2 shall cease to be included within the meaning of “Purchaser” of such Note for the purposes of this Agreement upon such transfer.

“**Premium Amount**” shall mean, as of any date of determination, $1,750,000 *less*, so long as no Default or Event of Default exists, (i) 22% of the amount of interest payments on the Notes actually received by the Holders prior to such date, (ii) any portion of the Premium Amount (other than in respect of the foregoing clause (i) actually received by the Holders prior to such date, and (iii) solely to the extent the Notes and all other obligations related thereto are paid in full in cash, $750,000 (provided, that, for the avoidance of doubt, the Premium Amount shall not be less than

zero). For the avoidance of doubt, calculations of the Premium Amount are illustrated on Exhibit C hereto.

“Regulatory Agency” means any state board, commission, department or other regulatory body which regulates insurance companies or insurance holding companies.

“Required Holders” means, at any time, the holders of at least 50% of the principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

“Responsible Officer” means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

“SAP” means, with respect to any Insurance Subsidiary, the statutory accounting practices and procedures, prescribed or permitted, by the relevant Insurance Regulatory Authority of its state of domicile.

“Securities Act” means the Securities Act of 1933, as amended from time to time.

“Senior Financial Officer” means the chief financial officer, principal accounting officer, treasurer or controller of the Company.

“**Solvent**” means, with respect to any Person as of any date of determination, that, as of such date, (a) the value of the assets of such Person (both at fair value and present fair saleable value) is greater than the total amount of liabilities (including contingent, unliquidated and probable liabilities) of such Person, (b) such Person is able to pay all liabilities of such Person as such liabilities mature and (c) such Person does not have unreasonably small capital with which to conduct its business. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities shall be computed at the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"**State Sanctions List**" means a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

"Statutory Surplus" of any Person means the statutory surplus of such Person computed in the manner required for its annual statement of condition and affairs prepared in accordance with SAP.

"Subsidiary" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major

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business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Tangible Net Worth " means as of any date Net Worth less the Intangible Assets of the Company and its consolidated Subsidiaries, all determined as of such date. For purposes of this Agreement, "Intangible Assets" means the amount (to the extent reflected in determining such Net Worth) of goodwill, patents, trademarks, service marks, trade names, customer lists, renewal rights, copyrights, organization, and research and/or developmental expenses.

"Taxes" means all means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Total Capital" means (i) the Consolidated Indebtedness plus (ii) Net Worth.

"**USA PATRIOT Act**" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001 and the rules and regulations promulgated thereunder from time to time in effect.

"**U.S. Economic Sanctions Laws**" means those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

SCHEDULE 5.3

DISCLOSURE DOCUMENTS

None.

Schedule 5.3

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SCHEDULE 5.5

LIST OF SUBSIDIARIES

Name	Jurisdiction of Organization	Percentage of Shares owned by Conifer Holdings, Inc.	Percentage of Shares owned by Subsidiary
Conifer Insurance Company	Michigan	100%	N/A
Conifer Insurance Services, Inc.	Michigan	100%	100% ownership of VSRM, Inc.
Red Cedar Insurance Company	D.C.	100%	N/A
VSRM, Inc.	Michigan	100%	
White Pine Insurance Company	Michigan	100%	N/A
Sycamore Specialty Underwriters, LLC	Michigan	50%	50% owned by VSRM, Inc. 50% owned by Sycamore Financial Group, LLC

LIST OF AFFILIATES

Name	Jurisdiction of Organization	Percentage of Shares owned by VSRM Insurance Agency, Inc.	Third Party Owner	Percentage of Shares owned by Third Party
Sycamore Specialty Underwriters, LLC		50%	Sycamore Financial Group, LLC	50%
The Roots Insurance Agency, LLC	Michigan	0%	Sycamore Specialty Underwriters, LLC	100%
Mitzel Insurance Agency, Inc.	Michigan	0%	Sycamore Specialty Underwriters, LLC	100%

Schedule 5.5

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LIST OF COMPANY'S DIRECTORS AND SENIOR OFFICERS

Name	Title
James G. Petcoff	Director / Executive Chairman / Co-Chief Executive Officer
Nicholas J. Petcoff	Director / Co-Chief Executive Officer / Chief Underwriting Officer
Brian J. Roney	President
Harold J. Meloche	Chief Financial Officer / Treasurer
Seth Strasberger	Controller
Bradford T. Lyons	Senior Vice President
Brian J. Rennell	Chief Claims Officer
Jason E. Brawner	Chief Information Officer / CISO
Richard J. Fiato	Senior Vice President Corporate Legal
Rochelle Kaplan-Rudolph	Secretary
Gerald W. Hakala	Director
Jeffrey A. Hakala	Director
Timothy M. Lamothe	Director
John W. Melstrom	Director
Isolde G. O'Hanlon	Director
Joseph D. Sarafa	Director
Richard J. Williams, Jr.	Director

Schedule 5.5

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SCHEDULE 5.6

LIST OF FINANCIAL STATEMENTS

1. The Company's FS 2022 10-K
2. The Company's FS 2023 Q1 10-Q
3. The Company's FS 2023 Q2 10-Q
4. Conifer Insurance Company Annual Statutory Statement 2022
5. Conifer Insurance Company Q1 2023 Statutory Statement
6. Conifer Insurance Company Q2 2023 Statutory Statement
7. White Pine Insurance Company Annual Statutory Statement 2022
8. White Pine Insurance Company Q1 2023 Statutory Statement
9. White Pine Insurance Company Q2 2023 Statutory Statement

Schedule 5.6

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SCHEDULE 5.15

PERMITTED LIENS

Other than referenced in Section 5.15, except, subject to Section 9.7, continuation statement filed by Comerica Bank with respect to the UCC-1 financing statement with original filing number 2010068106-7 filed with the Michigan Department of State, none.

SCHEDULE 10.2

LIST OF EXISTING INDEBTEDNESS

Other than referenced in Section 10.2, none.

SCHEDULE 17

COLLATERAL

I. Exact Legal Name, Type of Organization;

Conifer Holdings, Inc.

Corporation

Other/Prior Names, Prior and Addresses

Incorporated as Conifer Holdings, Inc. October 27, 2009

Prior address:

550 W. Merrill Street
Suite 200
Birmingham, MI 48009

II. Place of Business, Chief Executive Office

3001 W. Big Beaver Road
Suite 200
Troy, MI 48084

III. Real Property; Fixtures

Real Property

Address	Owned or leased	Estimated Value
3001 W. Big Beaver Road Suite 200 Troy, MI 48084	Leased	$0
30555 Southfield Road Suite 305 Southfield, MI 48076	Leased	$0
30555 Southfield Road Suite 345 Southfield, MI 48076	Leased	$0
7990 SW 117th Avenue Suite 203 Miami, FL 33183	Leased	$0

IV. Equipment and Inventory Locations

Address	County	State
3001 W. Big Beaver Road Suite 200 Troy, MI 48084	Oakland	MI
30555 Southfield Road Suite 305 Southfield, MI 48076	Oakland	MI
30555 Southfield Road Suite 345 Southfield, MI 48076	Oakland	MI
7990 SW 117th Avenue Suite 203 Miami, FL 33183	Miami-Dade	FL

VI. Intellectual Property

Patents and Trademarks

Patents

None.

Trademarks and Trademark Licenses

Title	Registration Number	Expiration Date
Conifer Holdings, Inc.	5087389	November 22, 2026
Conifer Insurance Company	5034177	September 6, 2026
White Pine Insurance Company	4835117	October 20, 2025
Conifer Insurance Group	5087390	November 22, 2026
Conifer Logo	4830330	October 13, 2025
Sycamore Logo	4864662	December 1, 2025
White Pine Logo	4825585	October 20, 2025

Copyrights

Copyrights

None.

VII. Stock Ownership and Other Equity Interests

Owner	Name of Issuer	Jurisdiction of Organization	Percentage Ownership	Certificate No.
Conifer Holdings, Inc.	Conifer Insurance Company*	Michigan	100%	
Conifer Holdings, Inc.	Conifer Insurance Services, Inc.	Michigan	100%	1

Conifer Holdings, Inc.	Red Cedar Insurance Company*	D.C.	100%	1
Conifer Insurance Services, Inc.	VSRM, Inc.	Michigan	100%	001 & 002
Conifer Holdings, Inc.	White Pine Insurance Company*	Michigan	100%	

*The Company owned shares in these Insurance Subsidiaries are Excluded Property.

VIII. Debt Instruments

None.

IX. Commercial Tort Claims

None.

Schedule 17

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EXHIBIT A

[**FORM OF NOTE**]

CONIFER HOLDINGS, INC.

12.5% SENIOR SECURED NOTE DUE SEPTEMBER 30, 2028

No. [________] As of September [□], 2023

$10,000,000

FOR VALUE RECEIVED, the undersigned, CONIFER HOLDINGS, INC. (herein called the "**Company**"), a corporation organized and existing under the laws of the State of Michigan, hereby promises to pay to Elanus Capital Investments Master SP Series 3, a S.P. of Elanus Capital Investments Master SPC, or registered assigns, the principal sum of TEN MILLION DOLLARS on September 30, 2028 (the **"Maturity Date"**) with interest (computed on the basis of a 360-day year of twelve 30-day months). Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such term in the Note Purchase Agreement.

From and including the date of issuance of this Note interest shall accrue and be payable at a rate of 12.5% per annum until the Maturity Date.

Interest shall be payable quarterly, on the last Business Day of December, March, June and September in each year, commencing with the last Business Day of December 2023, until the principal hereof shall have become due and payable; provided that, with respect to any such unpaid amounts during the continuance of Event of Default, interest shall be payable at a rate per annum from time to time equal to 2% per annum greater than the rate otherwise payable hereunder.

Payments of principal of and premium and interest on with respect to this Note are to be made in lawful money of the United States of America at [] or at such other place as the holder of this Note shall have designated by written notice to the Company as provided in the Note Purchase Agreement referred to below.

This Note is issued pursuant to the Second Amended and Restated Note Purchase Agreement, dated as of September 29, 2023 (as from time to time amended, the "**Note Purchase Agreement**"), between the Company and the

Purchasers named therein and is entitled to the benefits thereof.

This Note is subject to optional prepayment at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price and with the effect provided in the Note Purchase Agreement.

This Note amends and restates in full that certain 7.5%/12.5% Subordinated Note due September 30, 2038, dated as of September 25, 2018, in the original principal amount of

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$10,500,000, made by the Company in favor of Elanus Capital Investments Master SP Series 3, a S.P. of Elanus Capital Investments Master SPC (the "**Prior Note**"), and evidences all amounts outstanding thereunder as of the date hereof as well as amounts hereafter incurred as described above, which Prior Note shall, from and after the date hereof, be of no further force and effect. This Note is given in substitution for, and not in payment or satisfaction of, such Prior Note, and is not intended to constitute a novation of the Prior Note.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit or require the application of the laws of a jurisdiction other than such State.

CONIFER HOLDINGS, INC.
By
Name : Brian J. Roney
Title: President

EXHIBIT B

[FORM OF COLLATERAL INFORMATION CERTIFICATE]

The undersigned, the [title] of Conifer Holdings, Inc., a Michigan corporation (the "Company"), hereby certifies, with reference to a certain Second Amended and Restated Note Purchase Agreement dated as of [□], 2023 (terms defined in such Second Amended and Restated Note Purchase Agreement having the same meanings herein as specified therein), between the Company and Elanus Capital Investments Master SP Series 3, a S.P. of Elanus Capital Investments Master SPC (the "Purchaser"), to the Purchaser as follows:

1. Name. The exact legal name of the Company as that name appears on its [*Certificate/Articles of Incorporation or other formation document*] is as follows:

Section 1. [□]

2. Other Identifying Factors.

(a) The following is the mailing address of the Company:

Section 2. [□]

(b) If different from its mailing address, the Company's place of business or, if more than one, its chief executive office is located at the following address:

Address	County	State
[□]	[□]	[□]

(c) The following is the type of organization of the Company:

Section 3. [□]

(d) The following is the jurisdiction of the Company's organization:

Section 4. [□]

(e) The following is the Company's state issued organizational identification number [*state "None" if the state does not issue such a number*]:

Section 5. [□]

3. Other Names, Etc.

(a) The following is a list of all other names (including trade names or similar appellations) used by the Company, or any other business or organization to which the Company

became the successor by merger, consolidation, acquisition, change in form, nature or jurisdiction of organization or otherwise, now or at any time during the past five years:

Section 6. [□]

(b) Attached hereto as Schedule 3 is the information required in Section 2 for any other business or organization to which the Company became the successor by merger, consolidation, acquisition, change in form, nature or jurisdiction of organization or otherwise, now or at any time during the past five years.

4. Other Current Locations.

(a) The following are all other locations in the United States of America in which the Company maintains any books or records relating to any of the Collateral consisting of accounts, instruments, chattel paper, general intangibles or mobile goods:

Address	County	State
[□]	[□]	[□]

(b) The following are all other places of business of the Company in the United States of America:

Address	County	State
[□]	[□]	[□]

(c) The following are all other locations in the United States of America where any of the Collateral consisting of inventory or equipment is located:

Address	County	State
[□]	[□]	[□]

(d) The following are the names and addresses of all persons or entities other than the Company, such as lessees, consignees, processors, warehousemen or purchasers of chattel paper,

which have possession or are intended to have possession of any of the Collateral consisting of instruments, chattel paper, inventory or equipment and the nature of such possession:

Name	Mailing Address	County	State	Nature
[□]	[□]	[□]	[□]	[□]

5. Prior Locations.

(a) Set forth below is the information required by Sections 2(b), 4(a) and 4(b) with respect to each location or place of business previously maintained by the Company at any time during the past four months:

Address	County	State
[□]	[□]	[□]

(b) Set forth below is the information required by Section 4(c) or (d) with respect to each other location at which, or other person or entity with which, any of the Collateral consisting of inventory or equipment has been previously held at any time during the past twelve months:

Name	Address	County	State
[□]	[□]	[□]	[□]

6. Real Property. Attached hereto as Schedule 6 is a true and correct list of all real property owned or leased by the Company including (a) the exact address (including the county), (b) an indication of whether such property is owned or leased and (c) if such property is owned, the estimated value thereof, or, if such property is leased, a schedule of lease payments.

7. Fixtures. Attached hereto as Schedule 7 is the information required by UCC Section 9-502(b) of each state in which any of the Collateral consisting of fixtures are or are to be located and the name and address of each real estate recording office where a mortgage on the real estate on which such fixtures are or are to be located would be recorded.

8. Intellectual Property. Attached hereto as Schedule 8A is a schedule setting forth all of the Company's Patents, Patent Licenses, Trademarks and Trademark Licenses including the registration number and the expiration date of each Patent, Patent License, Trademark and Trademark License owned by the Company. Attached hereto as Schedule 8B is a schedule setting forth all of the Company's Copyrights and Copyright Licenses, including the registration number and the expiration date of each Copyright or Copyright License owned by the Company.

9. File Search Reports. Attached hereto as Schedule 9(A) is a true copy of a file search report from the UCC filing officer (or, if such officer does not issue such reports, from an experienced UCC search organization acceptable to the Security Agent) (i) in each jurisdiction identified in Section 2(d) or in Section 5(a) with respect to each name set forth in Section 1 or 3 and (ii) from each filing officer in each real estate recording office identified on Schedule 7 with respect to real estate on which Collateral consisting of fixtures are or are to be located. Attached hereto as Schedule 9(B) is a true copy of each financing statement or other filing identified in such file search reports.

10. UCC Filings. Attached hereto as Schedule 10 is a copy of each financing statement filed or to be filed in the central UCC filing office in the jurisdiction identified in Section 2(d) and in each real estate recording office referred to on Schedule 7.

11. Termination Statements. In respect of any pre-existing UCC financing statements that are not authorized herein or by the Senior Facilities Agreement, a duly signed or otherwise authorized termination statement in form acceptable to the Security Agent has been duly filed in each applicable jurisdiction identified in Sections 2(d) and 5(a), has been delivered to the Security Agent. Attached hereto as Schedule 11 is a true copy of each such filing duly acknowledged or otherwise identified by the filing office.

12. Schedule of Filing. Attached hereto as Schedule 12 is a schedule setting forth filing information with respect to the filings described in Sections 10 and 11.

13. Filing Fees. All filing fees and taxes payable in connection with the filings described in Sections 10 and 11 have been paid.

14. Stock Ownership and other Equity Interests. Attached hereto as Schedule 14 is each equity investment of the Company. [Investments in Subsidiaries will be set forth in the Pledge Agreement.]

15. Debt Instruments. Attached hereto as Schedule 15 is a true and correct list of all promissory notes and other evidence of indebtedness held by the Company including all intercompany notes.

16. Deposit Accounts and Securities Accounts. Attached hereto as Schedule 16 is a true and correct list of all deposit and securities accounts currently maintained by the Company including (a) an indication of whether such account is a deposit account or a securities account, (b) the name of the applicable depositary bank or securities intermediary, (c) the account number, (d) the purpose of such account (e.g., checking, payroll, etc.) and (e) the approximate average balance and highest daily balance regularly maintained in such account.

17. Commercial Tort Claims. Attached hereto as Schedule 17 is a true and correct list of all Commercial Tort Claims (as defined in the Security Agreement) that constitute Collateral held by the Company, including a brief description thereof sufficient for purposes of Section 9-108 of the UCC.

[*Remainder of page left blank intentionally; signatures follow.*]

IN WITNESS WHEREOF, we have hereunto signed this Certificate on [□], 20[□].

By:

Name:

Title:

EXHIBIT C

PREMIUM AMOUNT CALCULATIONS

Exhibit 31.1

CHIEF EXECUTIVE OFFICER'S 302 CERTIFICATION

I, James G. Nicholas J. Petcoff, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Conifer Holdings, Inc. for the quarterly period ended September 30, 2023 March 31, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2023 May 14, 2024

/s/ James G. Nicholas J. Petcoff

James G. Nicholas J. Petcoff

Co-Chief Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CHIEF EXECUTIVE FINANCIAL OFFICER'S 302 CERTIFICATION

I, Nicholas Harold J. Petcoff, Meloche, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Conifer Holdings, Inc. for the quarterly period ended September 30, 2023 March 31, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2023

/s/ Nicholas J. Petcoff

Nicholas J. Petcoff

Co-Chief Executive Officer
(principal executive officer)

Exhibit 31.3

CHIEF FINANCIAL OFFICER'S 302 CERTIFICATION

I, Harold J. Meloche, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Conifer Holdings, Inc. for the quarterly period ended September 30, 2023;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 10, 2023 May 14, 2024

/s/ Harold J. Meloche

Harold J. Meloche

Chief Financial Officer

(principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Conifer Holdings, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James G. Petcoff, Co-Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2023

/s/ James G. Petcoff

James G. Petcoff

Co-Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Conifer Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicholas J. Petcoff, Co-Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2023 May 14, 2024

/s/ Nicholas J. Petcoff

Nicholas J. Petcoff

Co-Chief Chief Executive Officer

Exhibit 32.3 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Annual Report of Conifer Holdings, Inc. (the "Company") on Form 10-Q for the year quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Harold J. Meloche, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2023 May 14, 2024

/s/ Harold J. Meloche

/s/ Harold J. Meloche

Harold J. Meloche

Chief Financial Officer

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