

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: March 17, 2015
(Date of earliest event reported)

FEDERATED NATIONAL HOLDING COMPANY
(Exact name of registrant as specified in its charter)

<u>Florida</u> (State or other jurisdiction of incorporation)	<u>0-2500111</u> (Commission File Number)	<u>65-0248866</u> (I.R.S. Employer Identification No.)
<u>14050 N.W. 14th Street, Suite 180</u> <u>Sunrise, FL</u> (Address of principal executive offices)	<u>33323</u> (Zip Code)	

Registrant's telephone number, including area code: (800) 293-2532

NOT APPLICABLE
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

Federated National Holding Company (the “Company”) announced that Monarch National Insurance Company (“Monarch Insurance”) received its certificate of authority to write homeowners’ property and casualty insurance in Florida from the Florida Office of Insurance Regulation (the “Florida OIR”) on March 19, 2015. Monarch Insurance has been formed through a previously announced joint venture among the Company; a majority-owned limited partnership of Crosswinds Holdings Inc., f/k/a C.A. Bancorp Inc., a publicly traded Canadian private equity firm and asset manager (“Crosswinds”); and Transatlantic Reinsurance Company (“TransRe”).

The Company and Crosswinds have each invested \$14.0 million in Monarch Delaware Holdings LLC, the indirect parent company of Monarch Insurance (“Monarch Delaware”), for a 42.4% interest in Monarch Delaware (each holding 50% of the voting interests in Monarch Delaware). TransRe has invested \$5.0 million for a 15.2% non-voting interest in Monarch Delaware and has advanced an additional \$5.0 million in debt evidenced by a six-year promissory note bearing 6% annual interest payable by Monarch National Holding Company (“Monarch Holding”), a wholly owned subsidiary of Monarch Delaware and the direct parent company of Monarch Insurance. Monarch Insurance, Monarch Holding and Monarch Delaware are collectively referred to in this Report as the “Monarch Entities.”

In connection with the organization of Monarch, the parties entered into the following agreements dated as of March 17, 2015:

- Monarch entered into a Managing General Agent and Claims Administration Agreement (the “MGA Agreement”) with FedNat Underwriters, Inc., f/k/a Federated National Underwriters, Inc. (“FNU”), a wholly owned subsidiary of the Company, pursuant to which FNU provides underwriting, accounting, reinsurance placement and claims administration services to Monarch. For its services under the MGA Agreement, FNU will receive 4% of Monarch’s total written annual premium, excluding acquisition expenses payable to agents, for FNU’s managing general agent services; 3.6% of Monarch’s total earned annual premium for FNU’s claims administration services; and a per-policy administrative fee of \$25 for each policy underwritten for Monarch. The Company will also receive an annual expense reimbursement for accounting and related services.
- The Monarch Entities entered into an Investment Management Agreement (the “Investment Agreement”) with Crosswinds AUM LLC, a wholly owned subsidiary of Crosswinds (“Crosswinds AUM”), pursuant to which Crosswinds AUM will manage the investment portfolios of the Monarch Entities. The management fee, on an annual basis, is 0.75% of assets under management up to \$100 million; 0.50% of assets under management of more than \$100 million but less than \$200 million; and 0.30% of assets under management of more than \$200 million.
- Monarch Insurance also entered into a Reinsurance Capacity Right of First Refusal Agreement with TransRe, pursuant to which TransRe has a right of first refusal for all quota share and excess of loss reinsurance that Monarch Insurance deems necessary in its sole discretion for so long as TransRe remains a member of Monarch Delaware or the Monarch Holding debt remains outstanding. Pursuant to this agreement, TransRe has the right to

provide, at market rates and terms, a maximum of 15% of any reinsurance coverage obtained by Monarch Delaware in any individual reinsurance contract.

The Limited Liability Company Agreement of Monarch Delaware Holdings LLC dated as of March 17, 2015 (the “LLC Agreement”) provides that Monarch Delaware is managed by a seven-member Board of Managers, three of whom have been designated by the Company, three of whom have been designated by Crosswinds, and one who will be jointly selected by the Company and Crosswinds. The Company’s designees are Michael H. Braun, the Company’s President and Chief Executive Officer and a director of the Company; Peter J. Prygelski, III, the Company’s Chief Financial Officer and a director of the Company; and Jenifer G. Kimbrough, a director of the Company. Crosswinds’ designees are Colin King, Robert Wolf, and Charles S. Duncker. The Company and Crosswinds have agreed to identify the seventh member of the Board of Managers within six months.

The LLC Agreement provides that certain material transactions must be approved by a supermajority of the managers, including a termination, amendment or non-renewal of the MGA Agreement or the Investment Agreement. The Company will be entitled to receive a termination fee equal to the aggregate fees paid under the MGA Agreement for the 12 calendar months prior to the date of termination, if the MGA Agreement is terminated other than for cause. The LLC Agreement also provides the members with certain redemption, tag-along, drag-along and buy-sell rights. In addition, the LLC Agreement provides the Company and Crosswinds with the right, for 24 months from the closing date, to participate in certain other transactions relating to the formation or acquisition of homeowners’ property and casualty insurers undertaken by the other.

In connection with the organization of Monarch Insurance, the Company’s Board of Directors approved amendments dated March 17, 2015 to the Amended and Restated Non-Competition, Non-Disclosure and Non-Solicitation Agreements dated as of August 5, 2013 with each of Mr. Braun and Mr. Prygelski (each, a “Restrictive Covenant Agreement”) to permit each of them to hold their respective positions with the Monarch Entities while remaining employed by the Company. Mr. Braun’s Restrictive Covenant Agreement was further amended to permit him to continue to hold his positions with the Monarch Entities if he is terminated without cause by the Company. In addition, Mr. Braun’s Second Amended and Restated Employment Agreement dated as of January 18, 2012 (the “Employment Agreement”) was amended to extend the term of his Employment Agreement to four years from the date of the amendment (the “Term”) with automatic extensions so that at all times the balance of the Term is not less than two years unless sooner terminated as provided in the Employment Agreement.

An affiliate of Crosswinds has discretionary authority over certain managed accounts that currently hold in the aggregate shares of the Company’s common stock totaling less than 1% of the Company’s outstanding shares.

A copy of the press release announcing the closing of the joint venture and the issuance of Monarch Insurance’s certificate of authority is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Federated National Holding Company Press Release dated March 20, 2015.

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 hereunto duly authorized.

FEDERATED NATIONAL HOLDING COMPANY

Date: March 20, 2015

By: /s/ Peter J. Prygelski, III

Name: Peter J. Prygelski, III

Title: Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Federated National Holding Company Press Release dated March 20, 2015.

FOR IMMEDIATE RELEASE

Federated National Holding Company
CONTACT: Michael H. Braun, CEO (954) 308-1322 or
Peter J. Prygelski, CFO (954) 308-1252

**FEDERATED NATIONAL HOLDING COMPANY
ANNOUNCES CLOSING OF JOINT VENTURE
AND APPROVAL OF MONARCH NATIONAL INSURANCE COMPANY**

Sunrise, Florida, March 20, 2015 – Federated National Holding Company (NASDAQ: FNHC) (“FNHC”) today announced the closing of its joint venture to form a new property and casualty insurance carrier in Florida known as Monarch National Insurance Company (“Monarch Insurance”) and the receipt of a certificate of authority from the Florida Office of Insurance Regulation (“OIR”) for Monarch Insurance to begin writing Florida homeowner’s insurance. Crosswinds Holdings Inc. (TSX: CWI) (“Crosswinds”), through its majority-owned limited partnership, and Transatlantic Reinsurance Company (“TransRe”) are also parties to the joint venture.

Michael H. Braun, FNHC’s Chief Executive Officer and President, said, “We are pleased that Florida’s OIR has granted Monarch Insurance’s certificate of authority and expect to begin writing new business this month. This is a great opportunity to expand our product offerings to our existing partner agents in the Florida homeowners market and to achieve greater economies of scale from our operations. We look forward to working closely with our joint venture partners as we launch and grow Monarch Insurance in the coming years.”

Colin King, Crosswinds’ Chief Executive Officer, said, “This joint venture represents the consummation of a Crosswinds platform investment in the insurance industry. We are excited to be entering into this venture with high caliber partners, each of whom brings a tremendous amount of expertise to the table.”

Monarch Insurance’s underwriting and claims administration will be managed by a wholly owned subsidiary of FNHC. Monarch Insurance has also entered into a Reinsurance Capacity Right of First Refusal Agreement with Trans Re. Crosswinds, through its wholly owned subsidiary, will provide investment management services to Monarch Insurance and its parent companies.

Additional details about the joint venture are available on FNHC’s website and in its public disclosure documents available at www.sec.gov.

About FNHC:

Federated National Holding Company (FNHC) is authorized to underwrite, and/or place through its wholly-owned subsidiaries, homeowners’ multi-peril, commercial general liability, federal flood, personal auto and various other lines of insurance in Florida and various other states. Through its subsidiaries, FNHC markets and distributes its own and third-party insurers’ products and other related services through a network of independent agents. FNHC also utilizes a select number of general agents for the same purpose.

Safe harbor statements under the Private Securities Litigation Reform Act of 1995:

Statements that are not historical fact are forward-looking statements that are subject to certain risks and uncertainties that could cause actual events and results to differ materially from those discussed herein. Without limiting the generality of the foregoing, words such as “anticipate,” “believe,” “budget,” “contemplate,” “continue,” “could,” “envision,” “estimate,” “expect,” “guidance,” “indicate,” “intend,” “may,” “might,” “plan,” “possibly,” “potential,” “predict,” “probably,” “pro-forma,” “project,” “seek,” “should,” “target,” or “will” or the negative thereof or other variations thereon and similar words or phrases or comparable terminology are intended to identify forward-looking statements.

Forward-looking statements might also include, but are not limited to, one or more of the following:

- Projections of revenues, income, earnings per share, dividends, capital structure or other financial items or measures;
- Descriptions of plans or objectives of management for future operations, insurance products, or services;
- Forecasts of future insurable events, economic performance, liquidity, need for funding and income; and
- Descriptions of assumptions or estimates underlying or relating to any of the foregoing.

The risks and uncertainties include, without limitation, risks and uncertainties related to estimates, assumptions and projections generally; the nature of FNHC's business; the adequacy of its reserves for loss and loss adjustment expense; claims experience; weather conditions (including the severity and frequency of storms, hurricanes, tornadoes and hail) and other catastrophic losses; reinsurance costs and the ability of reinsurers to indemnify FNHC; raising additional capital and our potential failure to meet minimum capital and surplus requirements; potential assessments that support property and casualty insurance pools and associations; the effectiveness of internal financial controls; the effectiveness of our underwriting, pricing and related loss limitation methods; changes in loss trends; court decisions and trends in litigation; our potential failure to pay claims accurately; ability to obtain regulatory approval applications for requested rate increases, to underwrite in additional jurisdictions, or to organize Monarch Insurance, and the timing thereof; the impact that this new insurer may have on our results of operations, once organized; inflation and other changes in economic conditions (including changes in interest rates and financial markets); pricing competition and other initiatives by competitors; legislative and regulatory developments; the outcome of litigation pending against FNHC and any settlement thereof; dependence on investment income and the composition of FNHC's investment portfolio; insurance agents; ratings by industry services; the reliability of our information technology systems; reliance on key personnel; acts of war and terrorist activities; and other matters described from time to time by FNHC in releases and publications, and in periodic reports and other documents filed with the United States Securities and Exchange Commission.

In addition, investors should be aware that generally accepted accounting principles prescribe when a company may reserve for particular risks, including claims and litigation exposures. Accordingly, results for a given reporting period could be significantly affected if and when a reserve is established for a contingency. Reported results may therefore appear to be volatile in certain accounting periods.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We do not undertake any obligation to update publicly or revise any forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.