



**INVESTOR PRESENTATION
Fourth Quarter 2015**

March 22, 2016

NASDAQ: FNHC

SAFE HARBOR STATEMENT

Safe harbor statement 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,” “forecast,” “guidance,” “indicate,” “intend,” “may,” “might,” “outlook,” “plan,” “possibly,” “potential,” “predict,” “probably,” “pro-forma,” “project,” “seek,” “should,” “target,” “will,” “will be,” “will continue,” “would,” 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 the Company’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 the Company; 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, including as a result of insured’s assignment of benefits; court decisions and trends in litigation; our potential failure to pay claims accurately; ability to obtain regulatory approval of applications for requested rate increases, or to underwrite in additional jurisdictions, and the timing thereof; the impact that the results of the Monarch joint venture may have on our results of operations; 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 the Company, and any settlement thereof; dependence on investment income and the composition of the Company’s investment portfolio; insurance agents; ratings by industry services; the reliability and security of our information technology systems; reliance on key personnel; acts of war and terrorist activities; and other matters described from time to time by the Company 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.

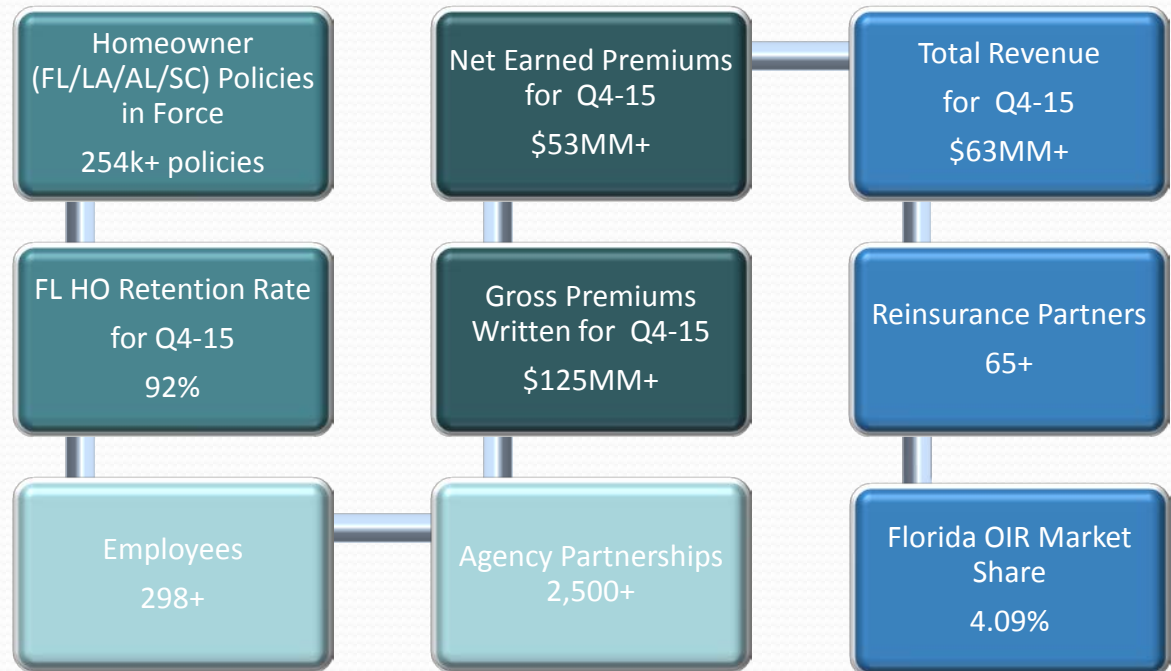
Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We do not undertake any obligation to update publicly or revise any forward-looking statements to reflect circumstances or events that occur after the date the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

FNHC SNAPSHOT AND QUICK FACTS

Federated National Holding Company
(as of 12/31/2015)

- **NASDAQ:** FNHC
- **Headquarters:** Sunrise, FL (Ft. Lauderdale)
- **Core Market:** FL Homeowners' P&C insurance
- **IPO Year:** 1998
- **Financial Stability Rating:**  **A- Exceptional**
Financial Stability Rating®
Demotech, Inc.
- **Cash and Investments:** \$437.4 M
- **Total Shareholders' Equity:** \$250.8 M (1)
- **Common Shares Outstanding:** 13.8 M
- **Book Value Per Common Share:** \$18.17 (1) (2)

- (1) Includes non-controlling interest
(2) Excluding non-controlling interest, BVPS was \$16.86



EXPERIENCED MANAGEMENT TEAM

An experienced management team that has a long history with Federated National and has extensive tenure in the homeowners' insurance market in Florida

Michael Braun, *Chief Executive Officer & President*

- Appointed Chief Executive Officer in July 2008
- Elected to Board in 2005
- Joined in 1998

Peter Prygelski, *Chief Financial Officer & Treasurer*

- Appointed Chief Financial Officer in June 2007
- Served as Independent Director from 2004 through 2007
- Joined in 2004

Stephen Young, *Vice President of Operations*

- Appointed Vice President of Operations in June 2009
- More than 20 years of industry experience
- Joined in 1995

C. Brian Turnau, *Vice President of Claims*

- Worked for private practice insurance defense litigation law firms for 15 years
- More than 13 years of industry experience
- Joined in 2000

Gordon Jennings, *Vice President of Risk Management*

- Appointed Vice President of Risk Management in May 2008
 - Serves as President of FedNat Underwriters
 - Joined in 2000
-

EXPERIENCED MANAGEMENT TEAM

An experienced management team that has a long history with Federated National and has extensive tenure in the homeowners' insurance market in Florida

Anthony Prete, *Vice President of Strategy*

- More than 15 years of industry experience
- Previously worked at Kemper, The Hartford, Travelers, and Safeco
- Joined in 2015

Melissa Knox, *Vice President of Internal Audit, Governance and Control*

- Appointed as Director of Internal Audit in December 2010
- Fortune 100, 500 and Big 4 Public Accounting experience
- Joined in 2010

Christopher Clouse, *Director of Personal Lines Underwriting*

- Appointed Underwriting Manager in June 2010
- More than 25 years of industry experience
- Joined in 2008

Larry Hufschmid, *Director of Information Technology*

- Previously was CIO at Hull & Company Inc.
- 28 years of industry experience and 38 years of IT experience
- Joined in 2012

Tracy Wiggan, *Director of Human Resources*

- Appointed as Director of Human Resources in July 2008
- More than 20 years experience in human resources
- Joined in 2005

OUR DISTINGUISHING CHARACTERISTICS AND TRACK RECORD

Our Team

We are a well-regarded employer that is mindful of the well-being of our employees, allowing them to develop their individual capabilities in an impartial, challenging, rewarding and cooperative environment and offering them the opportunity for career development. We value experienced insurance professionals who share our dedication to exceptional customer service. We seek individuals who are qualified, highly motivated and demonstrate our principles of professionalism, cooperation, communication, accountability, innovation and respect.

Our Customers

We strive for total customer satisfaction. Our intent is to attract and retain customers for their insurance needs by providing outstanding customer service, quality and value in all our products and services at the lowest possible cost.

Our Strategy

Generate sustainable annual growth by:

- Growing Market Share
- Improving Product Sales and Product Mix
- Containing Costs
- Evaluating Strategic Acquisitions

LEADING TO

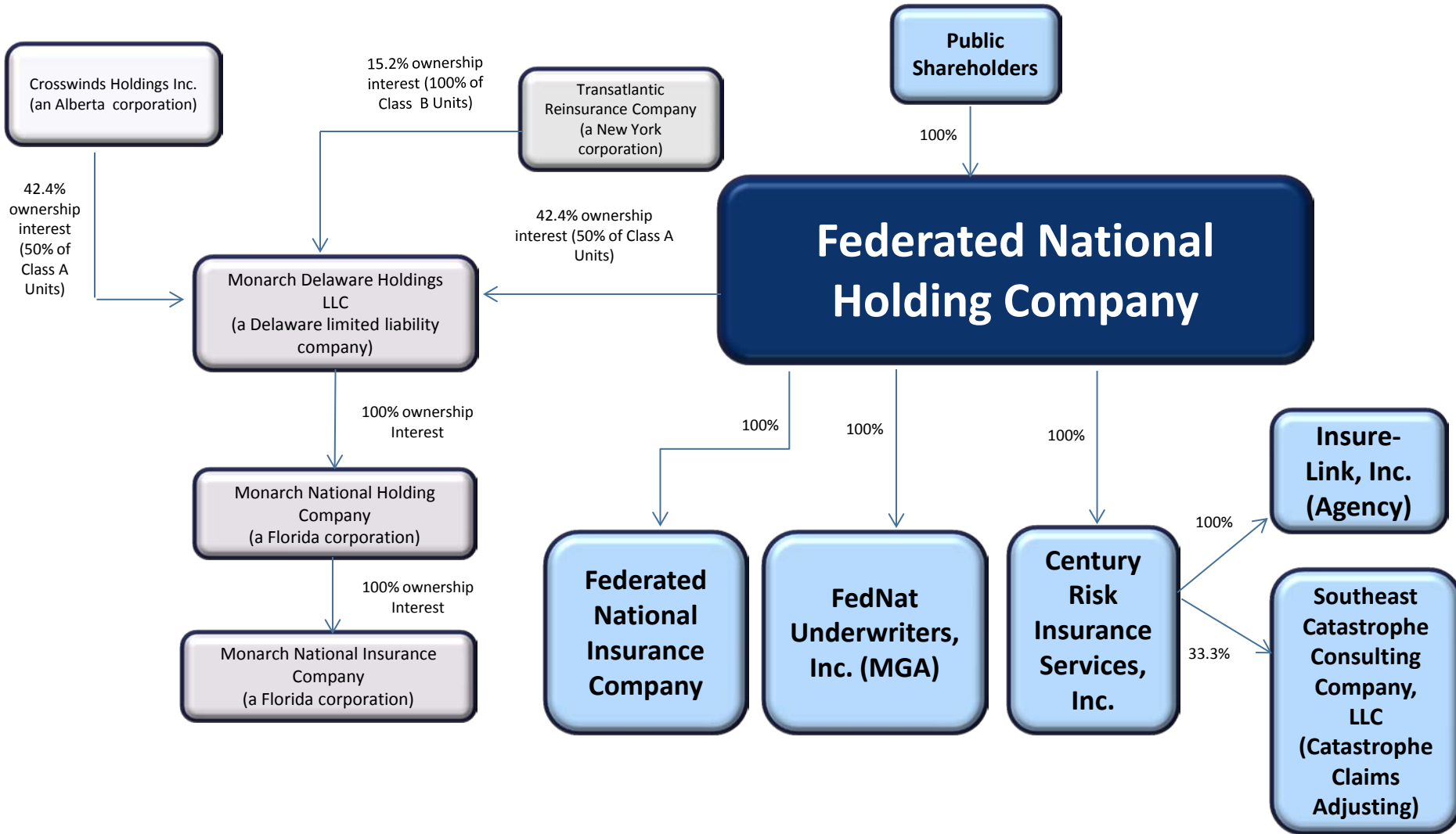
31% Q4 Y/Y growth in Net Premiums Earned

36% Q4 Y/Y growth in Homeowner Policies in Force

30% Q4 Y/Y growth in Total Revenue

41% Y/Y growth in % of Market Share

FNHC ORGANIZATIONAL STRUCTURE



FNHC AND MARKET TIMELINE

The early years...

1992

- Hurricane Andrew

- Emergence of Citizen's predecessor

- National carriers begin to exit/contract

1993

- Creation of the Florida Hurricane Catastrophe Fund

2004 &
2005

- Hurricane seasons bring four Florida hurricanes in year 2004 and four in year 2005

- National carriers accelerate exit/contraction

2006 &
2007

- Windstorm mitigation credit overhaul

- Citizens becomes a competitor to the private market

2009

- Citizens establishes "glide path" to actuarial sound rates

Timeline continues to next page...

FNHC AND MARKET TIMELINE

Recent developments...

2011

- Joined BBB and earned A+ rating



2012

- Citizens reduces potential assessment



2013

- Citizens Clearinghouse established

Clearing house participants

| 27-Jan-14 launch | 10-Mar-14 | 10-May-14 | 13-Jul-14 |
|-------------------|------------------------|-----------------------|--------------------|
| Ais Royal | American Tradition | Cypress Insurance | American Integrity |
| Florida Peninsula | Summit Insurance Group | Security First | Astor FIC |
| Safe Harbor | Federated National | Southern Fidelity | Capital Preferred |
| United FIC | Heritage | Southern Fidelity FIC | Cypress FIC |
| | Monarch USA | Southern Oak | |
| | Pepper's Trust | | |
| | Time H3 Signature | | |

Source: Citizens Property Insurance Corp

2015

- Monarch National approved by Florida Office of Insurance Regulation



2015

- Lloyd's of London appoints FNHC as underwriters



- "Cost Driver" bill to expedite rate filings, increase surplus requirements and reform sinkhole claims

- Changed name from 21st Century Holding Company to Federated National Holding Company

- Federated National Insurance Company- Allstate relationship (Ivantage Select Agency Inc.)

- Fortune "Fastest Growing Companies"

- FNIC appointed to Citizens Market Accountability Advisory Board

- Forbes "America's 50 Most Trustworthy Financial Companies"

Providing individuals and businesses with peace of mind for more than 24 years.

FEDERATED NATIONAL'S APPROACH TO THE FLORIDA MARKET

Agent Experience

- Utilize innovative point of sale software providing agent “ease of use”
- Deliver instantaneous quoting and binding capabilities
- Provide agents with access to numerous key data points essential to assessing risk factors

Underwriting Standards

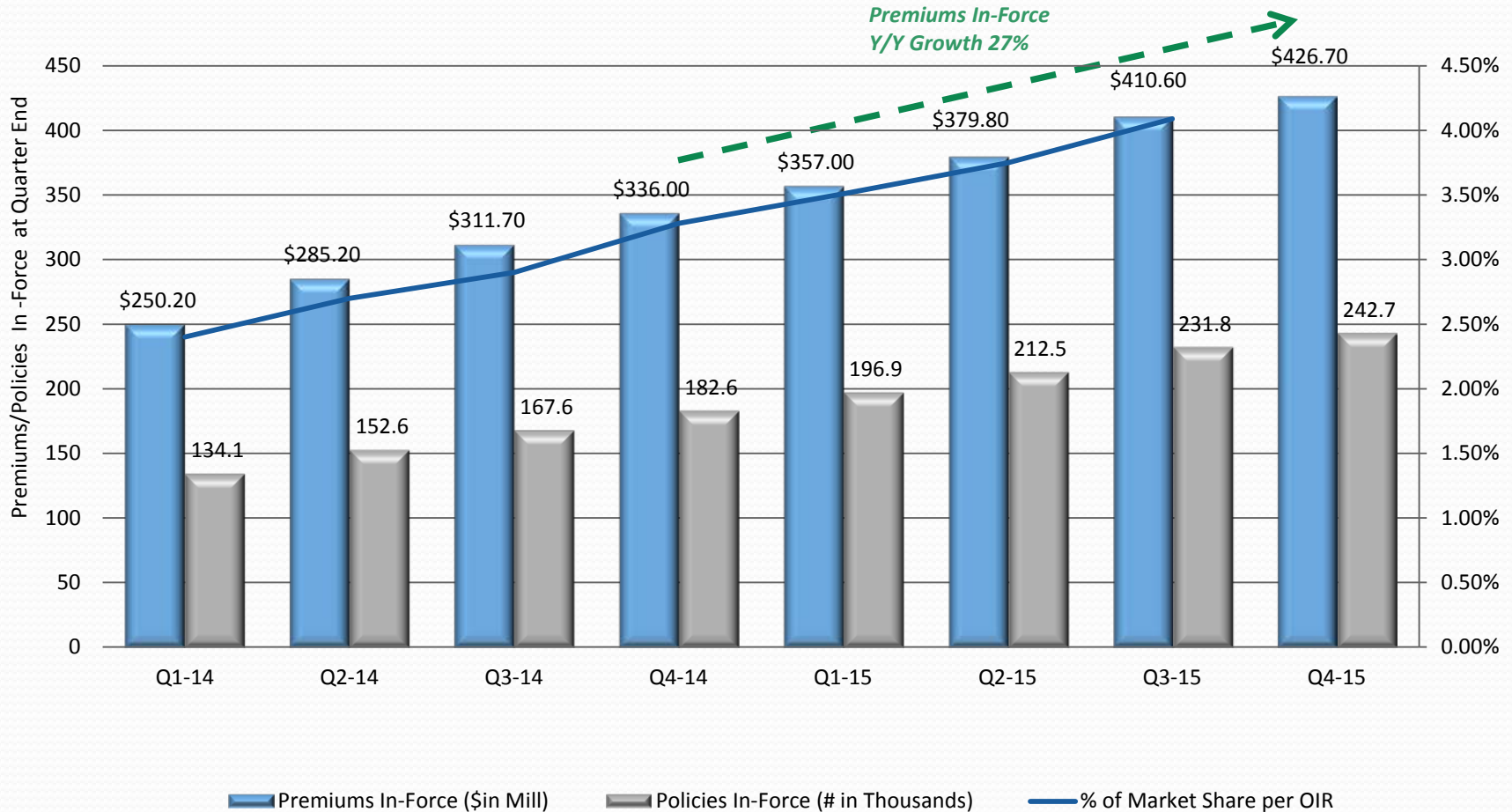
- Focus on higher value properties
- Emphasize properties which typically have more advanced wind / hurricane mitigation features and lower All Other Peril (non-catastrophe) losses, all of which mitigate expected losses
- Underwrite every risk to maintain our quality book of business

Geographic Diversification

- Reduce geographic concentration in the Tri-County / South Florida area and expand in other counties in Florida
- Enhance underwriting results and reduce our risk exposure via greater diversification
- Expand into other coastal states

FEDERATED NATIONAL GROWING MARKET SHARE

FNIC Florida Homeowners Market Share Premiums in Force and % Market Share

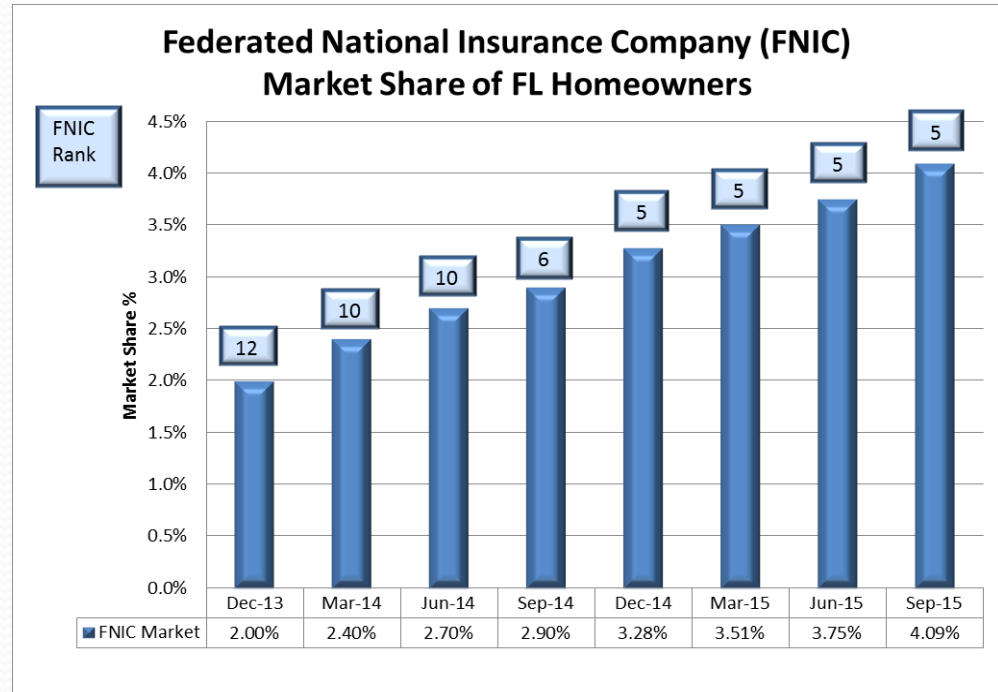


FLORIDA MARKET PROVIDES CONTINUED GROWTH

Federated National Insurance Company (FNIC) is predominantly a homeowners' insurer in Florida and is one of the fastest growing homeowners' insurer in the state.

- Top five writer of voluntary business in Florida ⁽¹⁾
- All new policies are generated on a voluntary basis
- One of a few selected Florida homeowners' insurance companies appointed to write voluntary business through Allstate's Florida agents
- Opportunity to increase FNIC's market share through partnership with 2500+ agents
- Opportunity to further increase our market presence through Monarch
- FNIC's ranking moved from **12th** to **5th** place in less than two years
- Only Florida company to have this kind of growth while NOT participating in Citizen's takeout program

**Federated National Insurance Company (FNIC)
Market Share of FL Homeowners**

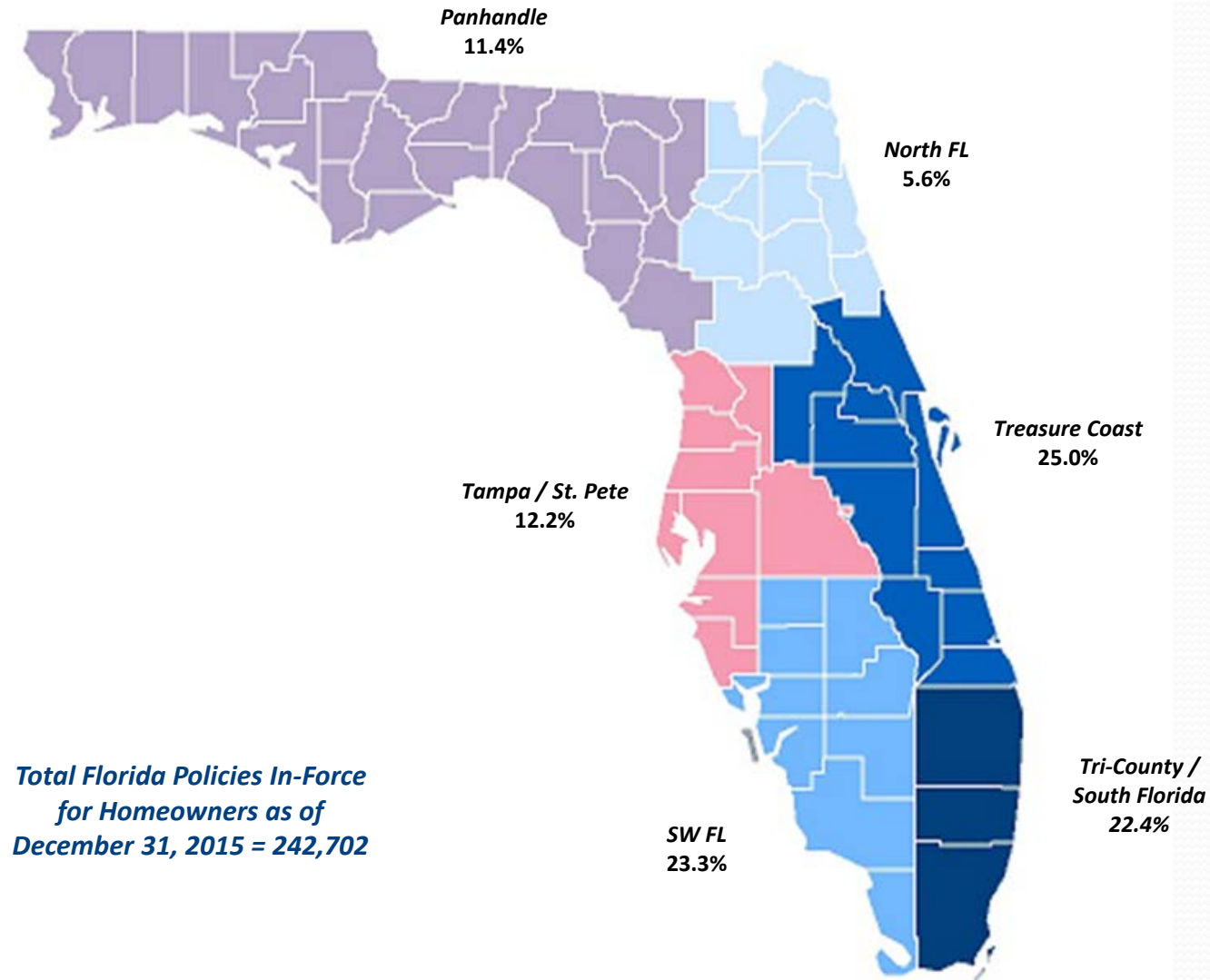


Note: Includes personal residential and excludes commercial residential business. The Florida Office of Insurance Regulation's QUASR next generation database excludes State Farm Florida Insurance Company in its dataset as of Sep. 30, 2015

(1) Based on Florida residential homeowners' insurance new policies written for the nine months ended Sep. 30, 2015; Florida Office of Insurance Regulation

DIVERSIFICATION IN FLORIDA

Federated National Insurance Company - Florida Market for Homeowners as of December 31, 2015



DIVERSIFICATION

Federated National Insurance Company Market as of December 31, 2015



Louisiana
\$18.6MM
3.8%



Texas
\$18.4MM
3.7%



Georgia
\$2.8MM
.6%



Alabama
\$2.4MM
.5%



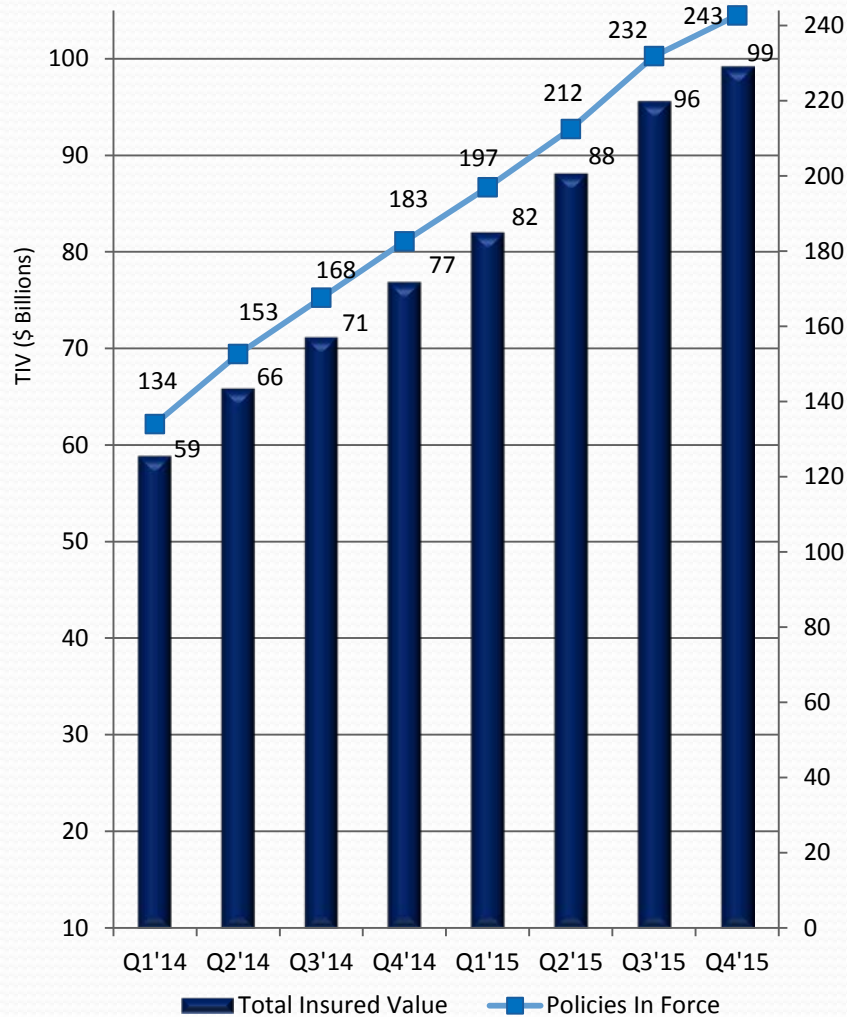
South Carolina
\$1.5MM
.3%



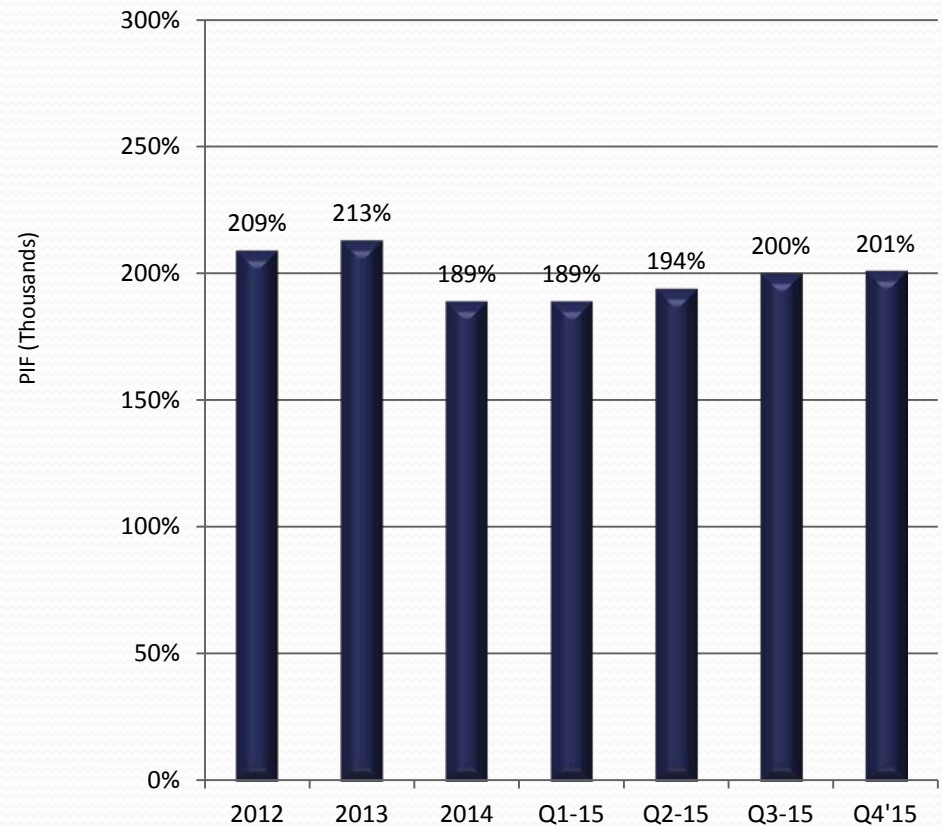
**Gross Premiums Written for all
Lines of Business year ended
December 31, 2015 = \$492MM**

QUALITY GROWTH IN FLORIDA HOMEOWNERS' PORTFOLIO

Total Insured Value and Policies In-Force



1-in-100 Year Probable Maximum Loss/ In-Force Premium



Note: Probable Maximum Loss modeled using RMS assuming LT, NoSS and NoLA

ROBUST CLAIMS CAPABILITIES AND TENURED STAFF

In-House Claims Adjuster

- 25 field adjusters covering the entire state of Florida and 45 onsite (desk) adjusters; 12 claims managers and supervisors; in-house litigation manager supported by eight litigation adjusters; all of whom are fully licensed in all of the states in which we write business
- Average experience is over 10 years
- Long tenure with Federated National; many of our homeowners' adjusting staff served the Company during the storms of 2004 and 2005
- Training and knowledge is promoted and enhanced through on and off-site education

Strategic Alliance With Catastrophe Adjuster

- Owns 1/3 of Southeast Catastrophe Consulting Company, an independent catastrophe claims adjuster
- Dedicated catastrophe adjusters available to Federated National as needed
- All data and systems functionality are integrated and backed-up through a remote cloud-based computing system

Efficient Claims Response

- 24/7 new claims reporting capacity with immediate emergency response available when warranted
- Long-standing relationships with water remediation companies, emergency services providers and loss causation analysts that provide rapid mitigation of damages and exceptional customer service

STRONG CATASTROPHE REINSURANCE

Federated National has full indemnity reinsurance with highly rated reinsurers, and has maintained a business relationship with many of them for numerous years

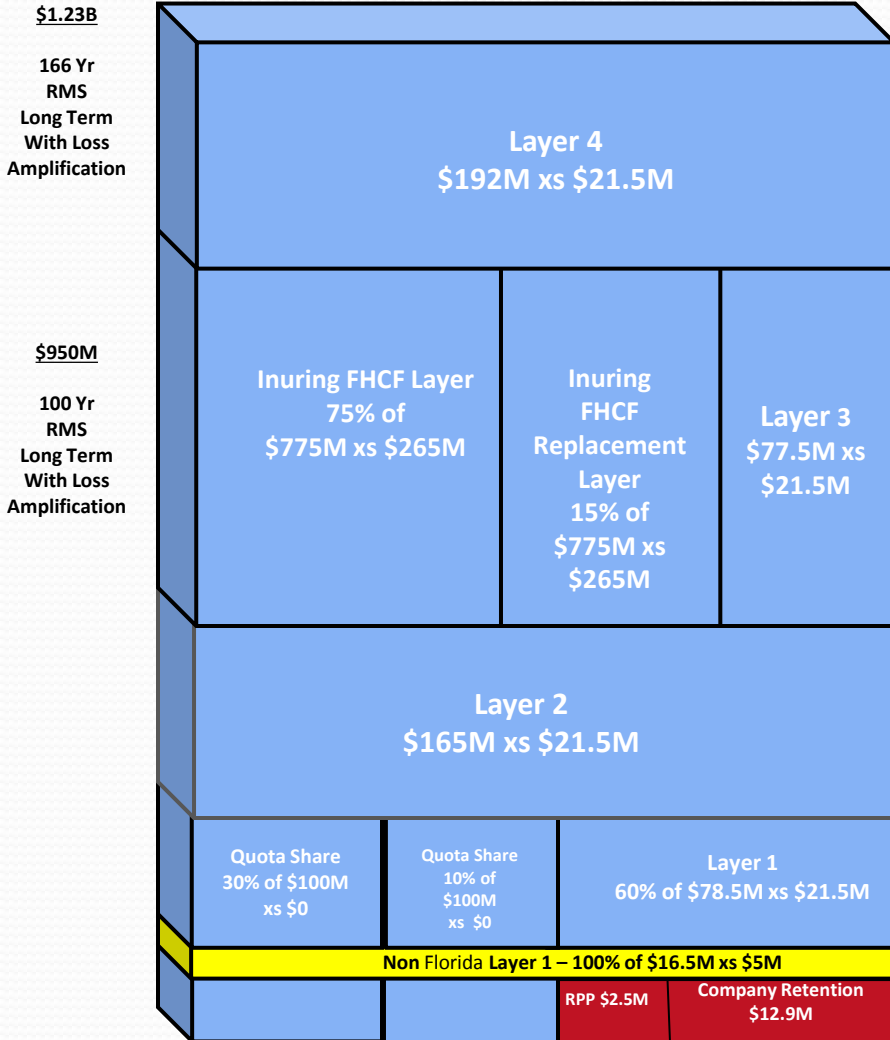
2015 – 2016 Excess of Loss Catastrophe Reinsurance Highlights

- Approximately \$1.8 billion of aggregate coverage with maximum single event coverage of approximately \$1.3 billion
- 65+ reinsurance partners, all of which are rated “A-” or higher by A.M. Best or fully collateralized
- Quota share of 40% of \$200 million aggregate coverage on two events with maximum single event coverage of 40% of \$100 million
- A minimum retention of \$12.9 million and not to exceed \$15.4 million pre-tax retention on first event with losses above \$100 million. First event coverage extends to \$1.3 billion
- All private market layers have prepaid automatic restatements premium protection (“RPP”) and a cascading, drop down feature, with the exception of the first layer, where we have retained 10% RPP

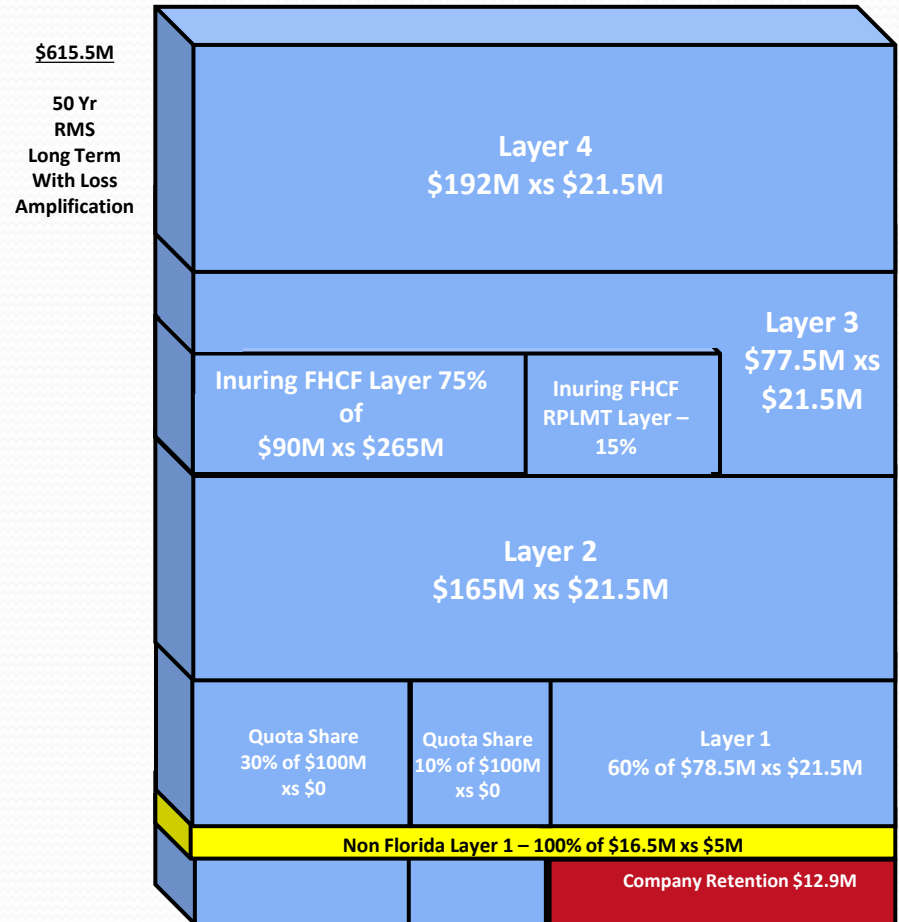
CATASTROPHE REINSURANCE PROGRAM

July 1, 2015 – June 30, 2016 Excess of Loss Catastrophe Reinsurance Program

First Event



Second Event



CONSISTENTLY INNOVATING



INVEST IN TECHNOLOGY

- Best in class software partners
- Reinsurance software
- Data warehouse

INVEST IN EMPLOYEES

- Expanding staff
- Maintaining low employee turnover rates
- Offering competitive benefits including:
 - 401K w/ 6% Company match
 - Profit sharing
 - Education reimbursement assistance
 - Paid certification and licensing for employees
 - Flexible work environment/work from home

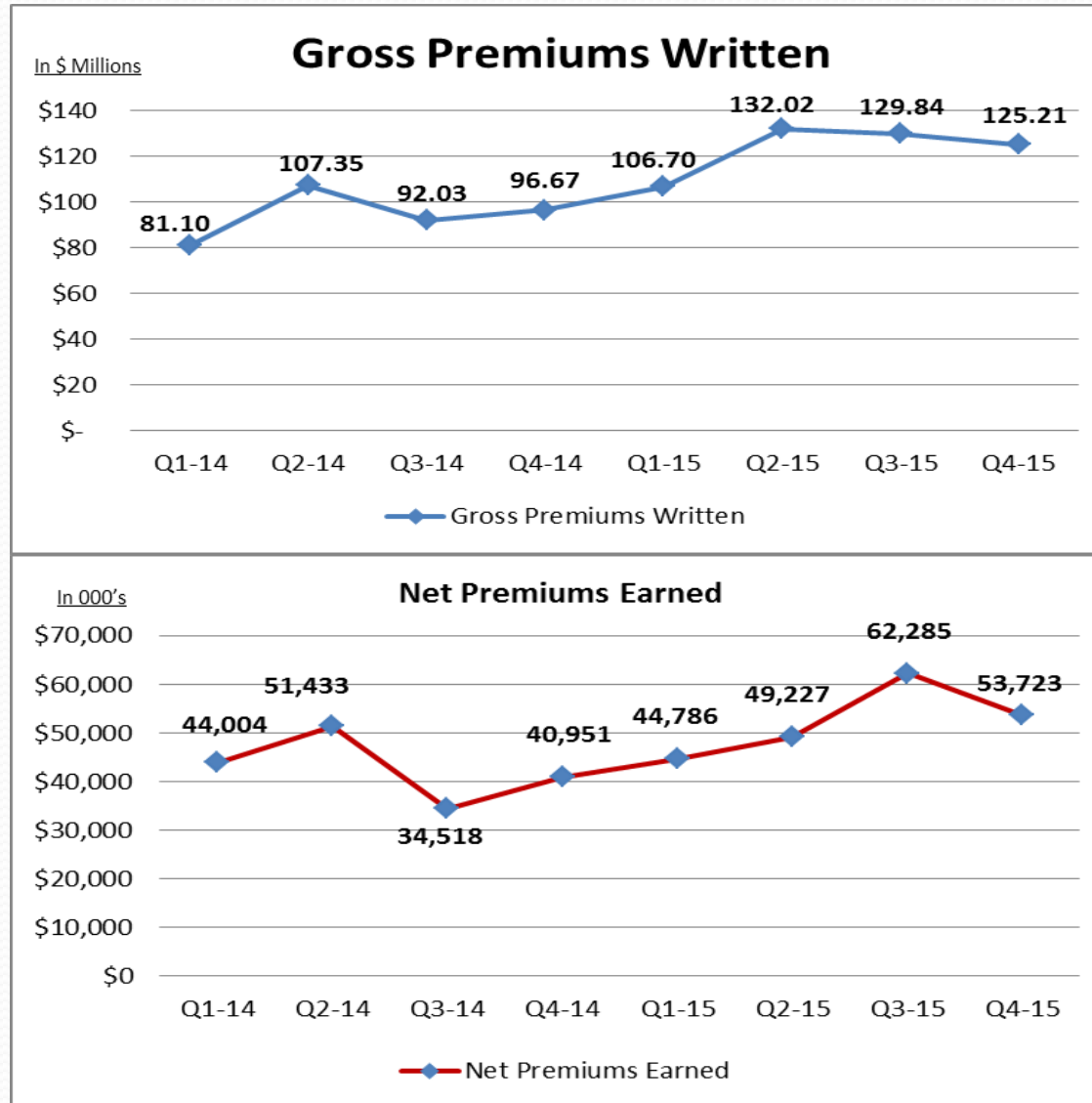
INVEST IN BUSINESS

- Continuing improvement to Federated National's policy offering
- Continuing growth with Monarch
- Partnering with our reinsurers
- Obtaining approval to expand in other states

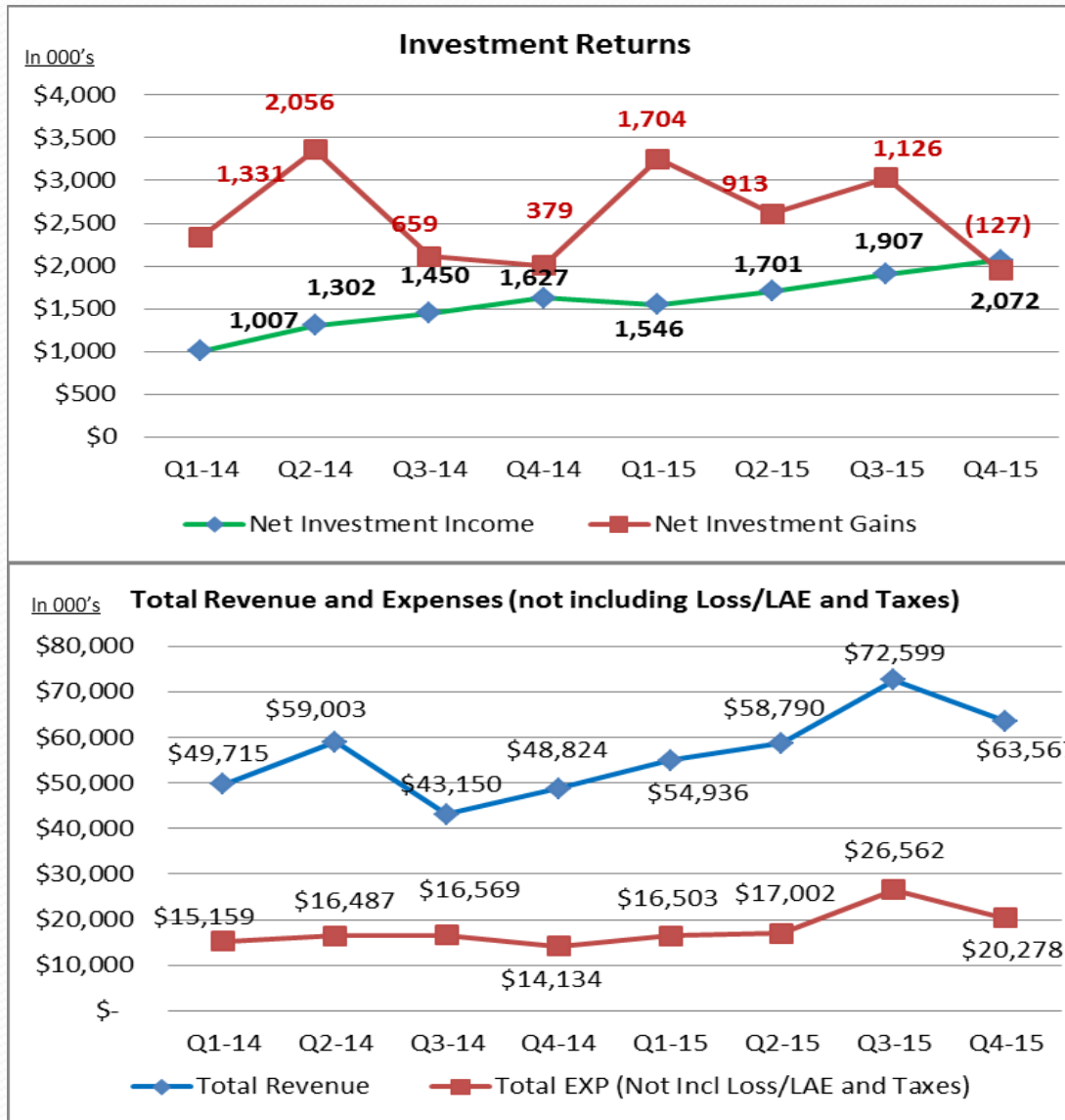
Financial Overview



STATEMENT OF OPERATIONS - FNHC

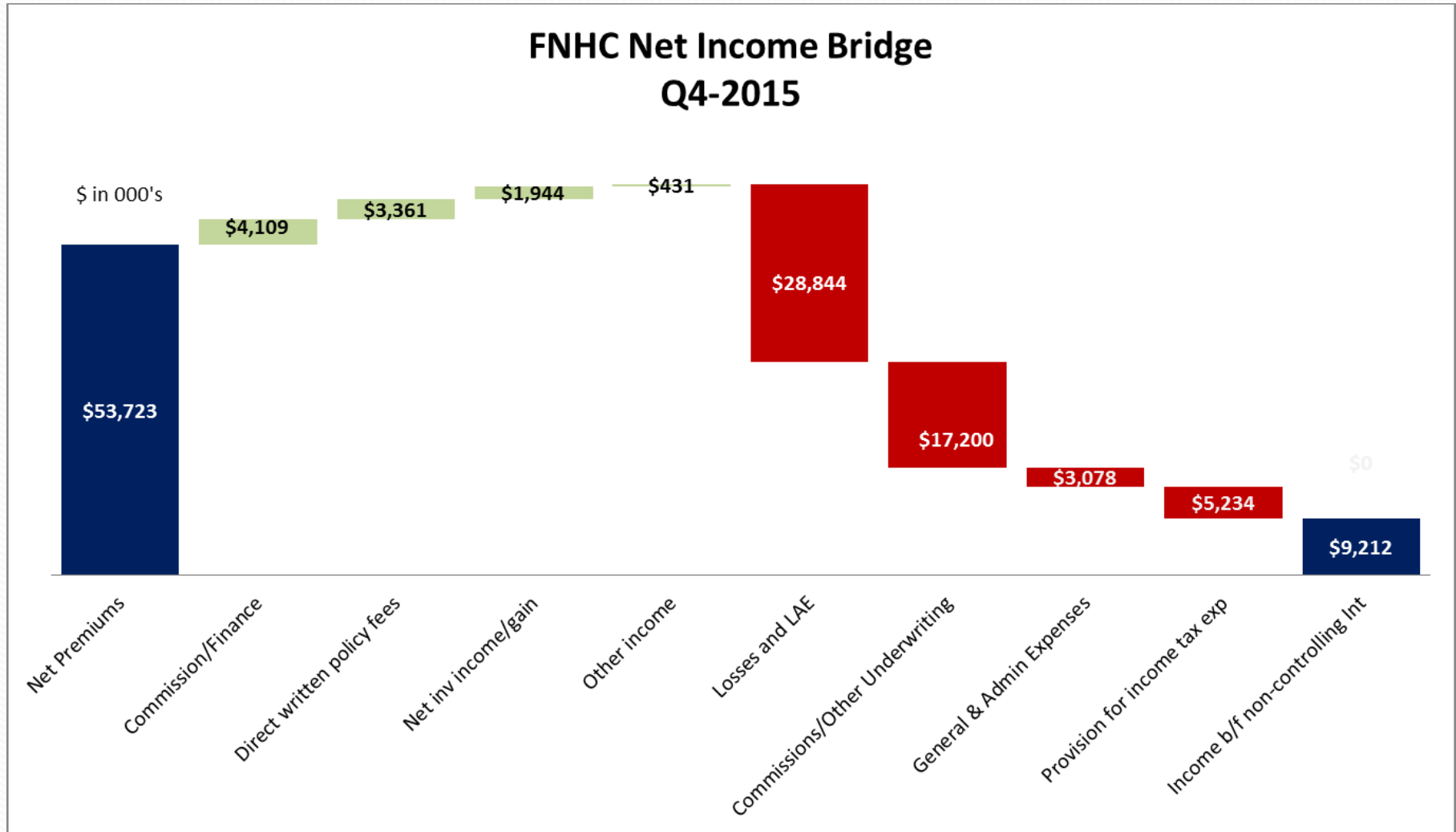


STATEMENT OF OPERATIONS - FNHC

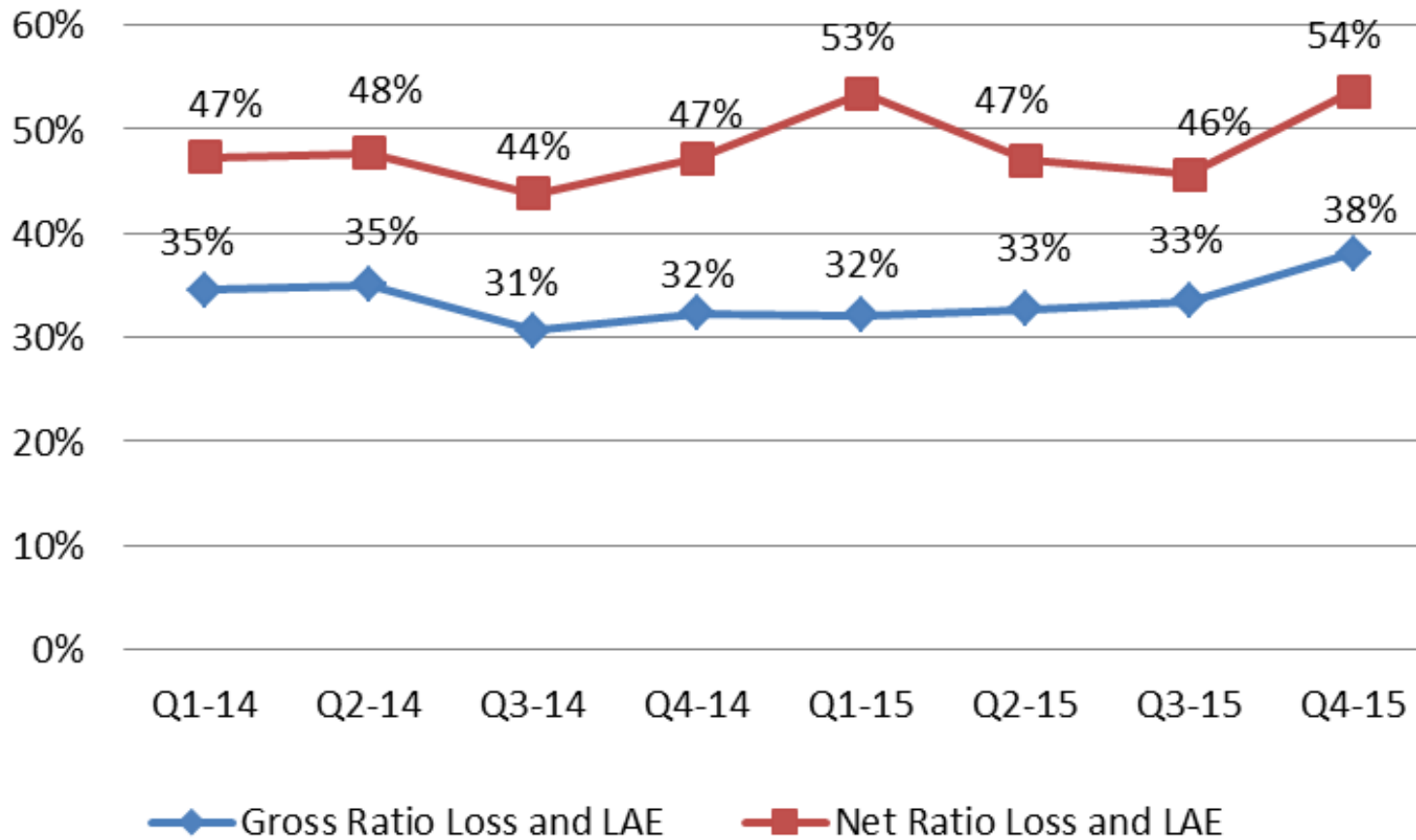


NET INCOME BRIDGE

FNHC Net Income Bridge Q4-2015



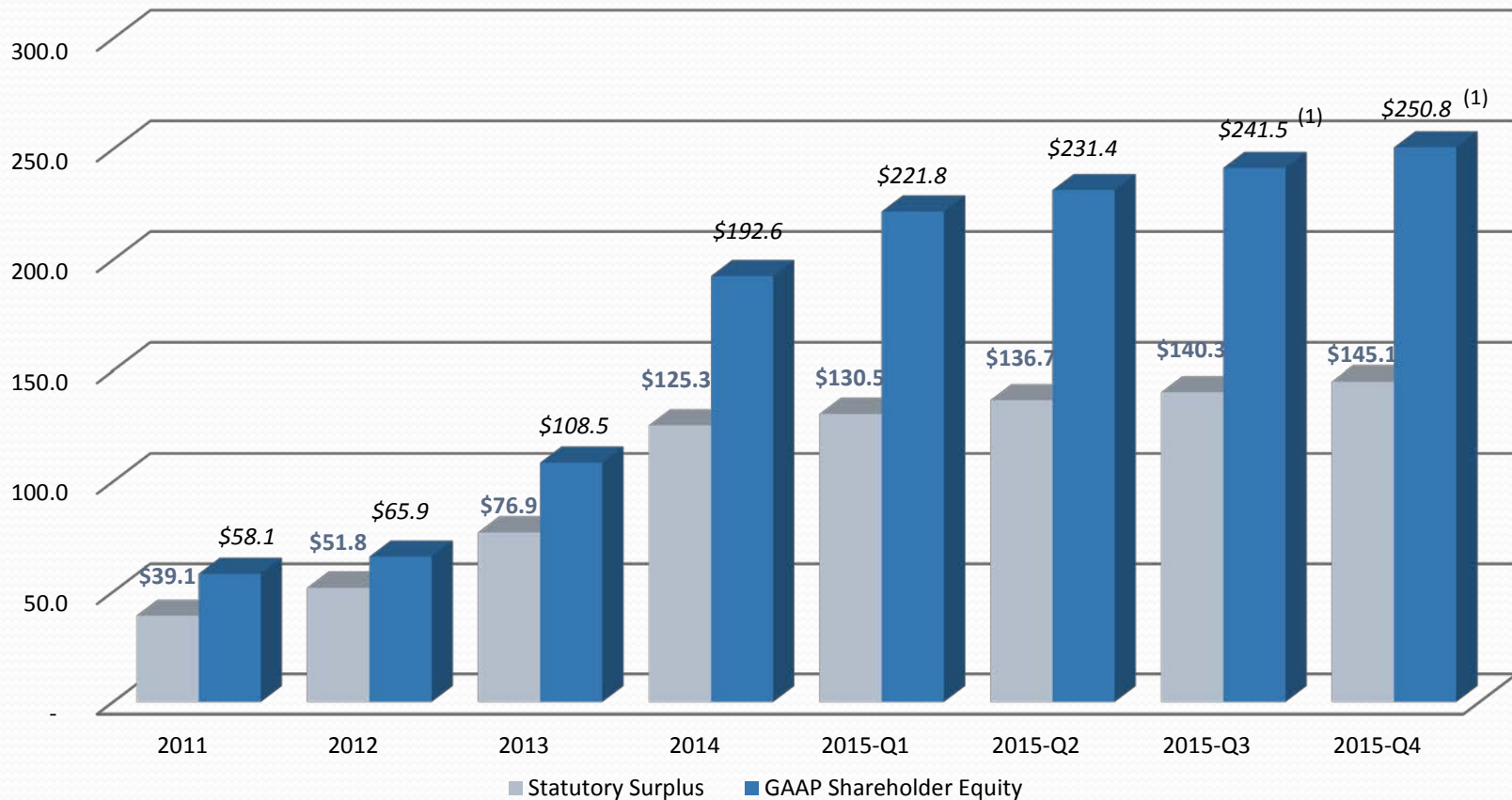
Gross and Net Ratio Loss and LAE



BALANCE SHEET STRENGTH

“Our commitment to protecting our policyholders and our shareholders”

\$ in Millions



***Conservative Capital Structure**

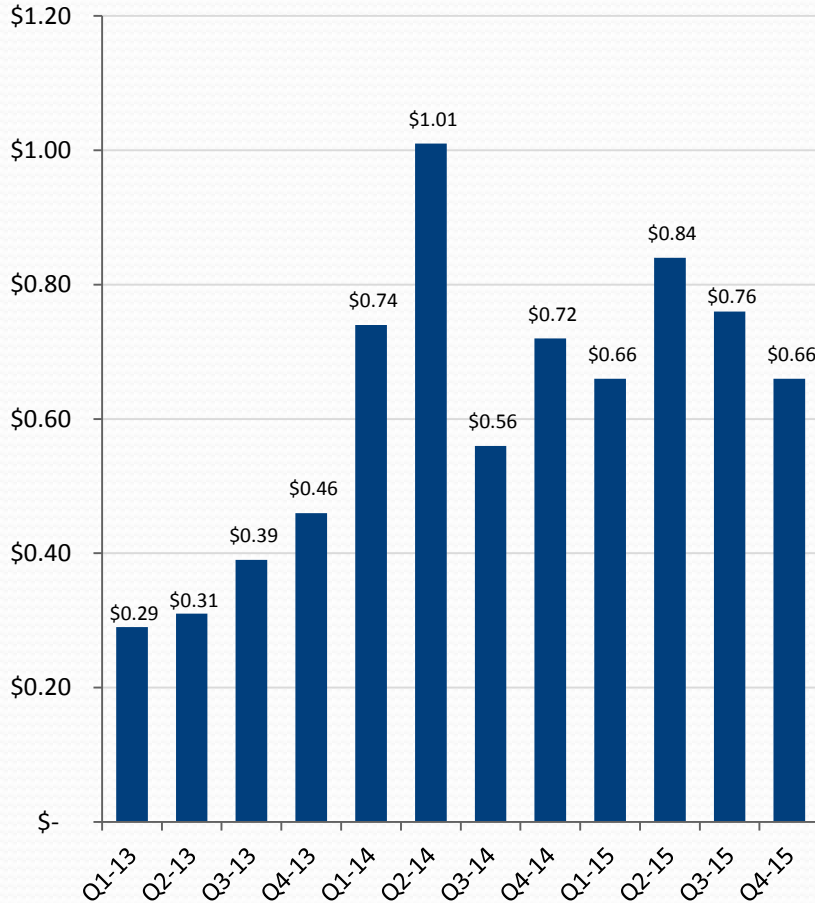
***Reinsurance Strategy**

***Low risk investment portfolio**

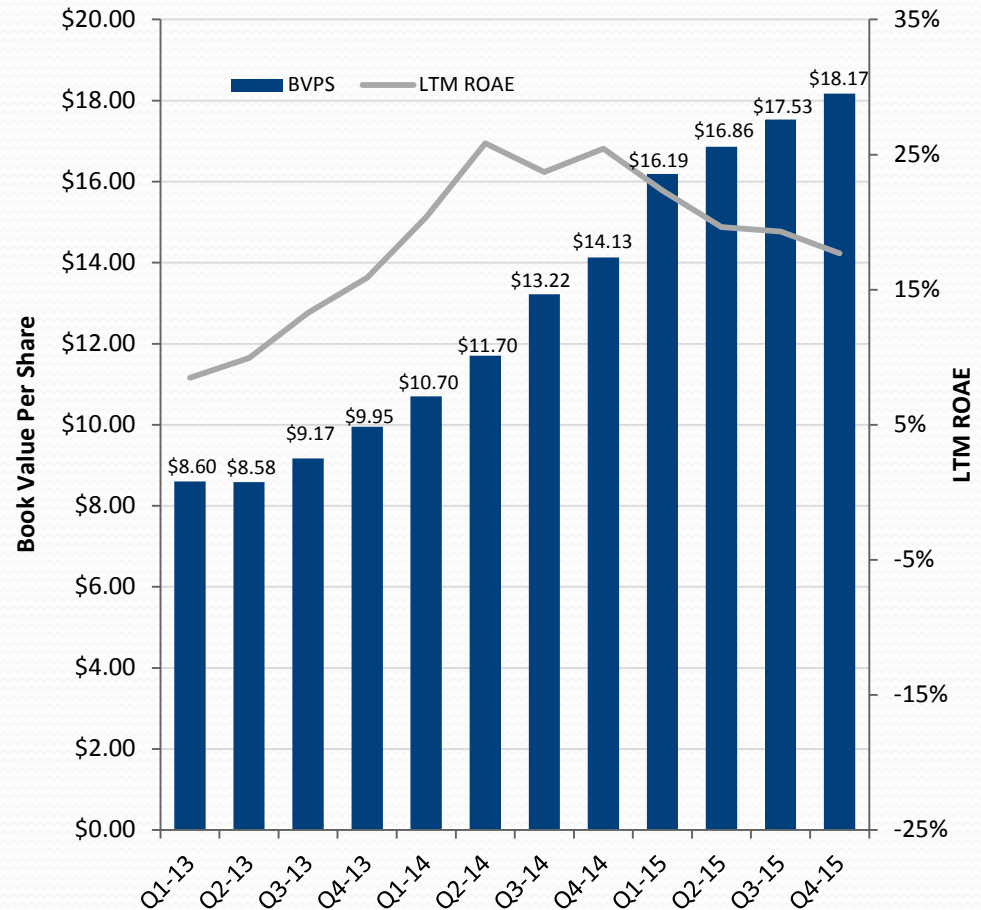
(1) GAAP Shareholder Equity Includes non-controlling interest of Monarch

SHAREHOLDER VALUE CREATION

Diluted Earnings Per Share



Reported BVPS & LTM ROAE

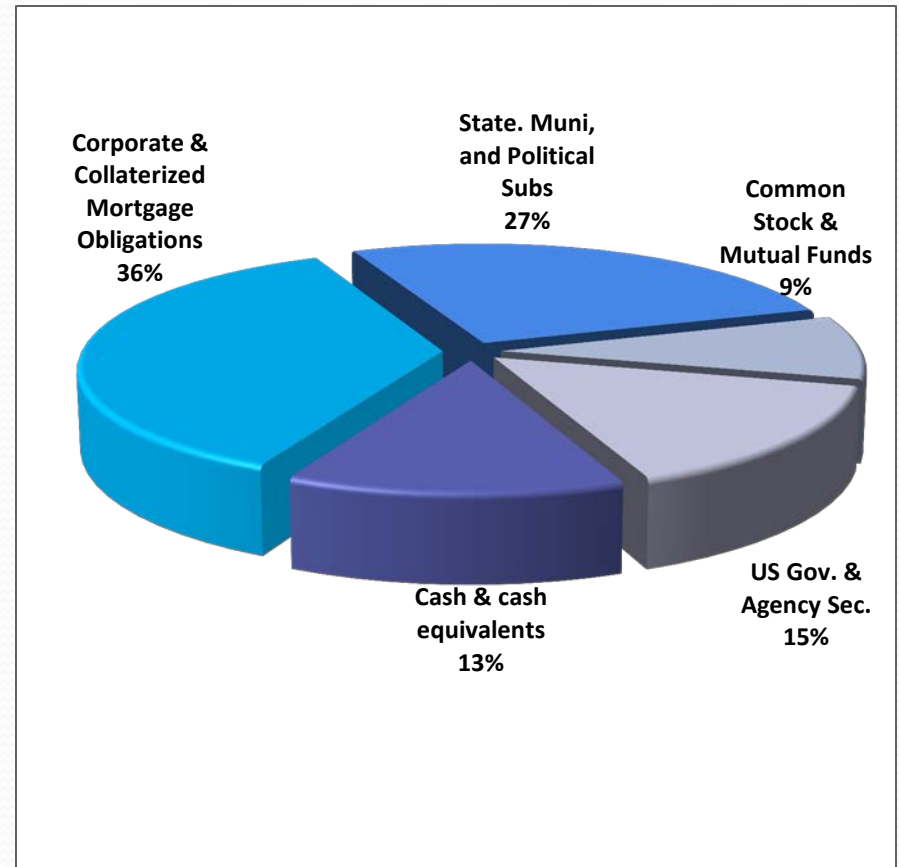


Source: Company Filings and SNL Financial

Note: Based on GAAP financial information; BVPS/LTM ROAE includes non-controlling interest

INVESTMENT PORTFOLIO HOLDINGS

- Designed to preserve capital, maximize after-tax investment income, maintain liquidity and minimize risk
- Utilize outside investment managers for the fixed income and equities portfolios
- As of December 31, 2015, 100% of the Company's fixed income portfolio was rated investment grade
 - Average duration: 3.822 years
 - Composite rating: A (S&P)
 - Average yield: 2.058%
- Historical total returns on cash and investments as of December 31, 2015
 - 1 Year: 1.10%
 - 2 Years: 2.71%



**Federated National
Investments and Cash**
As of December 31, 2015
\$417.2 Million

SUPERIOR INVESTMENT

UNDERWRITING PERFORMANCE

- Focus on higher value properties
- Employ sophisticated pricing and actuarial tools
- Expand offerings to agents in three markets
 - * FEDNAT
 - * MONARCH
 - * LLOYD'S OF LONDON

FINANCIAL DISCIPLINE

- Drive increased efficiency with automation
- Enhance underwriting profitability
- Effective use of controls and management oversight of expenditures
- Achieve book value growth

INVESTMENT RETURNS

- Preserve capital
- Maximize after-tax investment income
- Maintain liquidity
- Utilize investment managers for fixed income and equities portfolio

STRATEGY AND PHILOSOPHY

- Maintain emphasis on reserve adequacy
- Continue effective use of reinsurance programs
- Drive revenues and organic growth through relationship with agents
- Maintain regional growth strategy

CONTACT US

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