

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: December 4, 2018  
(Date of earliest event reported)

**FEDNAT HOLDING COMPANY**

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of  
incorporation)

000-25001

(Commission File Number)

65-0248866

(I.R.S. Employer Identification  
No.)

14050 N.W. 14<sup>th</sup> Street, Suite 180  
Sunrise, FL

(Address of principal executive  
offices)

33323

(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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

**Item 7.01. Regulation FD Disclosure.**

On December 4, 2018, FedNat Holding Company (“Company”) has made available on its website (www.fednat.com) an Investor Presentation containing the information attached to this Current Report on Form 8-K as Exhibit 99.1 (the “Investor Presentation”). The Company expects to use the Investor Presentation, in whole or in part, in connection with presentations to investors, analysts and others. The Company disclaims any obligation to correct or update these materials in the future.

In accordance with General Instruction B.2 to Form 8-K, the information set forth in this Item 7.01 and the investor presentation attached to this report as Exhibit 99.1 is “furnished” and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor shall such information be deemed incorporated by reference in any filing under the Exchange Act or the Securities Act of 1933, as amended (the “Securities Act”).

The investor presentation attached hereto as Exhibit 99.1 contains statements that may be deemed forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements are therefore entitled to the protection of the safe harbor provisions of these laws. These statements may be identified by the use of forward-looking terminology 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,” “would,” “will be,” “will continue” or the negative thereof or other variations thereon or comparable terminology. The Company has based these forward-looking statements on its current expectations, assumptions, estimates and projections. While the Company believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve a number of risks and uncertainties, many of which are beyond the Company’s control. These and other important factors may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Management cautions that any such forward-looking statements are not guarantees of future performance, and readers cannot assume that such statements will be realized or the forward-looking events and circumstances will occur. Factors that might cause such a difference include, without limitation, the risks and uncertainties discussed under “Risk Factors” in the Company’s Annual Report on Form 10-K, and discussed from time to time in the Company’s reports filed with the Securities and Exchange Commission.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

99.1 FedNat Holding Company Investor Presentation Third Quarter 2018



## EXHIBIT INDEX

Exhibit No   Exhibit Title

99.1 [FedNat Holding Company Investor Presentation Third Quarter 2018](#)



# FedNat Holding Company

(NASDAQ: FNHC)

Investor Update

December 4, 2018

# 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.

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 losses 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 insureds' assignment of benefits; court decisions and trends in litigation; our potential failure to pay claims accurately; ability to obtain regulatory approval applications for requested rate increases, or to underwrite in additional jurisdictions, and the timing thereof; 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.

# FEDNAT CORPORATE PROFILE

## Overview:

- Leader in coastal Florida homeowners market
- High quality book of business with proven underwriting excellence
- Strong, large partner agent network and brand recognition
- Allstate and GEICO agency relationships
- Experienced leadership team

## Key Metrics\*:

- Cash and Investments: \$500M+
- Book Value Per Common Share: \$17.45
- Agency Partnerships: 2,500+
- Gross Written Premiums for 3Q18: \$130M+
- Florida OIR Market Share\*\* : 4.8%
- Demotech Financial Stability Rating: A



\* As of September 30, 2018, unless otherwise noted

\*\* Market data as of June 30, 2018 (Source: Florida OIR)

# LONG-TERM TRACK RECORD OF BOOK VALUE GROWTH



\* Impacted by Hurricane Matthew

\*\* Impacted by Hurricane Irma

Source: Company Filings and SNL Financial

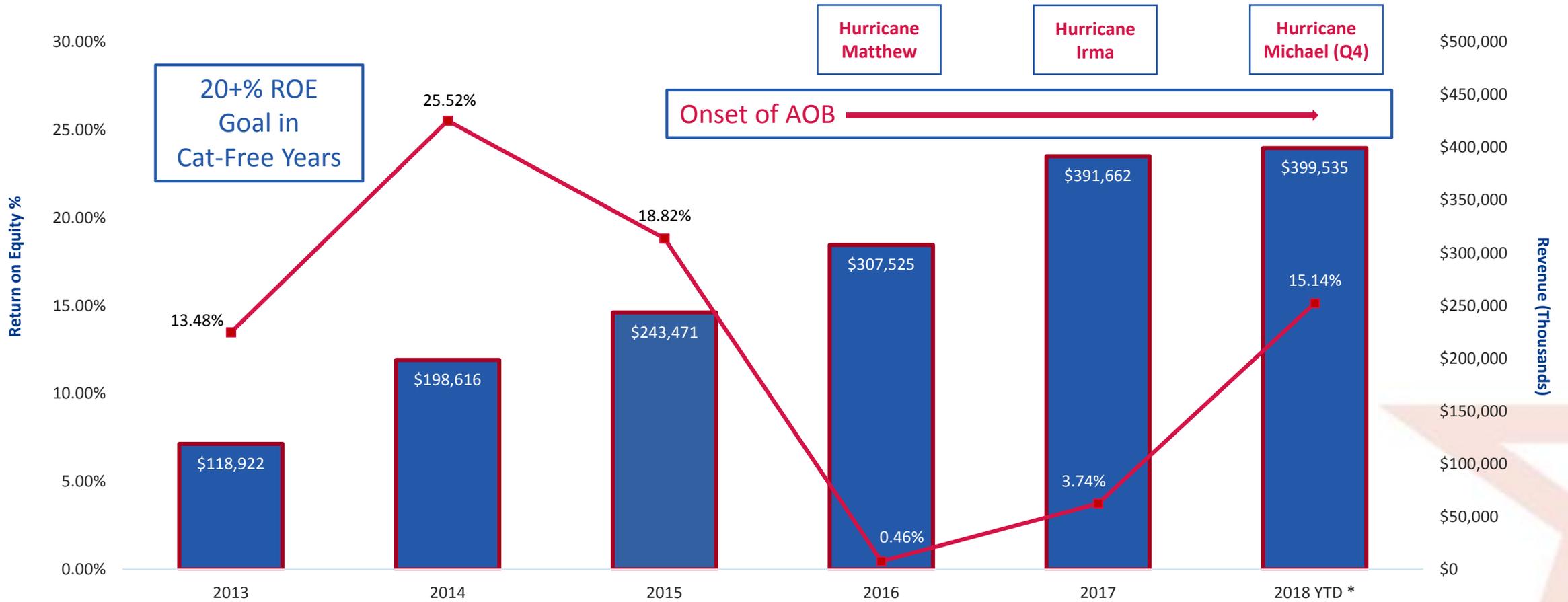
Note: Based on GAAP financial information



# STRATEGIC EXECUTION DRIVING FORWARD EARNINGS MOMENTUM

- Delivering **improving ex-cat underwriting profitability** in core Florida Homeowners book
- Selectively **growing organically in neighboring coastal states**, now ~15% of in-force policies
- Benefitting from **effective exposure management** resulting in **reduced hurricane exposure** and reinsurance costs
- Mitigating AOB headwind through **improved underwriting and claims management** as well as **implementation of Florida rate increases**
- **Exiting unprofitable non-core lines** (auto and commercial general liability)
- **Improving operating efficiency** and reducing expenses while **investing in technology**

# GROWING THROUGH INDUSTRY HEADWINDS



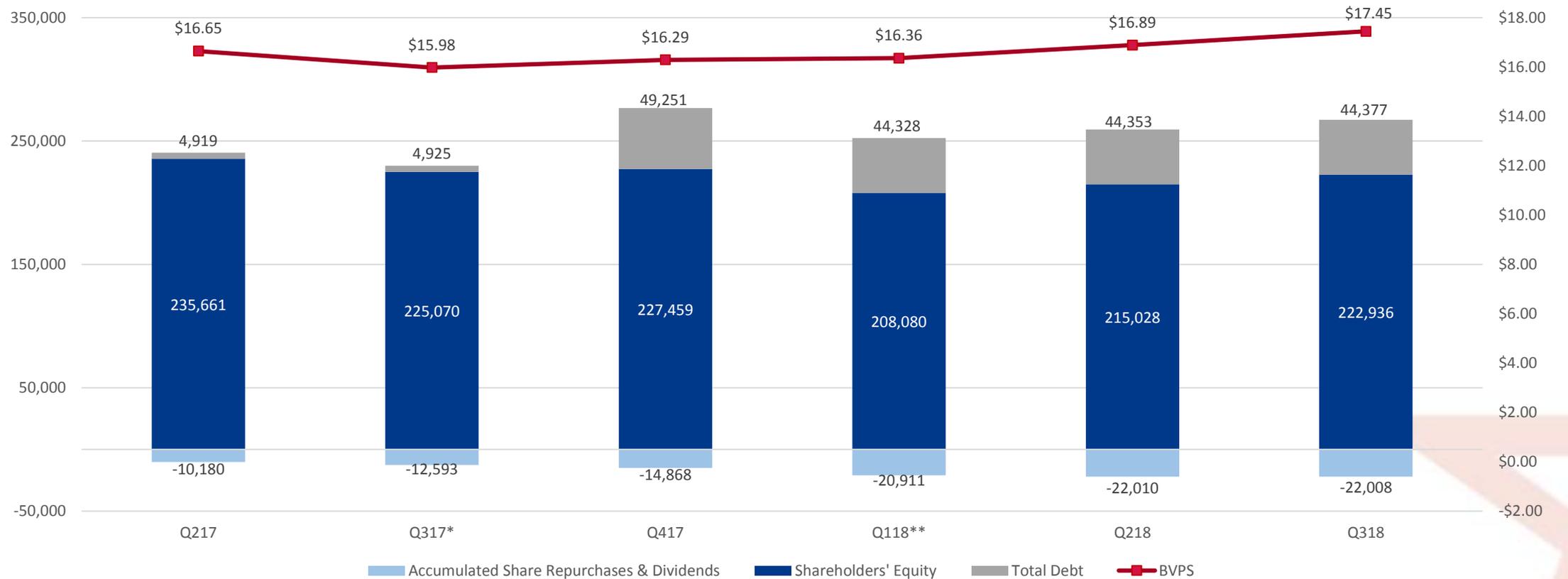
\* Revenue and ROE amounts are annualized from Q3 YTD actuals for comparison purposes.

■ Revenue

■ Return on Equity %



# EFFECTIVE CAPITAL MANAGEMENT



**\$10M share repurchase program authorized March 2017; Additional \$10M program authorized December 2017**



\* Impacted by Hurricane Irma  
 \*\* Acquired the non-controlling interest in Monarch National during 1Q18



**LEADER IN DYNAMIC FLORIDA  
HOMEOWNERS MARKET**

# LEADING POSITION IN FRAGMENTED FLORIDA MARKET

Market dominated by “specialists”, with limited national P&C carrier presence

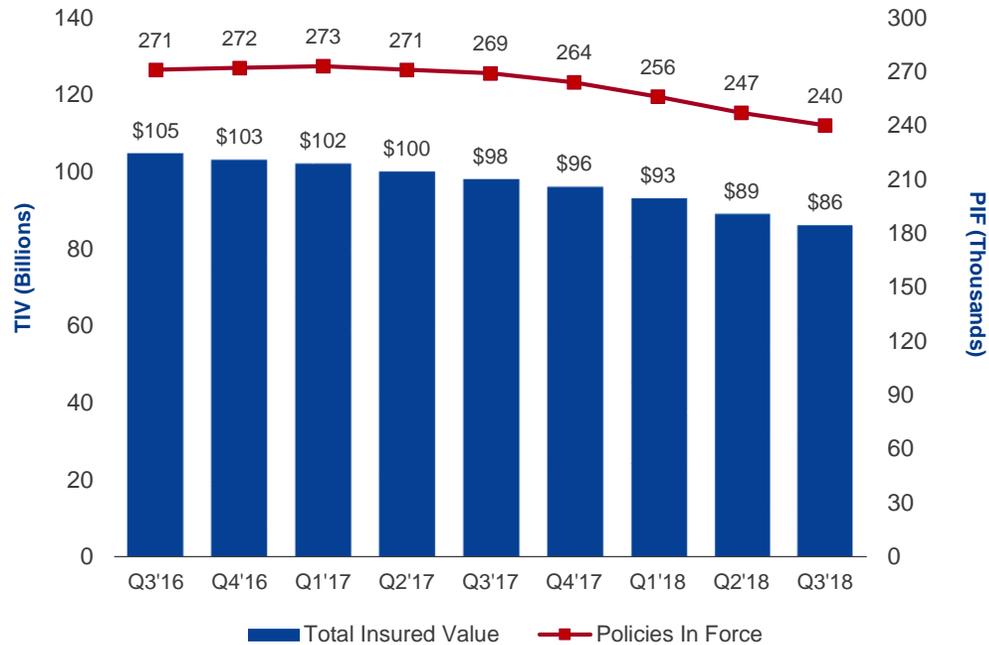
Rank	Insurer	2018 Q1 FL HO DWP (\$ mm)	FL HO Mkt Share (%)
1	Universal Insurance	969	10.3
2	Citizens Property Insurance	773	8.2
<b>3</b>	<b>FedNat Insurance</b>	<b>453</b>	<b>4.8</b>
4	Heritage Insurance	421	4.5
5	Security First Insurance	400	4.3
6	Homeowner's Choice Insurance	329	3.5
7	First Protective Insurance	313	3.3
8	American Integrity	305	3.3
9	St. John's Insurance	281	3.0
10	United Property Insurance	277	2.9
11	United Services Auto	237	2.5
12	Florida Peninsula	233	2.5
13	Tower Hill Prime Insurance	226	2.4
14	People's Trust Insurance	225	2.4
15	Federal Insurance	171	1.8
16	ASI Preferred	168	1.8
17	AIG Property Casualty	153	1.6
18	Olympus Insurance	146	1.6
19	Safepoint Insurance	138	1.5
20	Tower Hill Signature	126	1.4
21	USAA Casualty	114	1.2
22	Privilege Underwriters	108	1.2
23	Gulfstream P&C Insurance	104	1.1
24	American Traditions	104	1.1
25	Auto Club Insurance	102	1.1
	Others	2,521	26.8
	<b>Total</b>	<b>\$9,397</b>	<b>100.0</b>

- Nation's third largest state with 20 million people
- Projected to grow to 26 million by 2030
- \$9.4 billion Homeowners growing insurance market with strong home construction market throughout the state
- Highly fragmented market with national players comprising less than 20%, none with higher market share than FedNat
- FedNat's focus is on high quality, well-mitigated homes (built after 1994) – we have ~20% of homes in this class statewide
- With Citizens policies reduced by ~two-thirds since 2011, carriers pursuing geographic expansion and new products



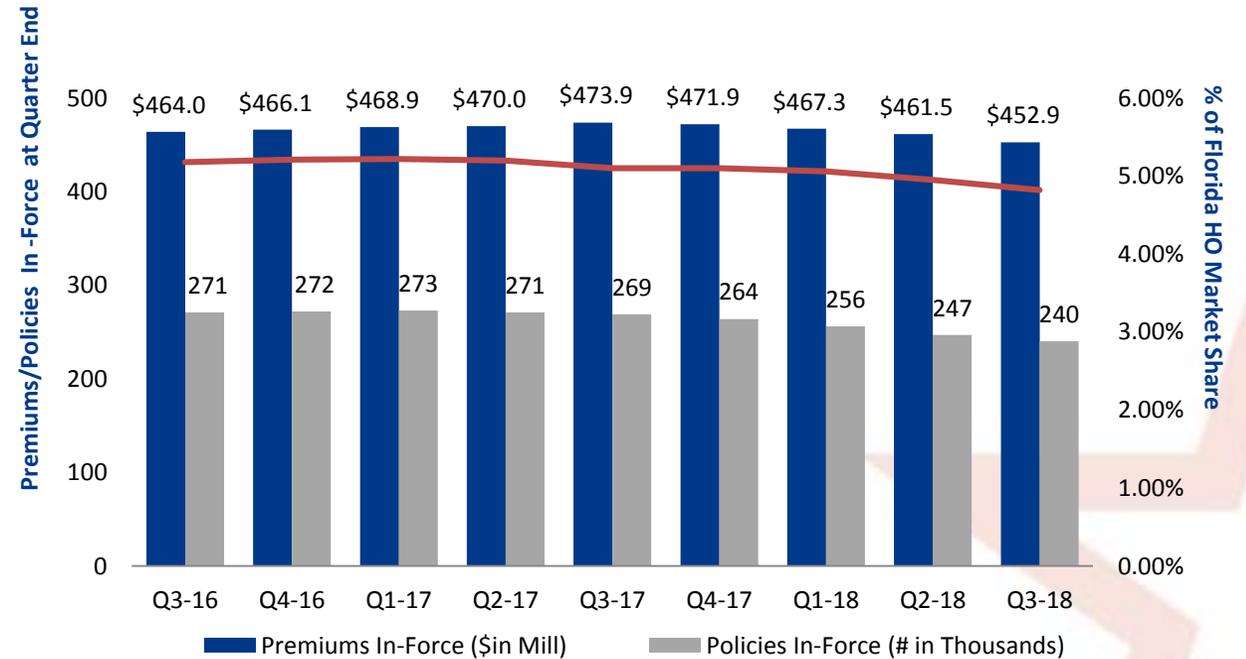
# STRONG, PROFITABLE FLORIDA BOOK

## FNIC Total Insured Value and Policies In-Force



## FNIC Homeowners Florida Market Share

Premiums in Force and % Market Share



Disciplined underwriting driving increased profitability on flat premiums



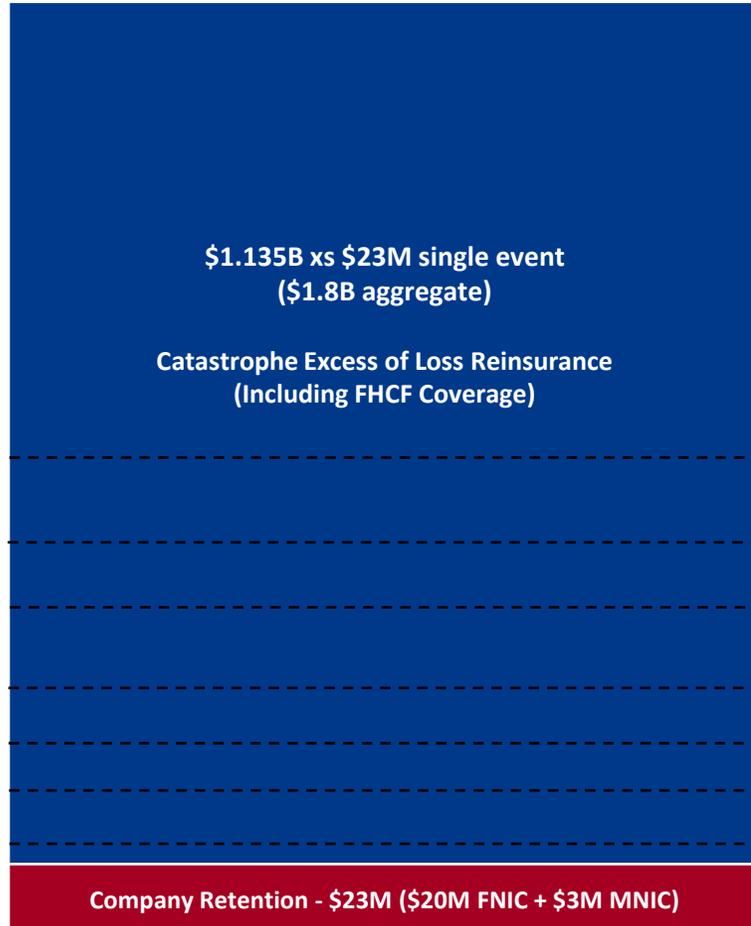
# MANAGING HURRICANES IRMA AND MICHAEL

Two 1-in-10 year storm events in 13-month window

<b>Hurricane Irma</b> September 2017	<b>Hurricane Michael</b> October 2018
<ul style="list-style-type: none"><li>• At the time, strongest hurricane to make US landfall in over a decade</li><li>• Estimated gross losses at \$634M with a \$21M retention</li><li>• 38K+ claims received, over 96% closed</li><li>• \$17M in claims handling revenue and brokerage income</li><li>• Recovered 80% of our net retention, resulting in a (\$3M) after-tax net impact from the storm</li></ul>	<ul style="list-style-type: none"><li>• Strongest hurricane on record to hit the Florida Panhandle</li><li>• Estimated gross losses at \$275M with a \$23M retention</li><li>• 5K+ claims received, over 76% closed</li><li>• FNIC writes ~10% of the TIV in Bay and Gulf Country</li><li>• Storm-related income expected to be lower than Irma (low frequency, high severity event)</li></ul>

# 2018-2019 REINSURANCE STRUCTURE

## FNIC / MNIC COMBINED



\$1.365B (single event)  
 172 Year  
 Florida Only  
 RMS Long Term  
 With Loss Amplification

- Hurricane Irma: \$633.5M (44 yr RP)  
*Ultimate loss estimate*
- Multiple Events 2004\*: \$495.0M (30 yr RP)  
*Recast Event: RMS v17 & AIR v5 average*
- Multiple Events 2005\*\*: \$446.0M (26 yr RP)  
*Recast Event: RMS v17 & AIR v5 average*
- Hurricane Michael: \$275.0M (15 yr RP)  
*Ultimate loss Estimate*
- Hurricane Andrew: \$257.0M (14 yr RP)
- Hurricane Wilma: \$203.0M (10 yr RP)
- Hurricane Matthew: \$45.7M (5 yr RP)

## REINSURANCE PARTNERS – 75+



\*2004 Events: Charley, Frances, Ivan & Jeanne  
 \*\*2005 Events: Dennis, Katrina, Rita & Wilma  
 Structure based on FHCF limit at time of purchase  
 Event losses are combined FNIC + MNIC totals



# SUCCESSFULLY MITIGATING AOB

**Assignment of Benefits (AOB) abuse has been a significant drag on FL HO providers, but FedNat's multi-pronged strategy has positioned the company for improved underwriting profitability.**

AOB is a contractual provision that allows a third party to be paid directly by the insurance company for services performed for an insured homeowner that has filed a claim. Unscrupulous vendors leverage AOB to perform excessive or over-priced repairs and to gain legal standing for lawsuits.

## **FedNat's AOB Strategy**

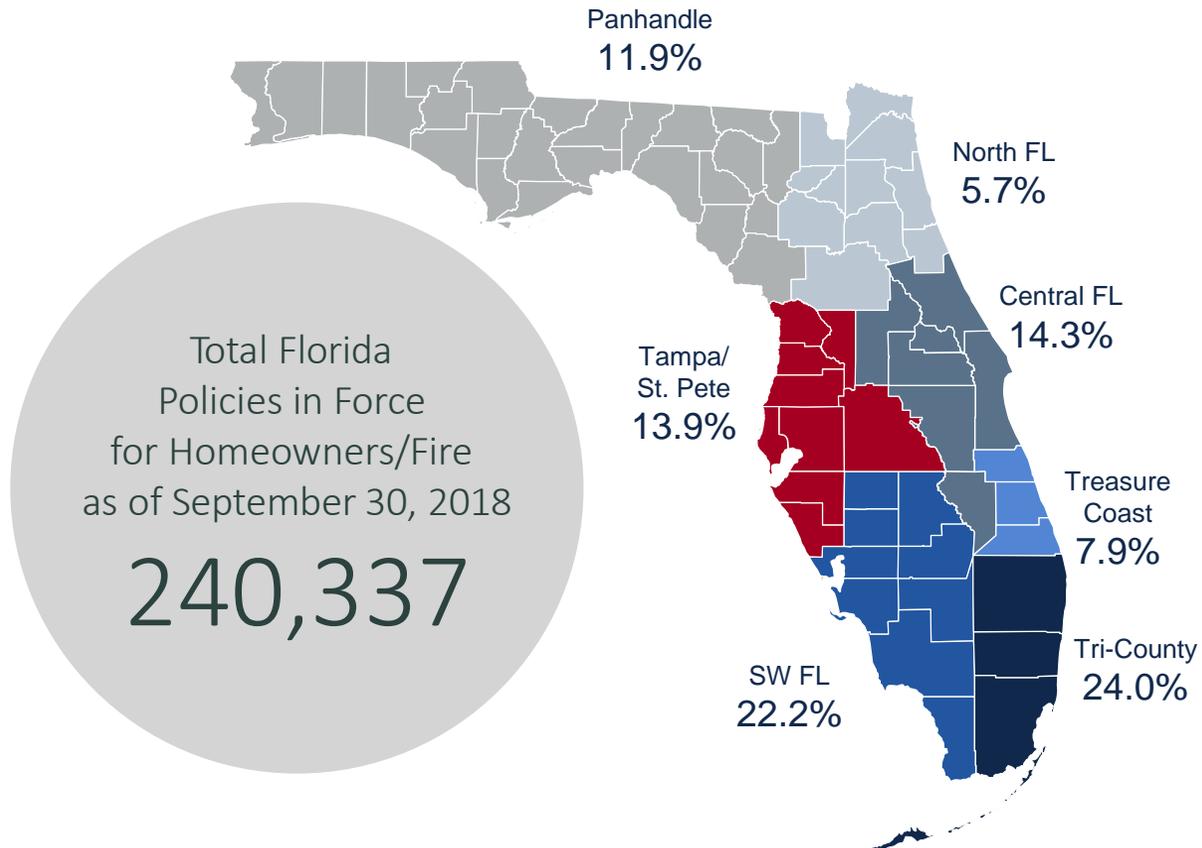
- Achieved aggregate 18+% compounded homeowners rate increase (implemented over 2017-2019 period)
- Proactive management, training and engagement
- Educating policyholders and agents on reporting claims upon occurrence
- Analyze expected costs and work directly with AOB contractors and preferred FedNat vendors to arrive at a fair payment, or invoke policy appraisal clause
- Reducing litigation and mitigation expense risk
  - Aggressively pursuing Alternative Dispute Resolution practices
  - Instituted FL OIR approved policy language changes that restrict emergency mitigation expenses



**POSITIONING FOR GROWTH**

# BROADENING FLORIDA PENETRATION

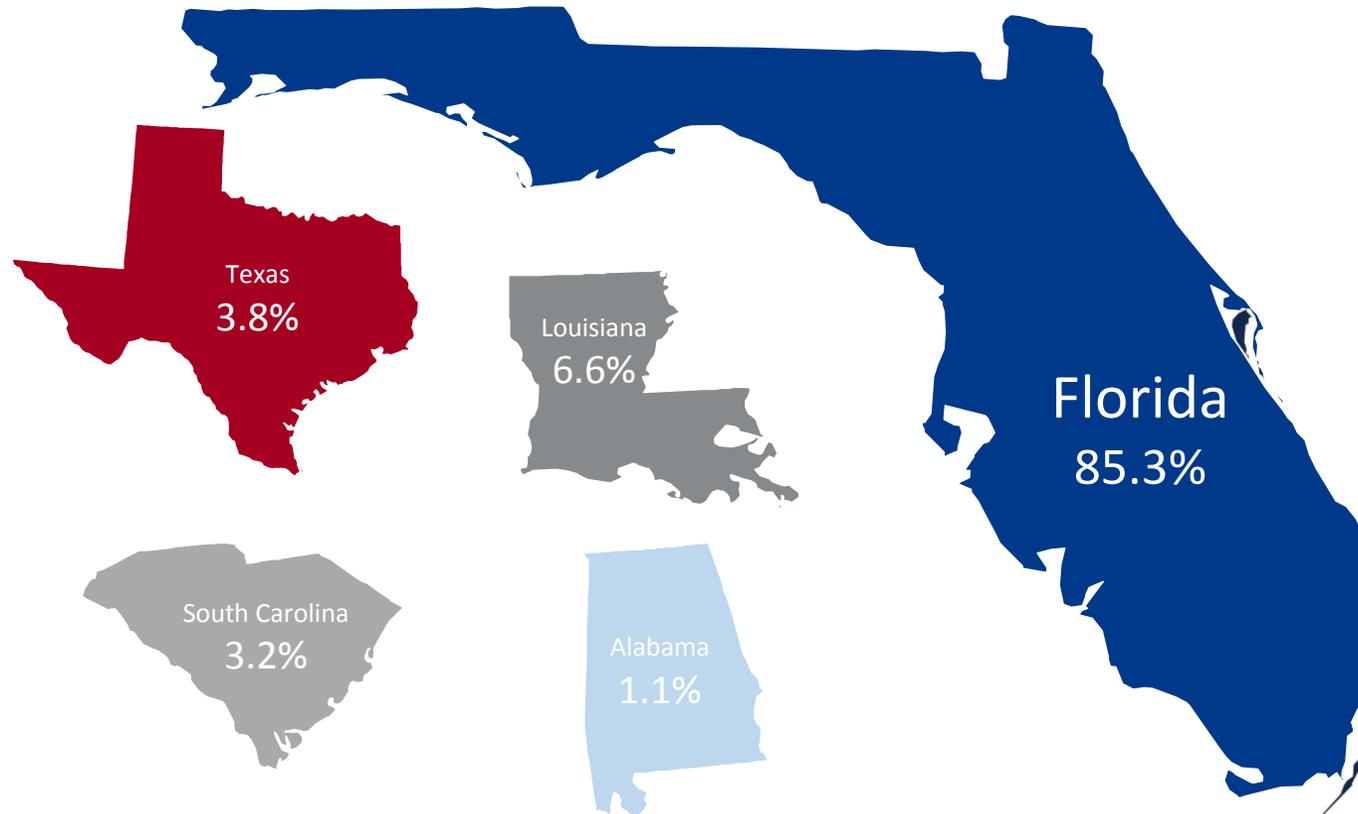
## FedNat Insurance Company – Florida Market for Homeowners



- Statewide offering of HO3, HO6, HO4 and DP-3 Forms plus Flood
- Risk Management through utilization of both analytics and geographic exposure management
- Distribute through independent retail partner agents and national carrier affinities
- Manage catastrophe exposure by ceding risk through reinsurance treaties

# COASTAL STATE DIVERSIFICATION - HOMEOWNERS

## FedNat In-Force Policy Counts - Regionally



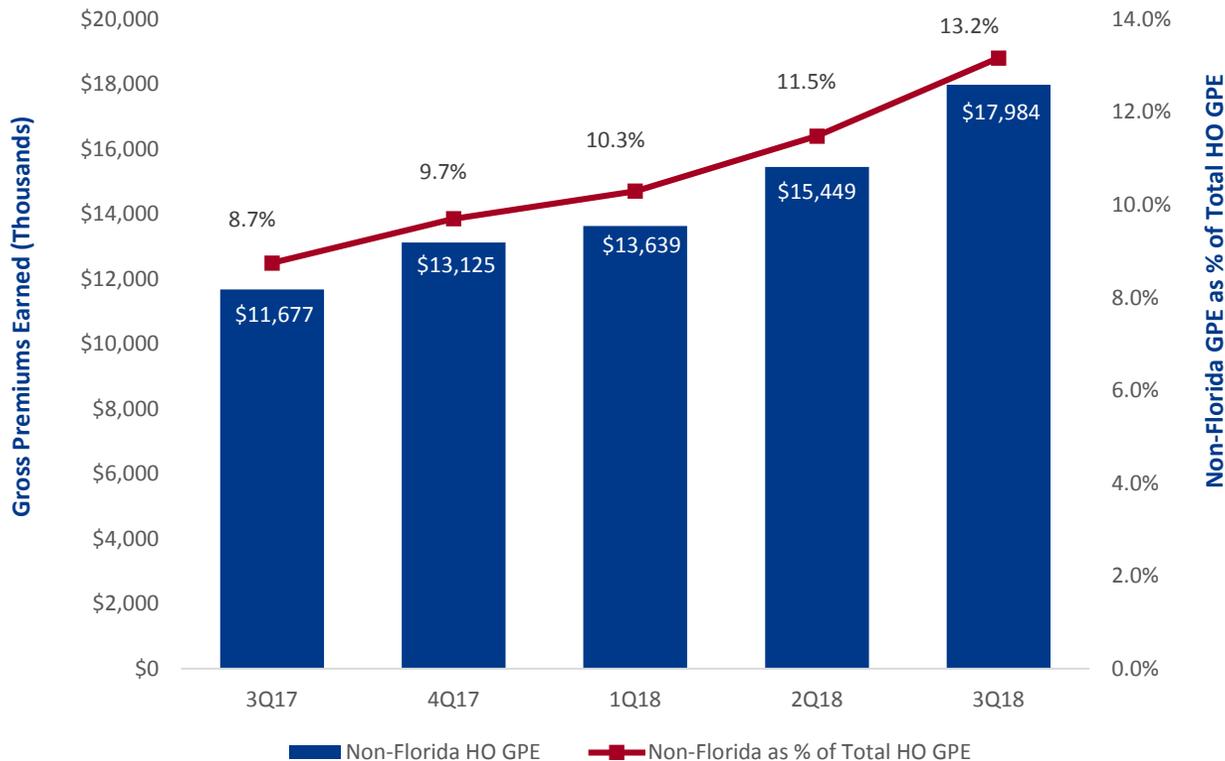
- Serving Gulf and Atlantic coastal states with P&C product offerings
- Focus on hurricane zones 1 and 2 where need is greatest
- Leveraging best practices developed over our 25+ years of experience
- Organic growth via voluntary business distributed through partner managing general underwriter and national carrier affiliations

Note: Based on homeowners/fire lines of business

# NON-FLORIDA BOOK'S OUTPERFORMANCE

## Homeowners non-Florida Gross Premiums Earned

GPE and % of Total HO GPE



- Gaining market share in Texas, Louisiana, South Carolina and Alabama
- Gross written premiums increased 45% to ~\$22 million in Q318
- In-force policies grew to 41,000 as of September 30, 2018

# DIVERSIFYING FLORIDA BOOK - MONARCH

## Full Ownership of Monarch offers path to large, untapped market segment

### Monarch National Insurance Overview

- Established in 2015 as joint venture (JV)
- Consolidated JV in February 2018 for \$16.7 million in cash and retired \$5 million note
- Strategy: Leverage FedNat's agent network to access risk-adjusted class of FL HO market
- Enhancing underwriting process and risk management by deploying sophisticated scoring and leveraging reinsurance partnerships

### Ownership Benefits

- Full control in executing on the Monarch opportunity
- Provides second carrier for FL diversification strategy, expanding access to 50% of the FL HO market of which we are underweight
- Long term non-Florida expansion opportunities
- Opportunity to expand and deepen partner agent relationships
- Improved capital efficiency with Monarch National stacked under FedNat

# MIDDLE MARKET OPPORTUNITY

Vast middle-market growth opportunity  
~50% of total HO Insurance Market

HO Insurance Market Segments

FedNat Current Share of Market Segment

High-end Segment High Quality Well Mitigated Risk	Our Historical Focus
Middle Market Segment Risk Adjusted Houses	Underweight = Our Opportunity
Low-end Segment Poorly/Un-Mitigated Risk	Not our Focus

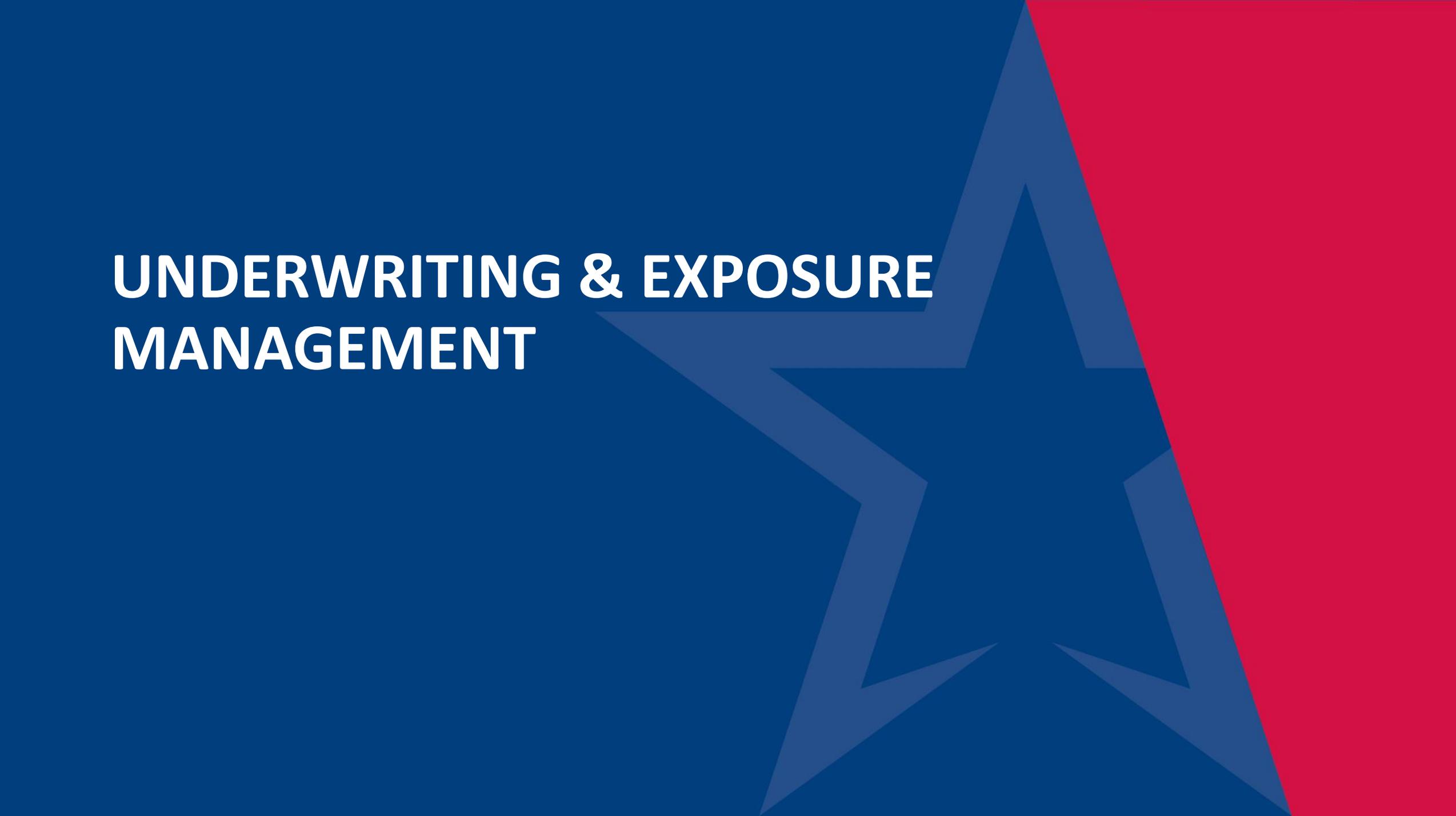
# EXIT FROM NON-CORE LINES OF BUSINESS

## Automobile

- All regulatory approvals received
- Largest remaining block transferred via novation agreement effective August 1
- Immaterial amount of GWP after August 1
- Expect <\$1.0M of NEP through 1Q19 – no in-force premium projected thereafter

## Commercial General Liability

- All regulatory approvals received
- Slower run-off than Auto due to annual policies
- No projected GEP by end of 2019
- \$3.4M of Unearned Premium Reserves as of September 30
- Expect declining NEP through 2Q19 (was \$2M in 3Q18)



# **UNDERWRITING & EXPOSURE MANAGEMENT**

# CORE PRODUCT OFFERINGS

**Homeowners is our core line of business and includes the following product offerings:**

- Multi-Peril
  - HO-3: Multi-peril homeowners product
  - HO-4: Renters product
  - HO-6: Condo product
  - DP-3: Dwelling Fire product
- Flood
  - National Flood Insurance Program via “Write-Your-Own” Program (fee income only—no risk retained by FedNat)
  - Filing for an admitted FedNat flood endorsement in 2019
- Brokered Products (fee income only—no risk retained by FedNat)
  - Lloyds homeowner and dwelling fire products
  - Hudson umbrella products

# DISCIPLINED UNDERWRITING APPROACH

**FedNat's meticulous underwriting approach allows the Company to manage its current exposures while profitably underwriting new risks.**

- Focus on properties with more advanced wind / hurricane mitigation features and lower All Other Peril (non-catastrophe) losses
- Generalized Linear Model ("GLM") used to derive pre-quote pass/fail position based on each risk's associated expenses, CAT and non-CAT exposure, cost of capital and risk concentration
  - Manual reviews of every bound risk to ensure accuracy of information
  - Regulatory-approved use of our GLM-based analytics to provide a layer of pre-binding portfolio optimization management
- Rates on every policy a function of FNIC's historical loss experience, concentration of risk, expenses and current market conditions
  - All risks are subject to an annual review to ensure low performing risks are not offered a renewal
- Business written by MNIC utilizes a similar disciplined approach as its policies are also underwritten by FedNat Underwriters ("FNU"), the Company's wholly owned MGA

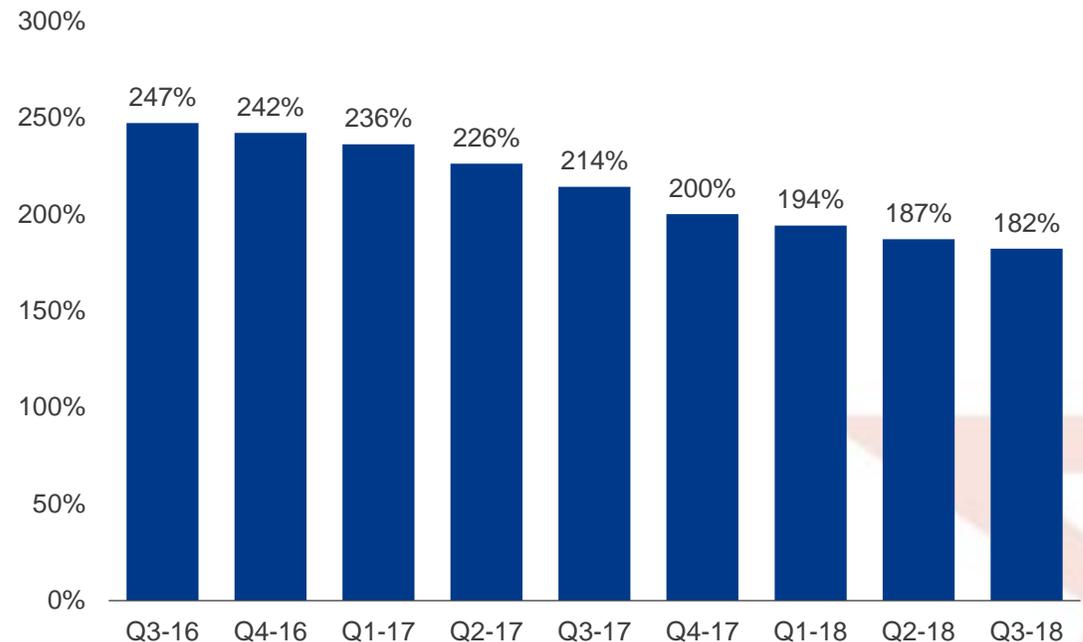
# BENEFITTING FROM RIGOROUS EXPOSURE MANAGEMENT

## Excess-of-Loss Cat Reinsurance

- Over \$30M\* lower spend for the treaty year ending 6/30/19 versus the preceding period
- Homeowners ceded premium ratio for catastrophe coverage will drop 5 points to 29%
- Same purchasing methodology and level of coverage as preceding years

\* Over \$27M benefit, net of reduced brokerage income. Subject to adjustments for change in exposure over treaty year.

All States 1-in-100 Year Probable Maximum Loss / In-Force Premium (“PML to Premium”)



Notes: PML modeled using average of AIR and RMS.  
Includes Monarch National from Q1-18 forward.  
Assumptions: LT, No LA, No SS

# CORE TECHNOLOGY INVESTMENTS

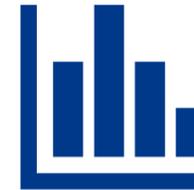
FedNat leverages key technology partners to assist in risk selection and improve overall underwriting profitability.



Rapid and efficient assurance of property integrity

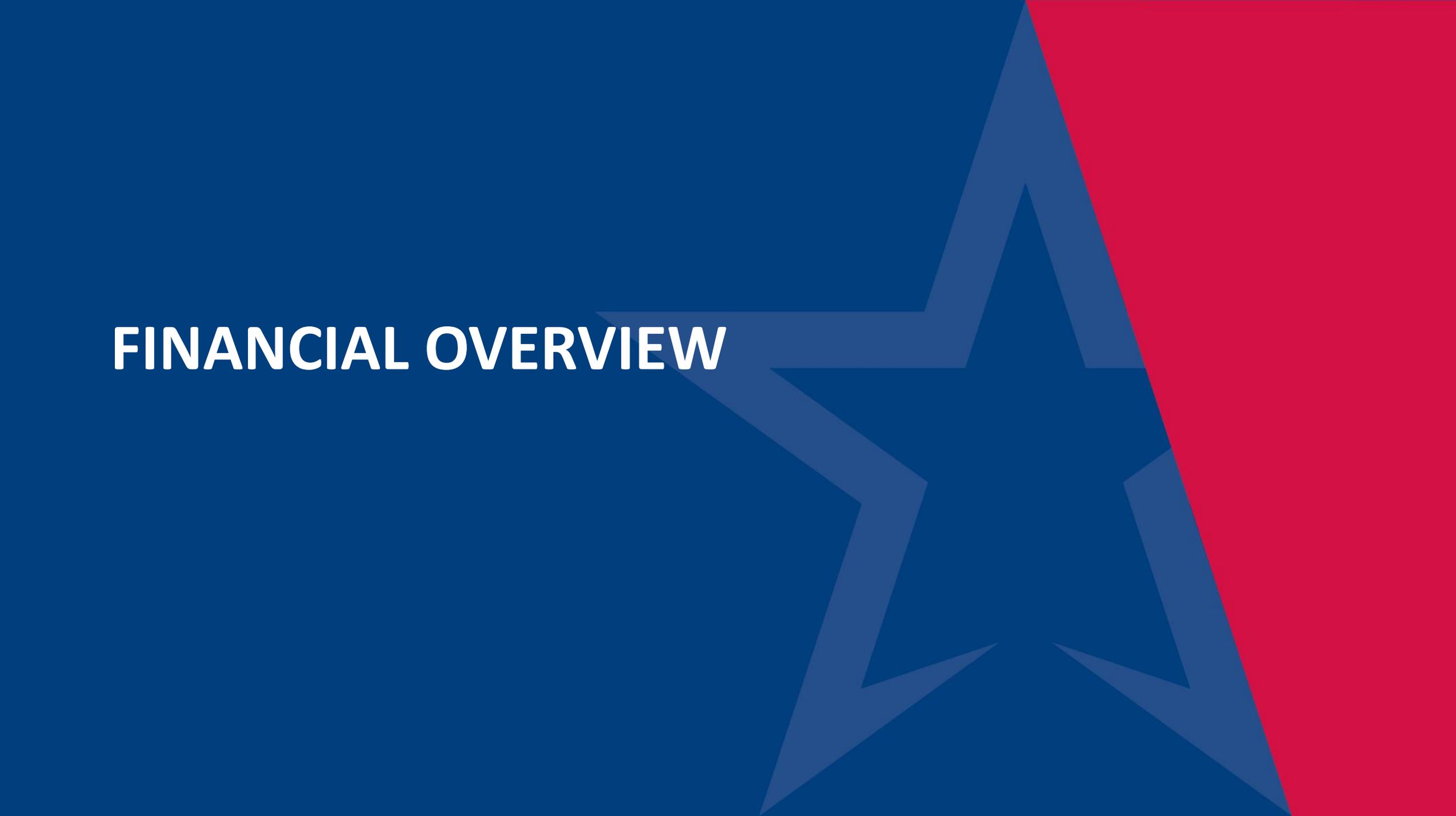


Fast-tracking claims closures



Application of advanced risk modeling tools

# FINANCIAL OVERVIEW

The image features a dark blue background with a large, stylized blue star graphic on the right side. The star is composed of several overlapping layers, creating a sense of depth. A bright red triangle is positioned on the right edge of the frame, partially overlapping the blue star. The text "FINANCIAL OVERVIEW" is written in a bold, white, sans-serif font on the left side of the image.

# RECENT FINANCIAL & OPERATING HIGHLIGHTS

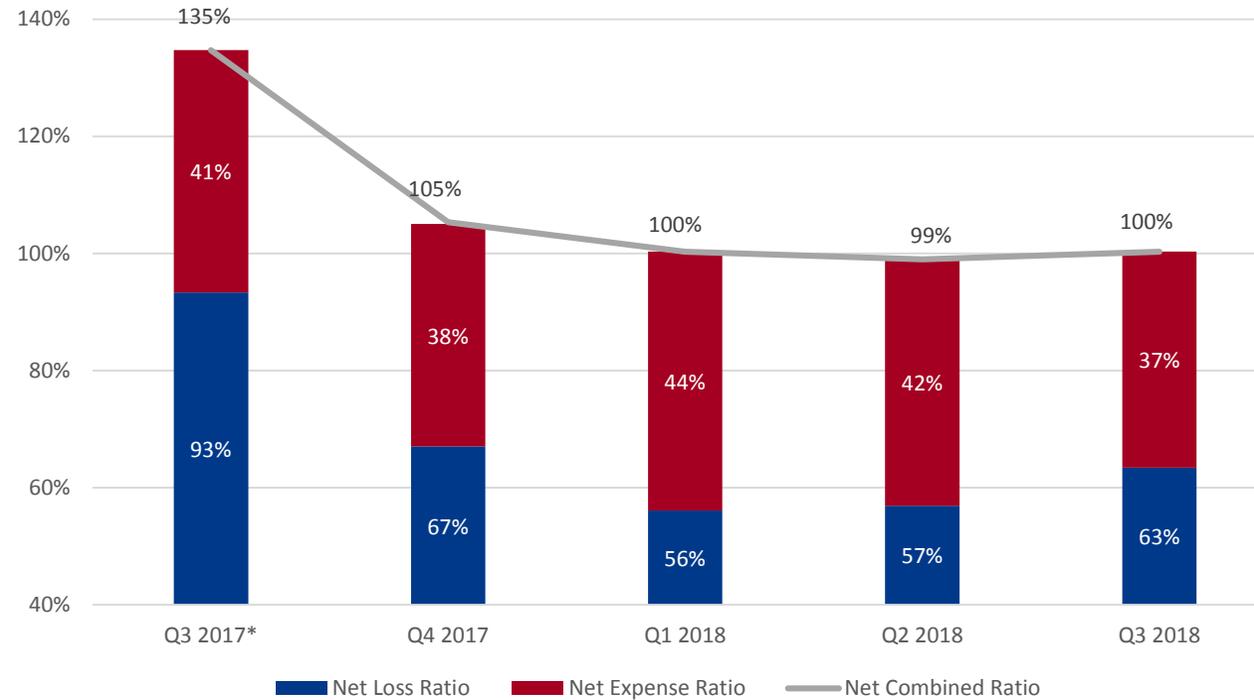
(in thousands)	3Q17*	4Q17	1Q18	2Q18	3Q18
<b>Income Statement Data:</b>					
Gross Premiums Written	\$154,782	\$133,892	\$134,395	\$166,734	\$139,022
Net Premiums Earned	80,764	87,503	82,109	83,557	98,493
Net Investment Income	2,603	2,773	2,943	2,978	3,137
Pre-Tax Income (Loss)	(10,179)	9,567	9,616	12,016	10,970
Net Income (Loss)	(4,724)	6,296	7,463	8,820	7,950
Diluted Earnings Per Share	\$(0.36)	\$0.48	\$0.58	\$0.69	\$0.62
<b>Balance Sheet Data:</b>					
Cash and Investments	524,879	530,249	506,861	532,084	518,395
Shareholders Equity	208,576	211,637	208,080	215,028	222,936
Book Value per Share	\$15.98	\$16.29	\$16.36	\$16.89	\$17.45
<b>Financial Ratios:</b>					
Net Loss Ratio	93.3%	67.3%	56.1%	56.9%	63.4%
Net Expense Ratio	41.4%	38.0%	44.2%	42.1%	36.9%
Net Combined Ratio	134.7%	105.3%	100.3%	99.0%	100.3%

## Q3 Notes/Highlights

- Homeowners net earned premiums increased 33% over 3Q17 driven by lower catastrophe reinsurance spend and strong non-Florida premium growth (up 46%)
- Strong year-over-year EPS growth to \$0.52, excluding investment gains
- Holding company liquidity of \$60 million as of September 30
- Annualized ROE of 12.1% in Q3 and 14.5% year-to-date, excluding investment gains
- Expense initiatives taking hold
- \$4.1 million of claims from severe weather represent 4.1 points on combined ratio and \$0.24 per share

\* Impact from Hurricane Irma's net retention was \$21 million pre-tax.

# IMPROVING UNDERWRITING PROFITABILITY



Steady improvement in net combined ratio for the last four quarters, ex-weather; Stable net loss and expense ratio

\*Impacted by Hurricane Irma

# EXIT FROM NON-CORE LINES DRIVING MEANINGFUL EARNINGS IMPROVEMENT

	Q3 2017				Q2 2018				Q3 2018			
	HO	Auto	Other	Consolidated	HO	Auto	Other	Consolidated	HO	Auto	Other	Consolidated
<b>Total Revenue</b>	\$77,653	\$8,142	\$12,902	\$98,697	\$85,474	\$3,341	\$6,927	\$95,742	\$100,616	\$2,332	\$7,884	\$110,832
<b>Costs and expenses:</b>												
Losses and loss adjustment expenses	65,600	7,013	2,754	75,367	42,617	1,932	3,021	47,570	56,856	2,609	2,992	62,457
All other expenses	28,180	3,128	2,201	33,509	31,566	1,691	2,899	36,156	32,834	1,620	2,951	37,405
<b>Total costs and expenses</b>	93,780	10,141	4,955	108,876	74,183	3,623	5,920	83,726	89,690	4,229	5,943	99,862
<b>Income before income taxes</b>	(16,127)	(1,999)	7,947	(10,179)	11,291	(282)	1,007	12,016	10,926	(1,897)	1,941	10,970
Income taxes	(6,221)	(771)	3,211	(3,781)	2,861	(71)	406	3,196	2,768	(481)	733	3,020
<b>Net income</b>	(9,906)	(1,228)	4,736	(6,398)	8,430	(211)	601	8,820	8,158	(1,416)	1,208	7,950
Net loss attributable to noncontrolling interest	(1,674)	-	-	(1,674)	-	-	-	-	-	-	-	-
<b>Net income attributable to FNHC shareholders</b>	\$(8,232)*	\$(1,228)	\$4,736	\$(4,724)	\$8,430	\$(211)	\$601	\$8,820	\$8,158	\$(1,416)	\$1,208	\$7,950

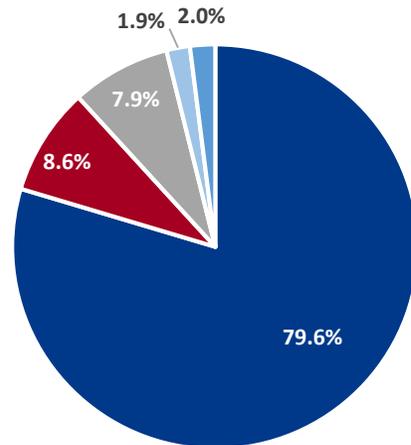
**Q3 earnings from Homeowners up \$16.4M YoY and down \$0.3M sequentially on 3Q seasonality in losses**

\* Impact from Hurricane Irma's net retention was \$21 million pre-tax.

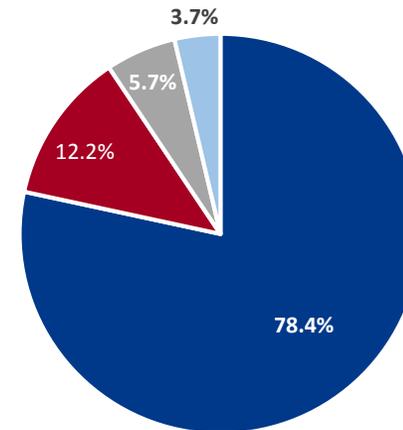
# FAVORABLE PREMIUM COMPOSITION

YTD 2017

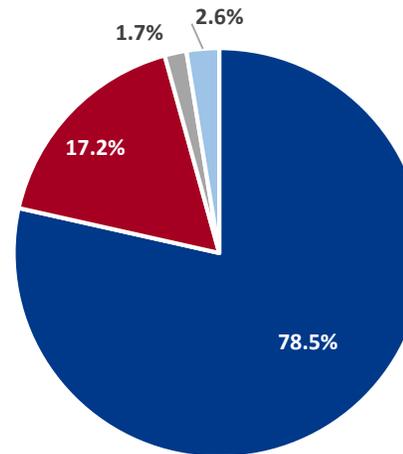
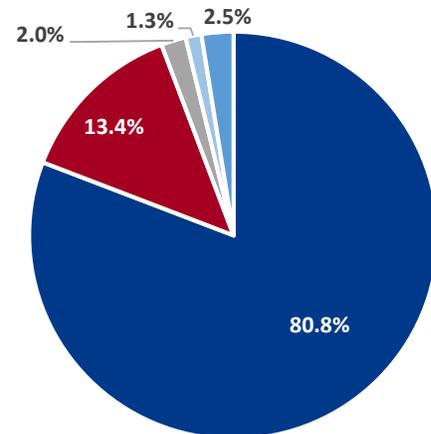
Gross Premiums Written



Net Premiums Earned

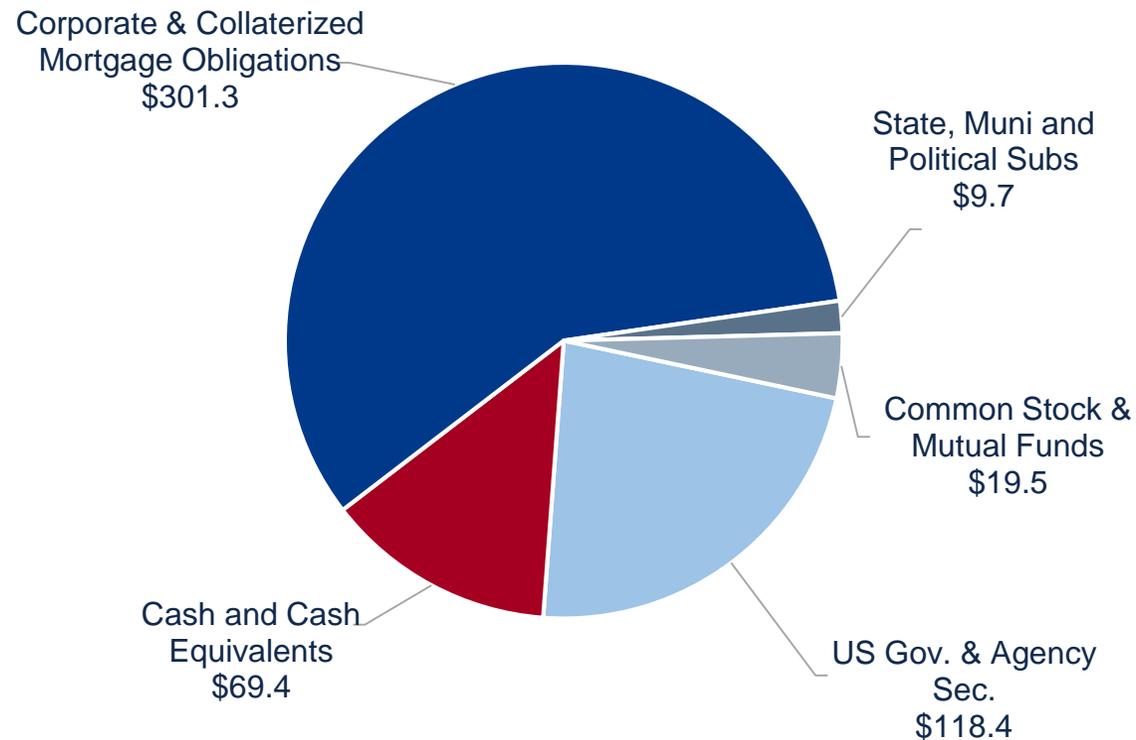


YTD 2018



- Florida Homeowners
- Non-Florida Homeowners
- Auto
- CGL
- Other

# INVESTMENT PORTFOLIO COMPOSITION



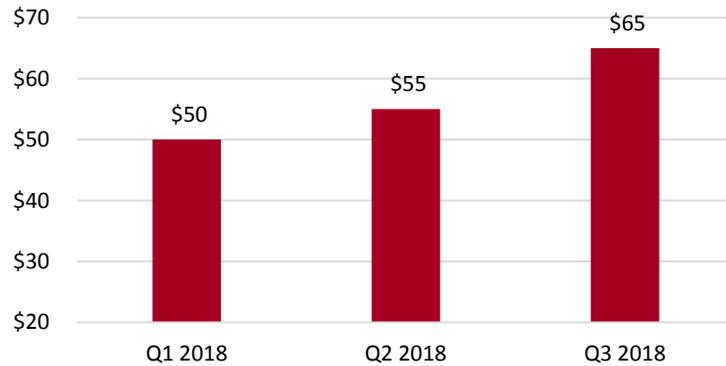
as of September 30, 2018  
(in millions)

- Designed to preserve capital, maximize after-tax investment income, maintain liquidity and minimize risk
- As of 9/30/2018, 97.9% of the Company's fixed income portfolio was rated investment grade
  - Average duration: 4.006 years
  - Composite rating: A- (S&P Composite)
  - YTM: 3.54%
  - Book yield: 3.02%
- Historical total returns on cash and investments as of 9/30/2018
  - 1 Year: 0.43%
  - 2 Years: 1.16%

# LIQUIDITY & LEVERAGE

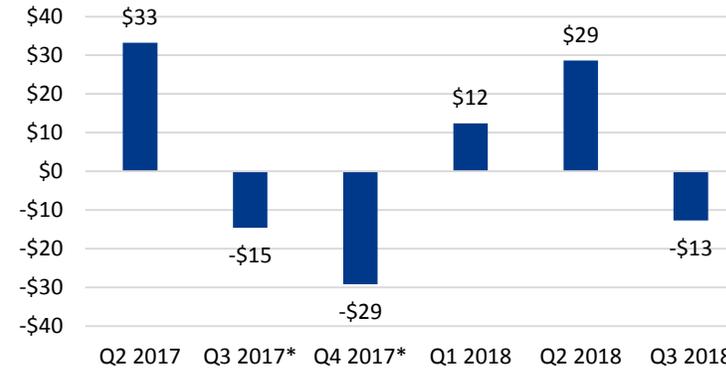
## Non-insurance Liquidity

\$ in millions



## Cash Flow from Operations

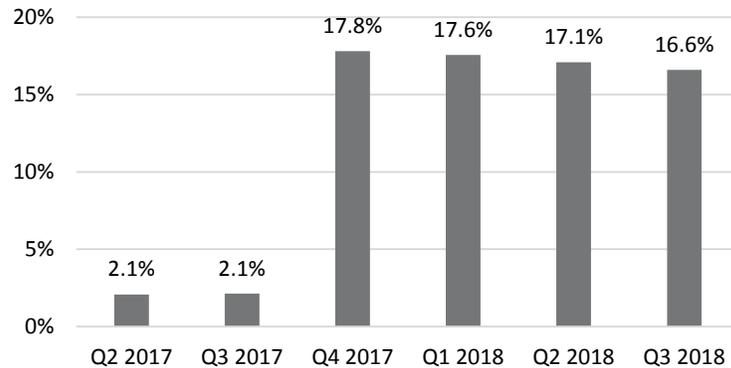
\$ in millions



\* Impacted by Hurricane Irma.

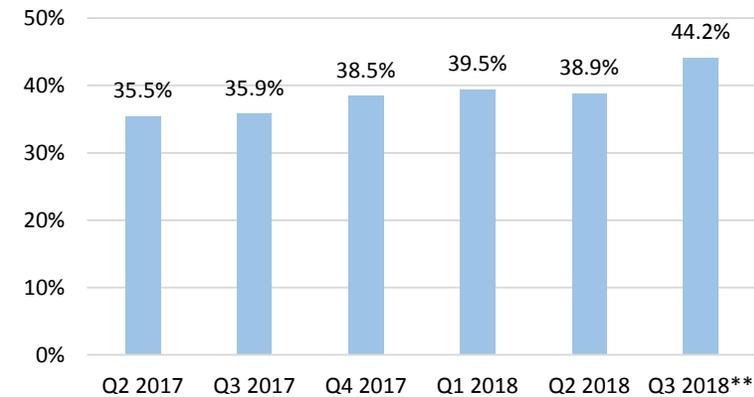
## Financial Leverage

Debt/Capital



## Underwriting Leverage

NPE/Equity



\*\* Driven by lower catastrophe program expense.

# FORWARD FINANCIAL MOMENTUM

## Incremental drivers of earnings growth into 2019:

- Homeowners net earned premiums will benefit from two key factors:
  - Rate increase of 10% effective 8/1/17 now being fully earned
  - Rate increase of 3.6% effective 3/1/19 pending approval
  - Continued Non-Florida gross premiums growth – up 46% 3Q YTD
- Lower ceded premiums as a result of new re-insurance program
  - 10% less hurricane exposure
  - 5 points lower ceded premium ratio (34% down to 29%)
  - Represents over \$30 million of catastrophe reinsurance costs savings over the coming treaty year\*
- Financial savings and benefits of operating efficiency initiatives
  - Reduced staffing by 85 3Q YTD
  - \$1.2M per quarter run-rate savings
- Reduced losses from unprofitable Auto and CGL business lines
- AOB mitigation efforts

\* Over \$27M benefit, net of reduced brokerage income. Subject to adjustments for change in exposure over treaty year.

# CORE EARNINGS POWER

	Pre-Tax	After-Tax
<b>3Q18, as reported</b>	\$10,970	\$7,950
<b>Exclude:</b>		
Weather	4,100	3,061
3Q seasonality above full year run rate	3,500	2,613
Non-core adverse development	3,000	2,240
Severance costs	900	672
Investment gains	(1,760)	(1,314)
<b>“Normalized” quarter</b>	<b>\$20,710</b>	<b>\$15,222</b>

Normalized 3Q18 earnings drive core business ROE above 25%

# Why FedNat?

- Leading operator in complex, fragmented market
  - Long-term track record and management expertise
  - Excellent brand reputation and agent network (including Allstate, GEICO)
  - Florida market ripe for consolidation
- Strategic focus and execution driving earnings momentum
  - Underwriting profitability trends improving
  - In-market and coastal state expansion underway
  - Expense ratios coming down as operating efficiencies take hold
  - Exit of non-core lines progressing well
- Strong balance sheet supports effective capital management strategy

# Questions?

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