



FedNat Holding Company

(NASDAQ: FNHC)

Investor Update

May 2019

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: \$16.98
- Agency Partnerships: 2,500+
- Gross Written Premiums for 1Q19: \$130M+
- Florida OIR Market Share** : 4.8%
- Demotech Financial Stability Rating: A



* As of March 31, 2019, unless otherwise noted

** Market data as of December 31, 2018 (Source: Florida OIR)

LONG-TERM TRACK RECORD OF BOOK VALUE GROWTH



* Impacted by full catastrophe reinsurance retention events

Source: Company Filings and SNL Financial

Note: Based on GAAP financial information

POSITIONED TO DRIVE EARNINGS GROWTH THROUGH ...

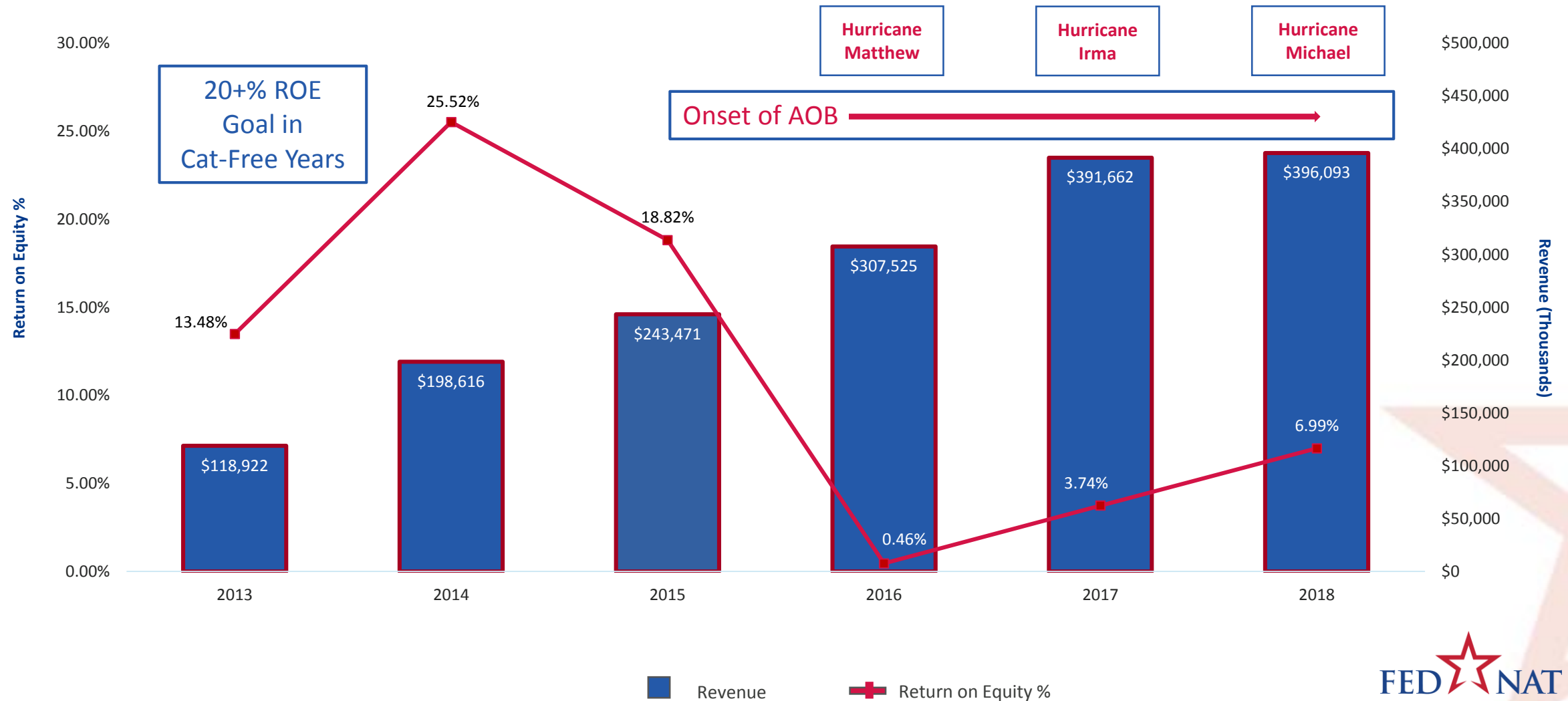
Strategic Decisions

- ✓ **Geographic Diversification**
 - Strong GWP and GEP growth in neighboring coastal markets
 - Maison acquisition accelerates strategy
- ✓ **Focus on Core Homeowners business**
 - Exited unprofitable Auto and CGL
- ✓ **Expanded TAM**
 - Monarch middle market growth opportunity

Operating Improvements

- ✓ **AOB**
 - Successfully mitigated through thorough disciplined underwriting, rate increases
 - Pending reform will deliver multiple benefits
- ✓ **Expense Reductions**
 - \$6M cost savings from operating efficiencies
 - Leveraging technology to drive productivity
- ✓ **2018-2019 Reinsurance Program**
 - Savings of \$30M compared to 2017-2018 program

GROWING THROUGH INDUSTRY HEADWINDS



The background of the image is the Florida state flag, which consists of a blue field with a large white five-pointed star in the center. The right side of the flag is a solid red vertical stripe.

**LEADER IN DYNAMIC FLORIDA
HOMEOWNERS MARKET**

LEADING POSITION IN FRAGMENTED FLORIDA MARKET

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

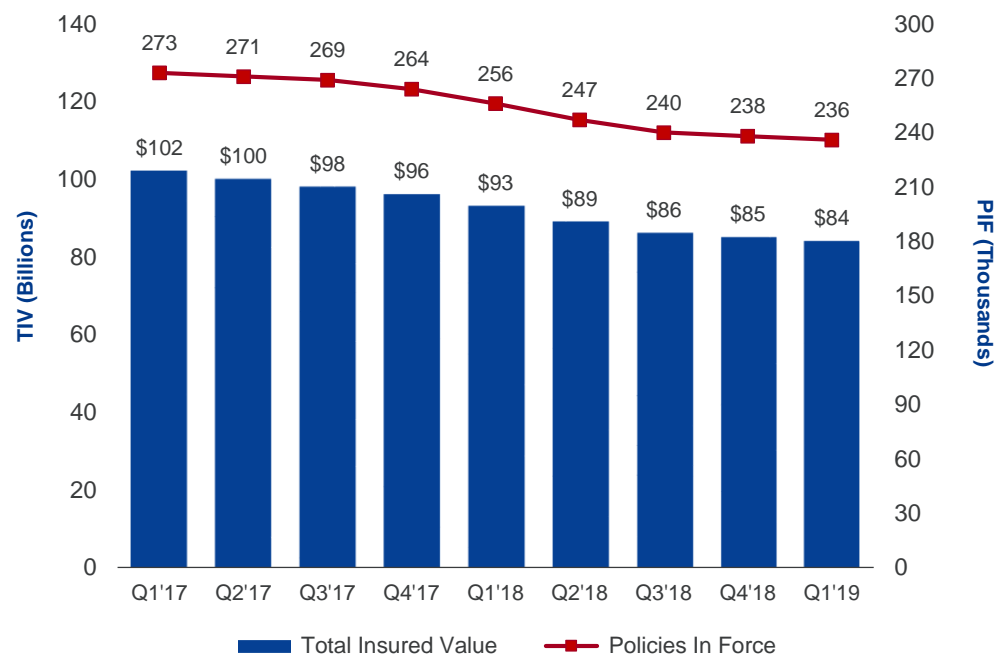
Rank	Insurer	2018 Q4 FL HO DWP (\$ mm)	FL HO Mkt Share (%)
1	Universal Insurance	1,009	11.1
2	Citizens Property Insurance	768	8.4
3	FedNat Insurance	440	4.8
4	Heritage Insurance	412	4.5
5	Security First Insurance	411	4.5
6	Homeowner's Choice Insurance	318	3.5
7	American Integrity	312	3.4
8	First Protective Insurance	310	3.4
9	St. John's Insurance	302	3.3
10	United Services Auto (USAA)	230	2.5
11	Florida Peninsula	229	2.5
12	Tower Hill Prime Insurance	223	2.4
13	People's Trust Insurance	220	2.4
14	ASI Preferred (Progressive)	184	2.0
15	Federal Insurance (Chubb)	177	1.9
16	Olympus Insurance	157	1.7
17	AIG Property Casualty	149	1.6
18	Safepoint Insurance	138	1.5
19	Tower Hill Signature	126	1.4
20	USAA Casualty	111	1.2
21	American Traditions	105	1.2
22	Gulfstream P&C Insurance	105	1.2
23	Auto Club Insurance	104	1.1
24	Southern Fidelity	100	1.1
25	Southern Oak Insurance	100	1.1
	Others	2,390	26.3
	Total	\$9,131	100.0

Source: Florida Office of insurance Regulation data as of December 31, 2018

- Nation's third largest state with 20 million people, growing to 26 million by 2030
- \$9.1 billion Homeowners insurance market with strong home construction growth 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

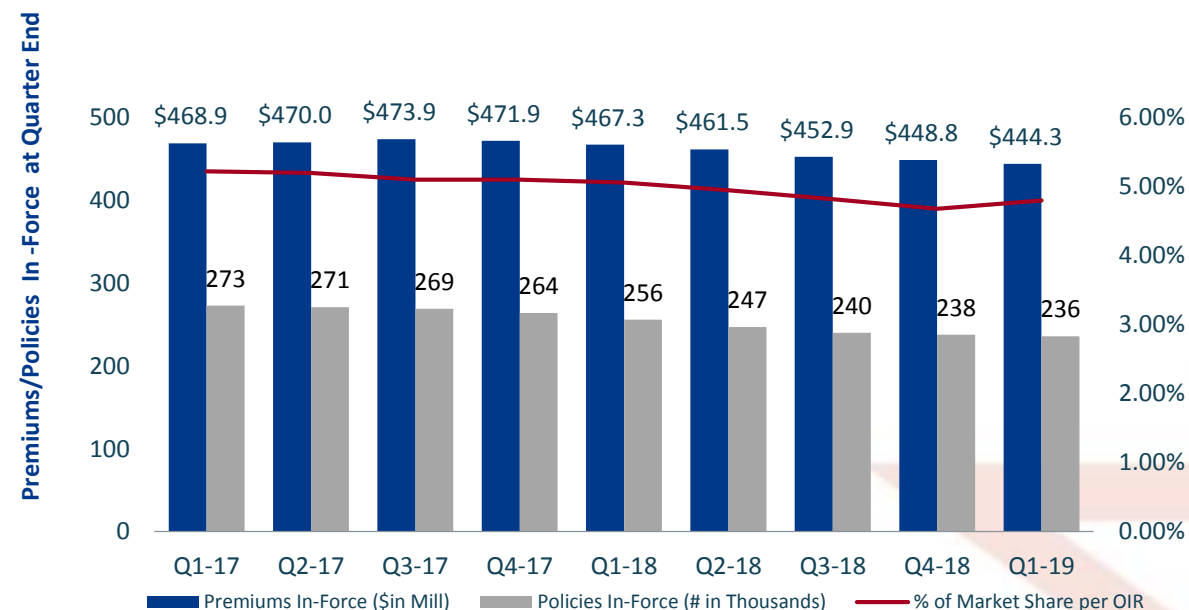
STRONG, PROFITABLE FLORIDA BOOK

FNIC Homeowners Florida Total Insured Value and Policies In-Force



FNIC Homeowners Florida Market Share

Premiums in Force and % Market Share



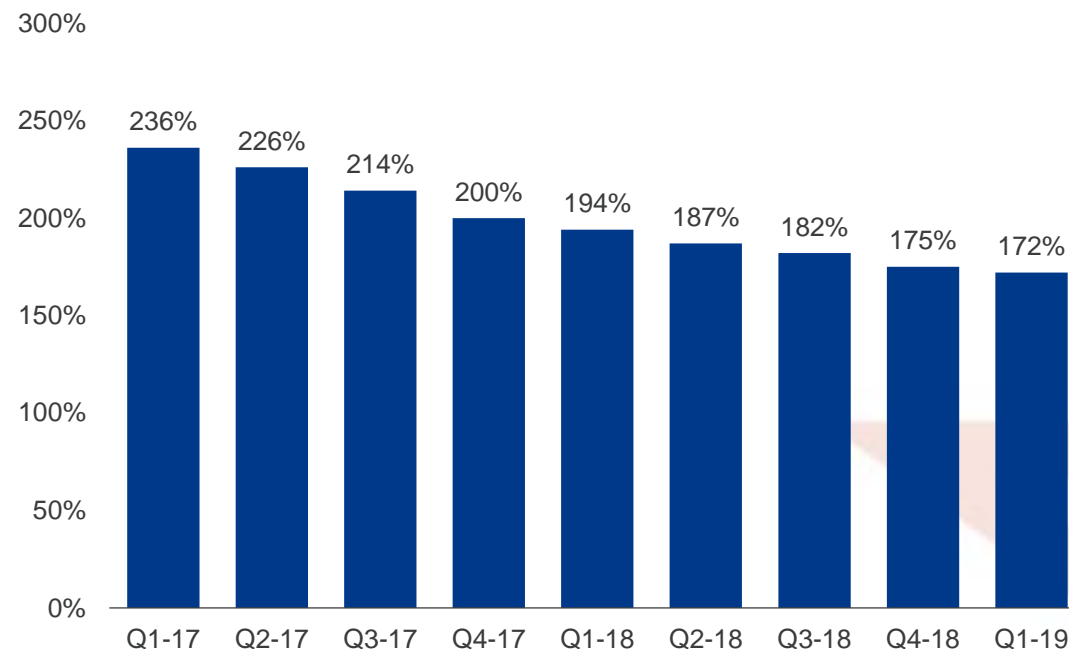
Disciplined underwriting driving increased profitability on flat premiums

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 was reduced 5 points to 29%
- Same purchasing methodology and level of coverage as preceding years

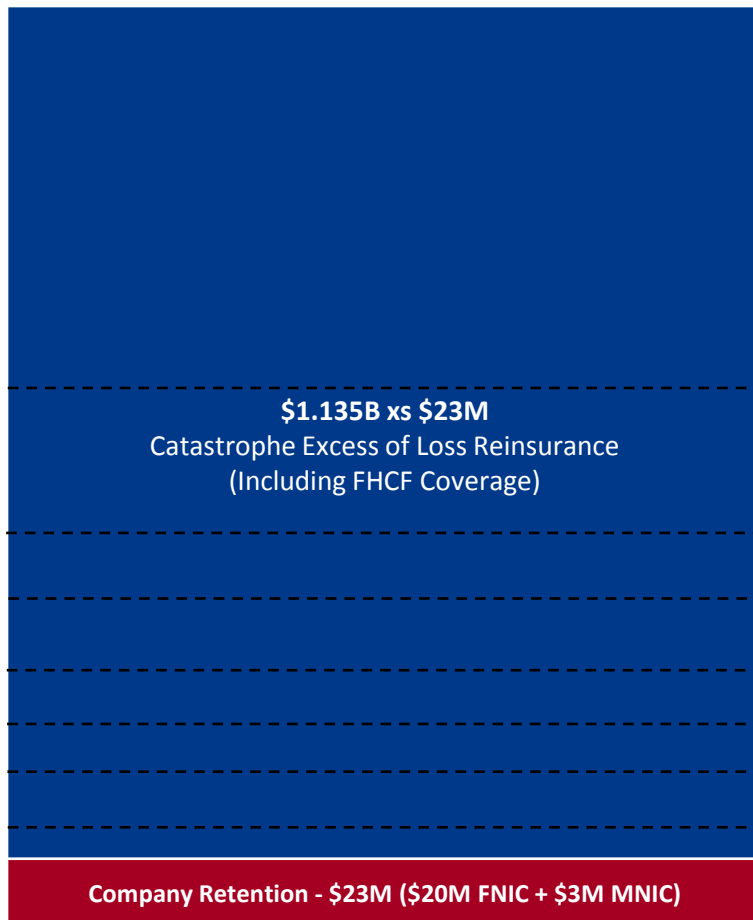
All States 1-in-100 Year Probable Maximum Loss / In-Force Premium (“PML to Premium”)



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

2018-2019 REINSURANCE STRUCTURE

FNIC/ MNIC COMBINED



1st Event Florida (\$1.024B, 9/30/18P
100 year RMS LT+DS RP)

\$1.365B
172 Yr
Florida Only
RMS Long Term
With Loss Amplification

→ Hurricane Irma: \$785.0M (63 yr RT)
Ultimate loss estimate

→ Multiple Events 2004*: \$495M (30 yr RT)
Recast Event: RMS v17 & AIR v5 average

→ Multiple Events 2005**: \$446M (26 yr RT)
Recast Event: RMS v17 & AIR v5 average

→ Hurricane Michael: \$404M (23 yr RT)
Ultimate loss Estimate

→ Hurricane Andrew: \$257M (14 yr RT)

→ Hurricane Wilma: \$203M (10 yr RT)

→ Hurricane Matthew: \$52M (5 yr RT)

*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

REINSURANCE PARTNERS



PartnerRe



FIDELIS



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

AOB Reform!

Florida AOB reform expected to take effect on or before July 1, 2019 – long-overdue reform will restore rationality to Florida HO market. Reform combined with our AOB mitigation strategy should benefit our performance.

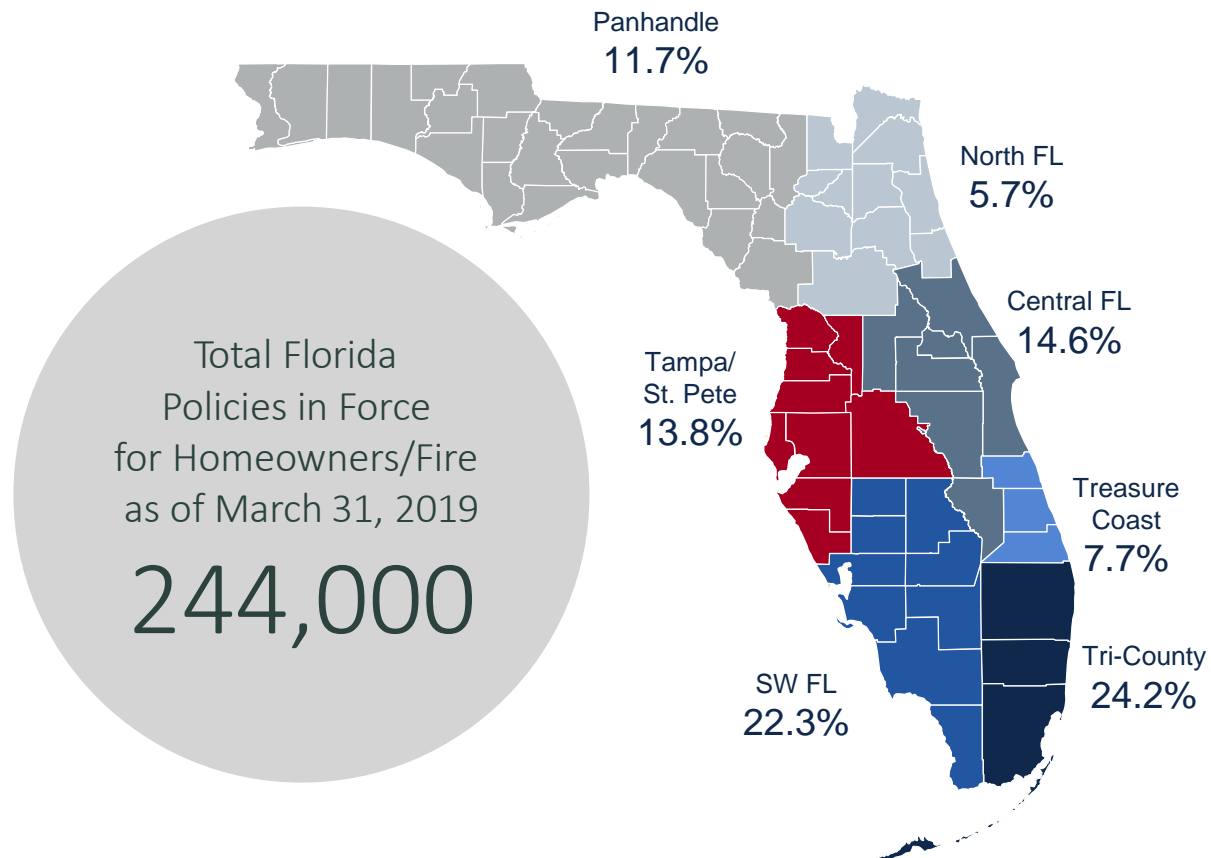
- AOB has been a major drag on the Florida HO market as vendors and attorneys gamed the claims process, driving up costs for all homeowners across the state
- Provisions and limitations in the new legislation will reduce inflated claims, which will lower premiums for homeowners over time, reduce reinsurance costs for primary carriers, and return the industry to a more rational claims process
- FedNat is well-positioned to benefit from this legislation. Our prior efforts to mitigate AOB risk helped us achieve aggregate 21+% compounded state-wide average homeowners rate increase since 2016, including 4.6% rate increase that took effect in April 2019



POSITIONING FOR GROWTH

BROADENING FLORIDA PENETRATION

Florida Homeowners Mix by Region based on Policy Count

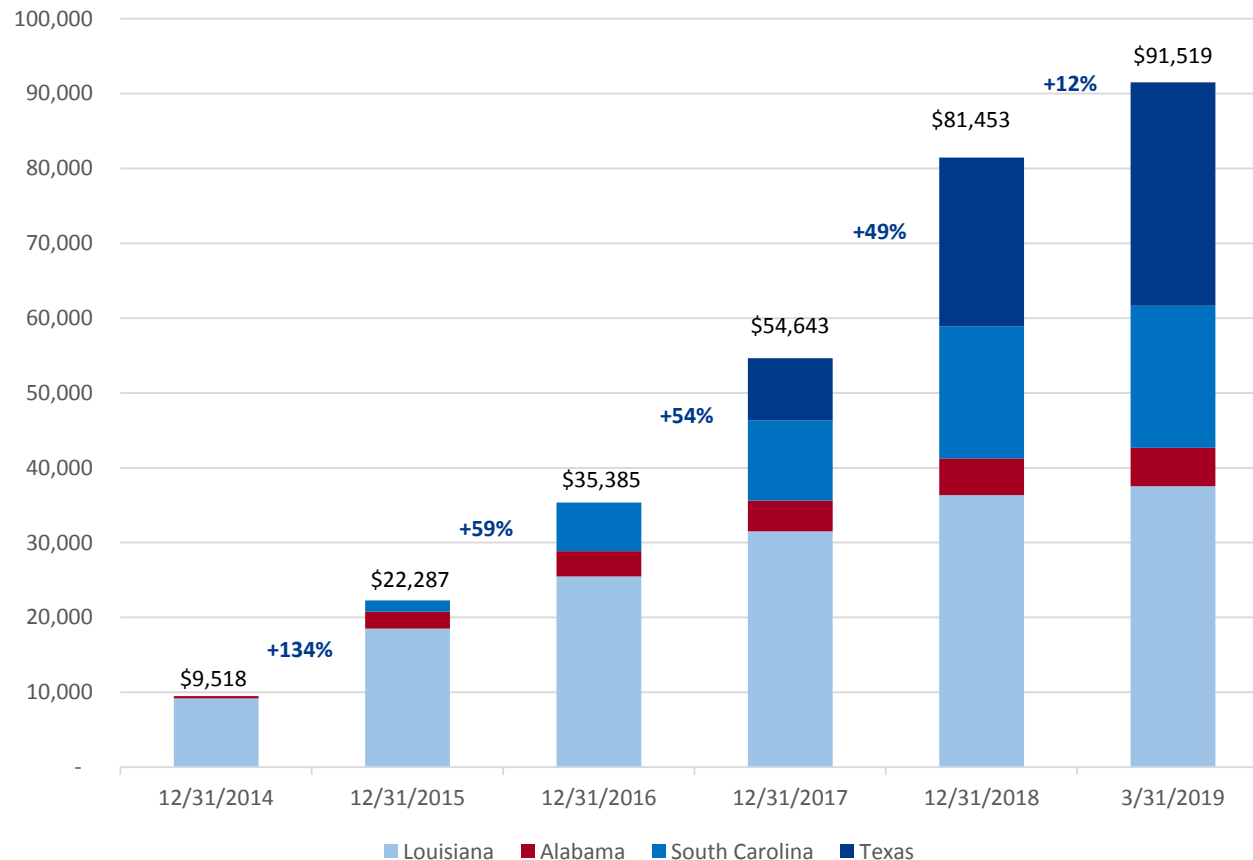


- Statewide offering of HO3, HO6, HO4 and DP-3 Forms
- Risk Management through utilization of both analytics and geographic exposure management
- Distribute through independent retail partner agents and national carrier affinities
- Managed catastrophe exposure by ceding risk through reinsurance treaties

NON-FLORIDA BOOK'S OUTPERFORMANCE

FedNat Non-Florida In-Force Premium

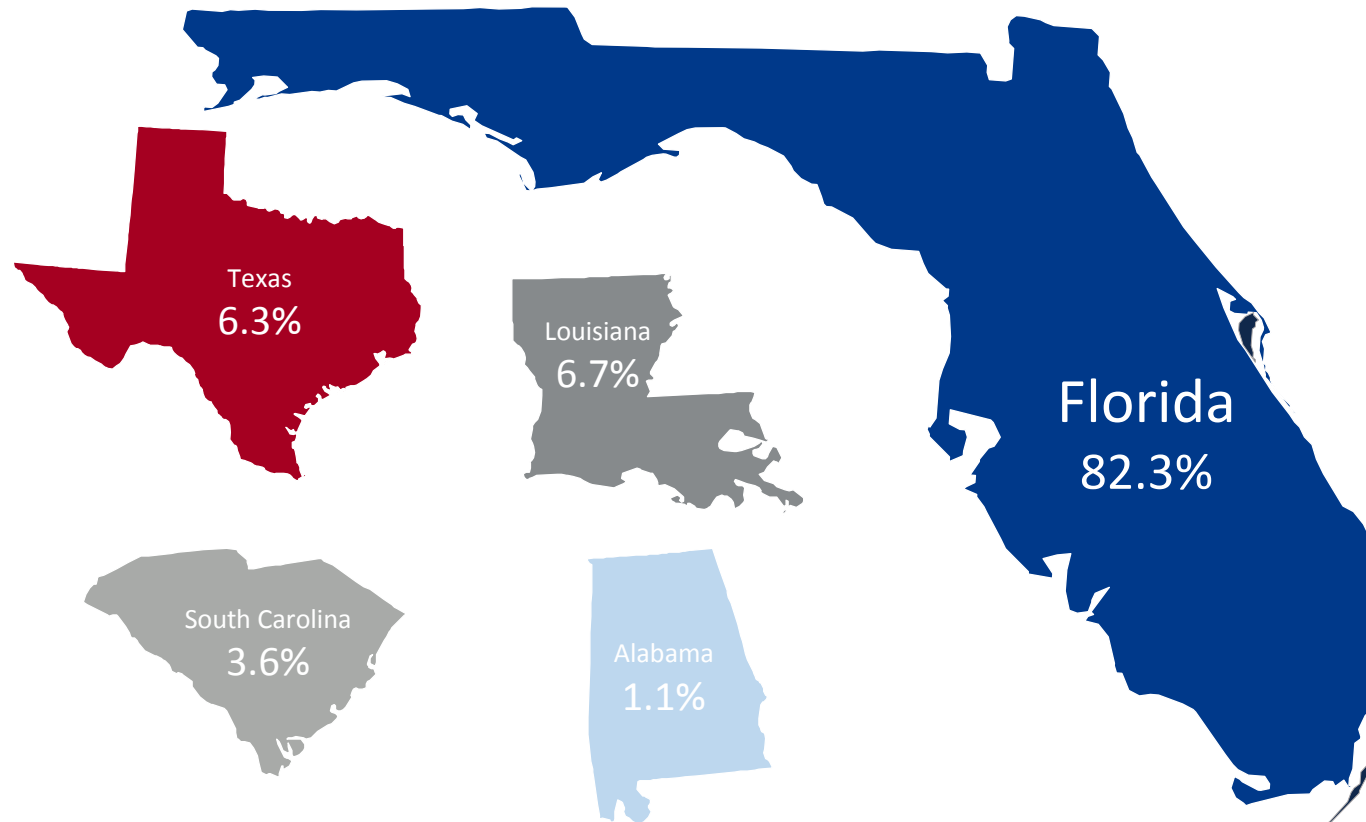
\$ in thousands



- FedNat's non-Florida book has increased by \$82.0M of premium since 12/31/2014 with the help of SageSure
- Gaining market share in Texas, Louisiana, South Carolina and Alabama
- 52,000 policies in-force

COASTAL STATE DIVERSIFICATION

Homeowners Mix by State based on Policy Count



- Limited to Gulf and Atlantic coastal states offering P&C policies
- 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

MAISON ACQUISITION SUMMARY

Accelerates diversification strategy outside Florida HO market

- Increases presence in Texas and Louisiana
- Creates new distribution channel with direct access to non-Florida agents
- Provides additional carrier to further penetrate Florida market

Limited Execution Risk

- Bolt-on acquisition
- New premium represents less than 20% of current GWP volume
- Transaction includes only the homeowners product line

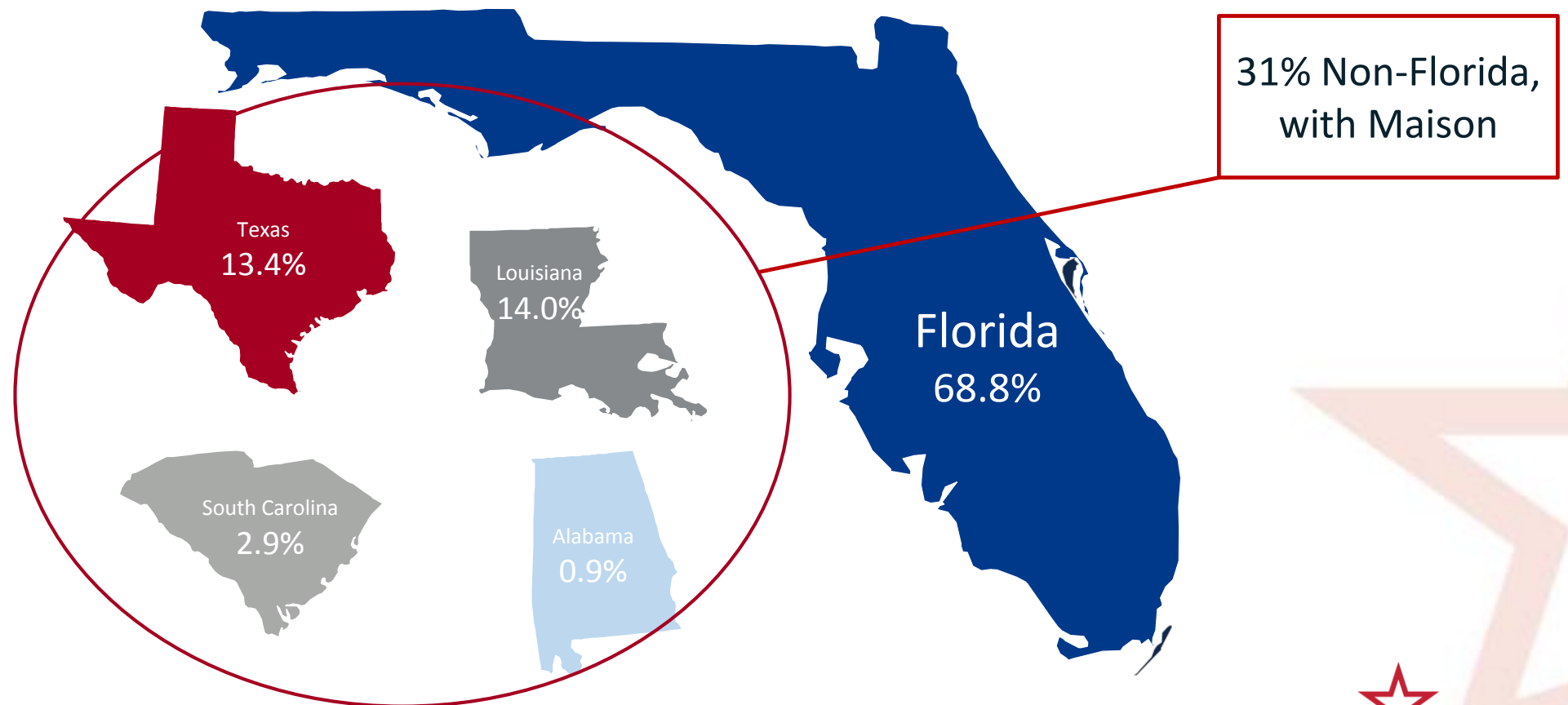
Financial Benefits

- Generates scale with significant operating synergies and cost savings
- Provides reinsurance program cost savings
- Accretive to earnings per share with minimal book value dilution



COASTAL STATE DIVERSIFICATION – WITH MAISON

FedNat and Maison Homeowners Mix by State based on Policy Counts

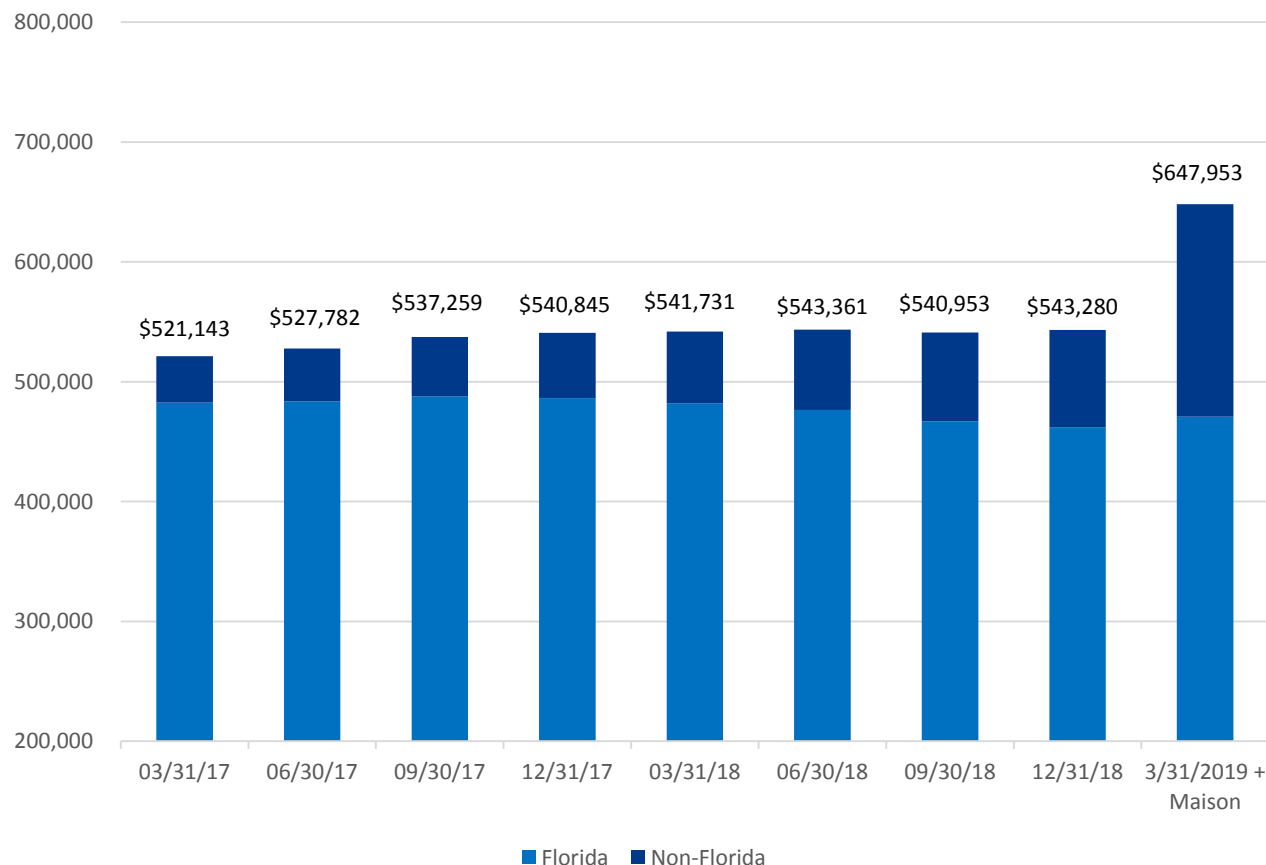


Note: Based on homeowners/fire lines of business as of 3/31/2019

FLORIDA & NON-FLORIDA PREMIUM TRENDS

In-Force Premium

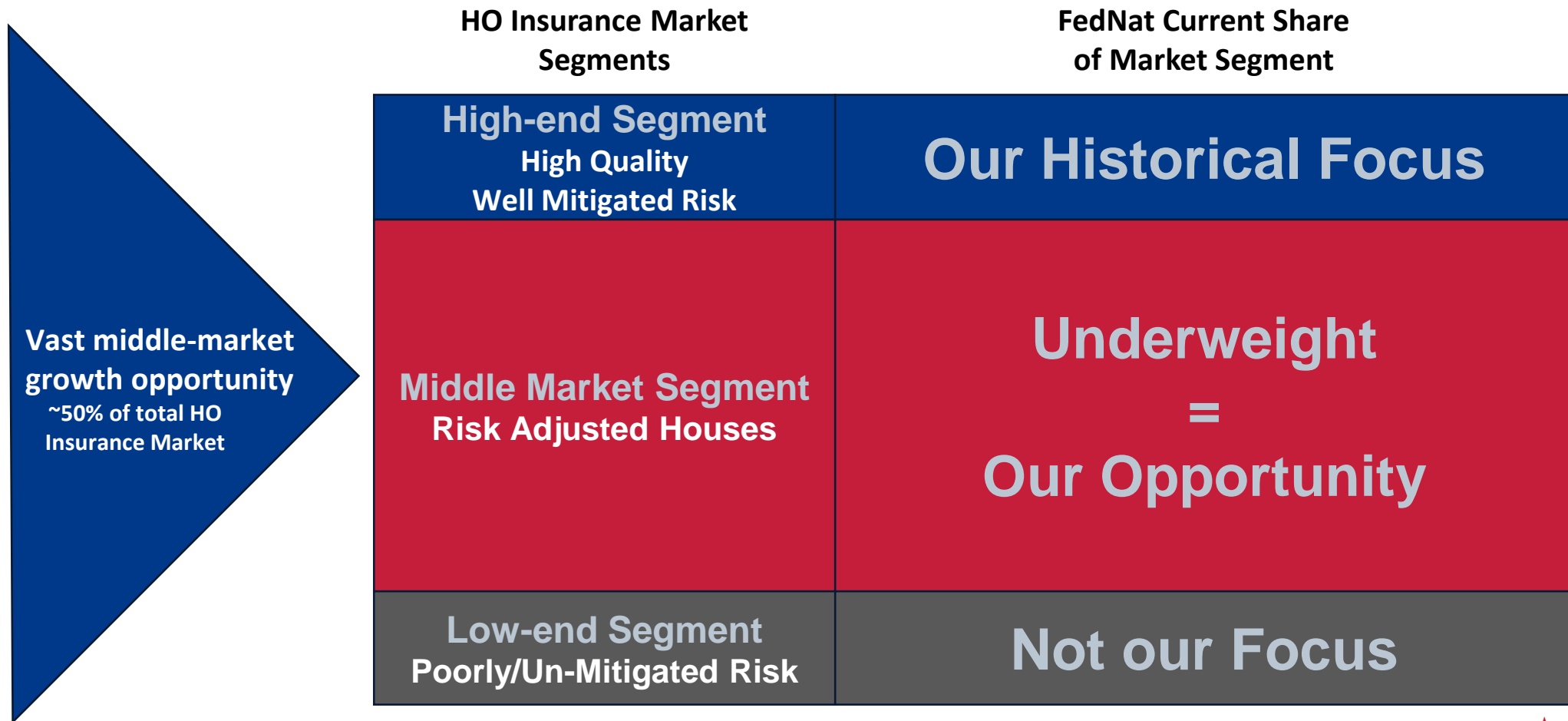
\$ in thousands



- Premium mix has shifted toward non-Florida.
- Non-Florida growth has offset impact of aggressive exposure management in the Florida book of business.
- Avg. Premium in the Florida book of business has grown over the past 2 years.
- Maison's book will add an additional \$85.5M of non-Florida premium to FedNat's current book, an increase of 93%

Note: 3/31/2019 figures include Maison for illustrative purposes only. Transaction is expected to close by end of June 2019.

MONARCH AND MAISON: MIDDLE MARKET OPPORTUNITY



FINANCIAL OVERVIEW

A large, stylized blue star graphic is positioned on the right side of the slide, partially overlapping a red triangle. The star is composed of several concentric, slightly offset shapes, creating a layered effect. The background is a solid dark blue, and the red triangle is located on the right edge, pointing towards the center.

RECENT FINANCIAL & OPERATING HIGHLIGHTS

(in thousands)	1Q18	2Q18	3Q18	4Q18*	1Q19**
Income Statement Data:					
Gross Premiums Written	\$134,395	\$166,734	\$139,022	\$127,613	\$132,233
Net Premiums Earned	82,109	83,557	98,493	91,098	88,784
Net Investment Income	2,943	2,978	3,137	3,402	3,710
Net Income (Loss)	7,463	8,820	7,950	(9,305)	(3,865)
Diluted Earnings Per Share	0.58	0.69	0.62	(0.73)	(0.30)
Adjusted Operating Income	8,464	9,103	7,360	(4,937)	(2,394)
Adjusted Operating Income Per Share	\$0.65	\$0.71	\$0.57	(\$0.39)	(\$0.19)
Balance Sheet Data:					
Cash and Investments	506,861	532,084	518,395	515,948	569,423
Shareholders Equity	208,080	215,028	222,936	215,259	217,916
Book Value per Share	\$16.36	\$16.89	\$17.45	\$16.84	\$16.98
Financial Ratios:					
Net Loss Ratio	56.1%	56.9%	63.4%	79.4%	75.3%
Net Expense Ratio	44.2%	42.1%	36.9%	38.9%	38.9%
Net Combined Ratio	100.3%	99.0%	100.3%	118.3%	114.2%

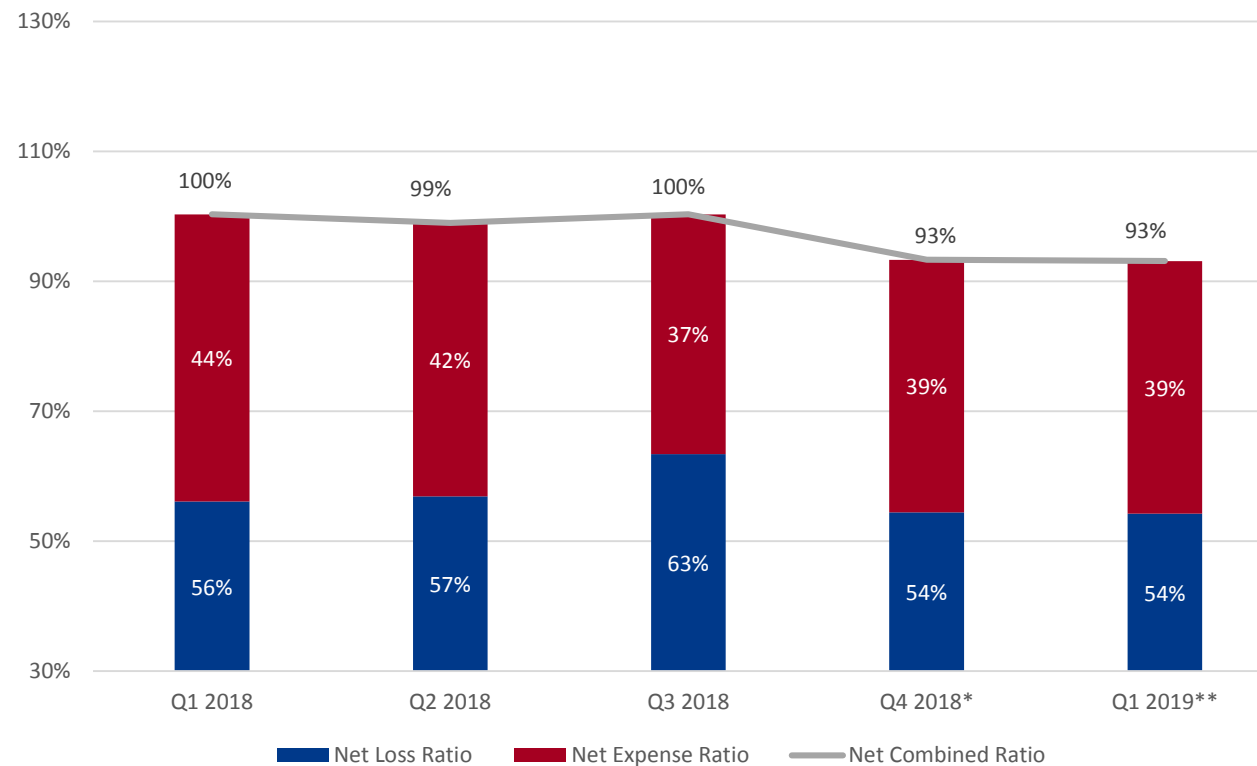
Q1 Notes/Highlights

- Net earned premiums increased 8% over 1Q18 driven by lower catastrophe reinsurance spend and strong non-Florida premium earned growth (up 55%)
- Excluding the Brevard County hail storm, Q1-19 adjusted operating income would have been \$11.6M or \$0.91 per share.
- Holding company liquidity of \$96 million as of March 31
- Expense initiatives taking hold
- \$18.7 million of claims from the Brevard County hail storm represents 21 points on combined ratio and \$1.09 per share, after-tax.

* Impact from Hurricane Michael was \$22 million, pre-tax, net of related claims handling revenue, and approximately \$16.5 million, after-tax.

** Impact from the Brevard County hail storm was \$18.7 million, pre-tax, and approximately \$14.0 million, after-tax.

IMPROVING UNDERWRITING PROFITABILITY



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

* Excludes Hurricane Michael, which impacted the net loss and combined ratios by 25 points.

** Excludes the Brevard County hail storm, which impacted the net loss and combined ratios by 21 points.

EXIT FROM NON-CORE LINES DRIVING MEANINGFUL EARNINGS IMPROVEMENT

	Q1 2018				Q4 2018				Q1 2019			
	HO	Auto	Other	Consolidated	HO	Auto	Other	Consolidated	HO	Auto	Other	Consolidated
Total Revenue	\$83,305	\$4,166	\$5,606	\$91,077	\$95,357	\$289	\$796	\$96,442	\$93,651	\$20	\$7,526	\$101,197
Costs and expenses:												
Losses and loss adjustment expenses	41,955	2,236	1,880	46,071	64,634	4,840	2,844	72,318	63,330	844	2,665	66,839
All other expenses	32,345	1,985	3,060	37,390	32,537	780	3,201	36,518	32,227	85	7,284	39,596
Total costs and expenses	74,300	4,221	4,940	83,461	97,171	5,620	6,045	108,836	95,557	929	9,949	106,435
Income before income taxes	9,005	(55)	666	9,616	(1,814)	(5,331)	(5,249)	(12,394)	(1,906)	(909)	(2,423)	(5,238)
Income taxes	2,282	(14)	103	2,371	(460)	(1,351)	(1,278)	(3,089)	(483)	(230)	(660)	(1,373)
Net income	6,723	(41)	563	7,245	(1,354)	(3,980)	(3,971)	(9,305)	(1,423)	(679)	(1,763)	(3,865)
Net loss attributable to noncontrolling interest	(218)	-	-	(218)	-	-	-	-	-	-	-	-
Net income attributable to FNHC shareholders	6,941	(41)	563	7,463	(1,354)*	(3,980)	(3,971)	(9,305)	(1,423)**	(679)	(1,763)	(3,865)
Adjusted operating income	\$7,117	(\$20)	\$1,367	\$8,464	(\$1,049)	(\$3,979)	\$91	(\$4,937)	(\$1,387)	(\$679)	(\$328)	(\$2,394)

Excluding the Brevard County hail storm, Homeowners earned \$12.5M in 1Q19.

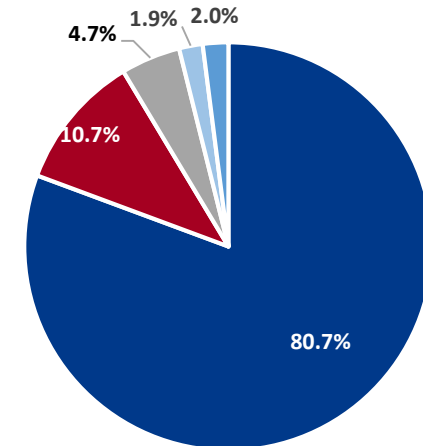
* Hurricane Michael impacted losses by \$22 million, and net income by approximately \$16.5 million.

** The Brevard County hail storm impacted losses by \$18.7 million, and net income by approximately \$14.0 million.

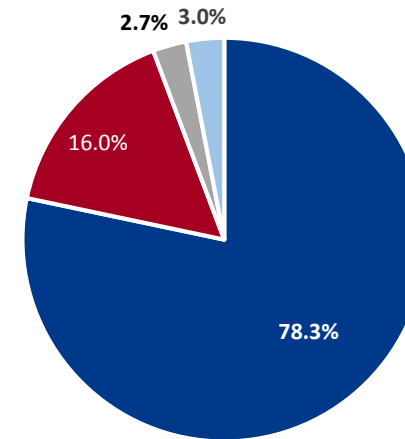
FAVORABLE PREMIUM COMPOSITION

Q1 2018

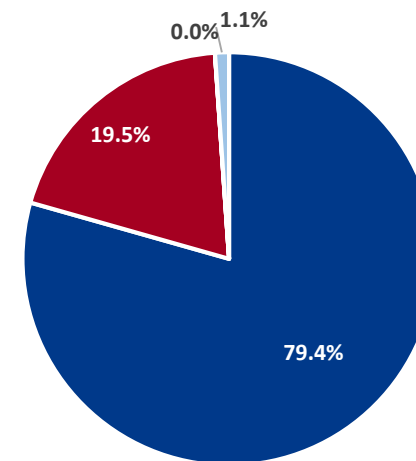
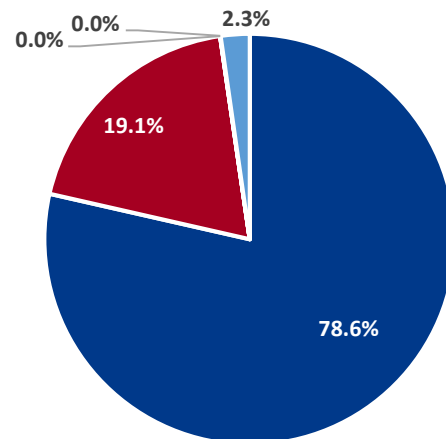
Gross Premiums Written



Net Premiums Earned

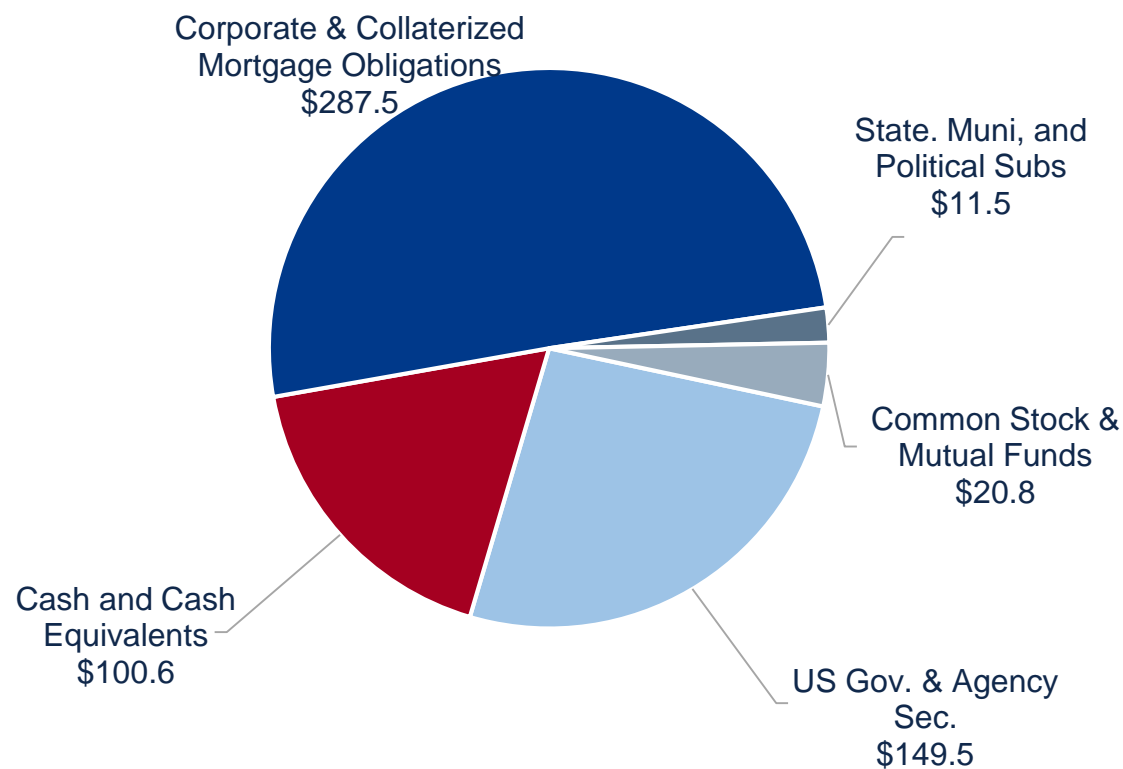


Q1 2019



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

INVESTMENT PORTFOLIO COMPOSITION



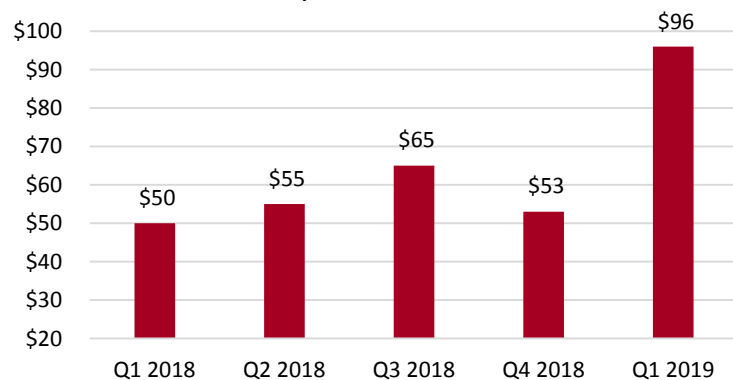
as of March 31, 2019
(in millions)

- Designed to preserve capital, maximize after-tax investment income, maintain liquidity and minimize risk
- As of 3/31/2019, 98.4% of the Company's fixed income portfolio was rated investment grade
 - Average duration: 4.1 years
 - Composite rating: A- (S&P Composite)
 - YTM: 3.20%
 - Book yield: 3.37%
- Historical total returns on cash and investments as of 3/31/2019
 - 1 Year: 4.72%
 - 2 Years: 3.14%

LIQUIDITY & LEVERAGE

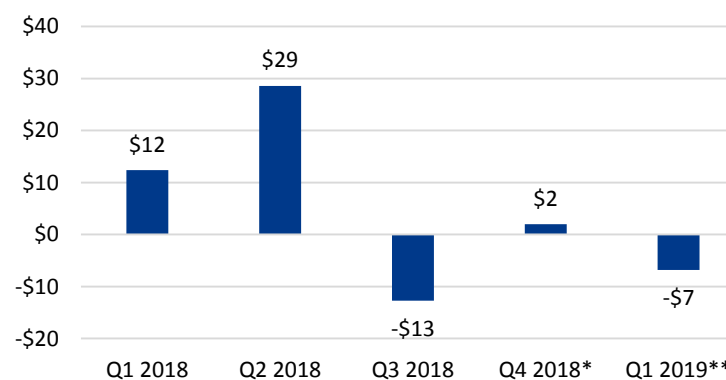
Non-insurance Liquidity

\$ in millions



Cash Flow from Operations

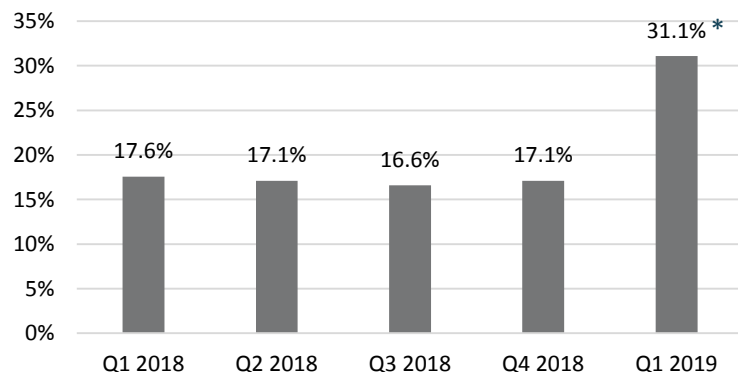
\$ in millions



* Impacted by Hurricane Michael. ** Impacted by Brevard County Hail Storm.

Financial Leverage

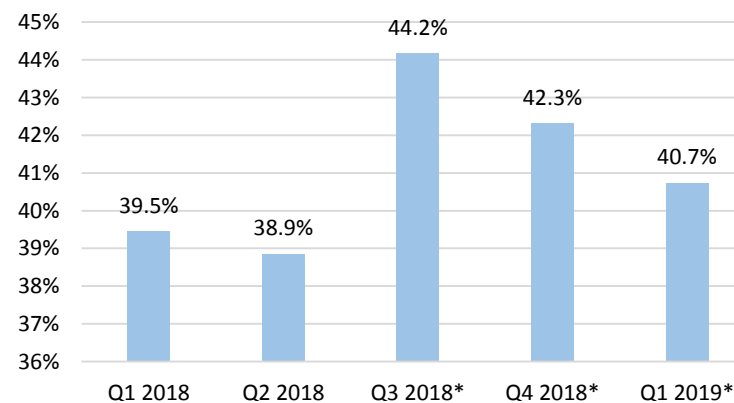
Debt/Capital



* Expected to be 29% upon closing of the Maison acquisition.

Underwriting Leverage

NPE/Equity



* Driven by lower catastrophe program expense.

2019 EARNINGS GROWTH DRIVERS

- Expected increase in homeowners gross earned premiums
 - Prior rate increase of 10% effective August 2017 now earned
 - New rate increase effective in April 2019 of 4.6%
 - Continued strong growth in non-Florida gross premiums
- Lower ceded premiums from 2018-2019 reinsurance program
 - Approximately \$15 million in first half of 2019
- Exit from unprofitable Auto and CGL business lines
- AOB reform + recent rate increases
- Integration of accretive Maison operations in second half of 2019
- Savings from operating efficiency initiatives
 - \$1.5 million per quarter run rate

CORE EARNINGS POWER

	Pre-Tax	After-Tax
1Q19, as reported	(\$5,238)	(\$3,865)
Exclude:		
March 2019 Hail Storm	18,700	13,960
Non-core adverse development	2,300	1,717
Investment gains	(2,301)	(1,718)
Prepayment fees	3,600	2,669
Maison deal costs/other	700	520
“Normalized” quarter	\$17,761	\$13,283

Normalized 1Q19 earnings drive core business ROE of over 20%

Questions?

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