



FedNat Holding Company

(NASDAQ: FNHC)

Investor Update

September 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 and its ability to integrate operations proposed to be acquired; 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 compliance with 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; the timing and ability to obtain regulatory approval of applications for transactions and requested rate increases, or to underwrite in additional jurisdictions, and the timing thereof; the impact that the results of our subsidiaries' operations 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 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

Key Metrics*:

2Q19 TTM Gross Written
Premiums

\$568M

Book Value Per Common Share

\$17.96

Florida OIR Market Share **

4.8%

Agency Partnerships

2,500+

Cash and Investments

\$600M+

Demotech Financial
Stability Rating

A



**A homeowners insurer predominantly in Florida
with controlled expansion in TX, LA, SC and AL.**

Corporate Overview

- Leader in coastal Florida homeowners market
- Expanding presence in neighboring states organically and via M&A
- 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

* As of June 30, 2019, unless otherwise noted

** Market data as of March 31, 2019 (Source: Florida OIR)

POSITIONED TO DRIVE EARNINGS GROWTH THROUGH ...

1

INCREASED FOCUS ON CORE BUSINESS

- ✓ Focus on Core Homeowners business – Exited unprofitable Auto and CGL
- ✓ Positioned for profitable growth in Florida and neighboring coastal states
- ✓ Increased underwriting appetite within Florida market with rate adequacy after multiple rate increases and AOB reform

2

IMPROVED OPERATING PROFILE

- ✓ Earning in rate increases equivalent to \$20M+ annualized Gross Earned Premium
- ✓ Expense reductions – \$6M annual cost savings from operating efficiencies and exit of non-core lines of business
- ✓ AOB – Economic benefits from recently-enacted reform will emerge in the coming quarters

3

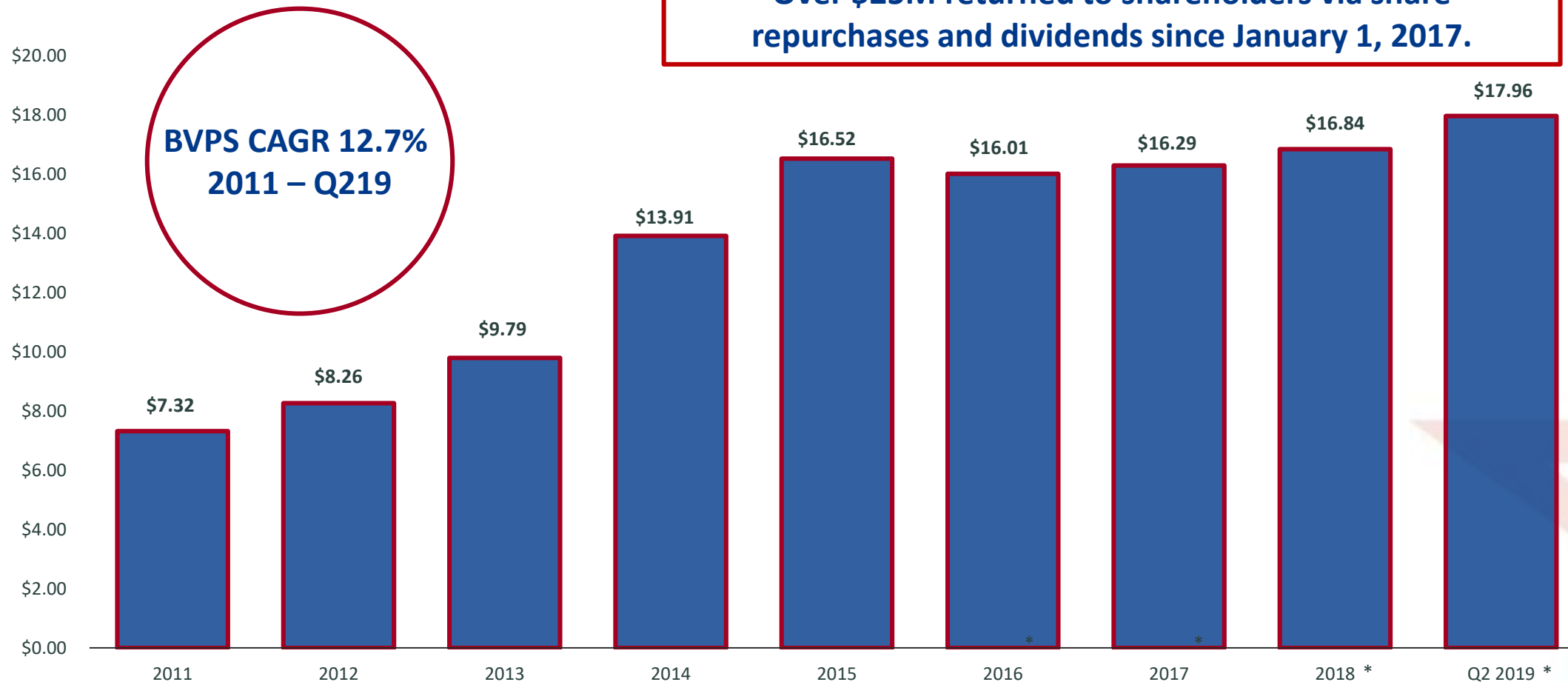
EXPANDED MARKET OPPORTUNITY

- ✓ Strong organic premium growth in neighboring coastal markets
- ✓ Maison acquisition expands total addressable market outside Florida—expected to immediately generate 10%+ EPS growth and increase ROE by 100 bps
- ✓ Market growth opportunities within Florida via re-launch of Monarch and pending acquisition of Maison

20% ROE goal in catastrophe-free periods










LONG-TERM TRACK RECORD OF BOOK VALUE GROWTH

Over \$25M returned to shareholders via share repurchases and dividends since January 1, 2017.



* Impacted by full catastrophe reinsurance retention events
Note: Based on GAAP financial information

COMPELLING VALUATION OPPORTUNITY

	Avg. P/E ¹	Avg. P/BV ²	Median 2018 ROE
	5.3x	0.6x	8.3%
FLORIDA FIVE ("FL5")    	9.1x	1.3x	11.1%
SELECT SMALL/MICRO-CAP PEERS ²    	9.9x	0.9x	(1.6%)

FedNat has laid the foundation for enhanced profitability, but near-term progress has been masked by AOB, non-core business exits, and unusually bad weather

1. SOURCE: Factset, average peer group ratios are based on 2020 consensus estimates as of 8.13.19

2. Greenlight Re and Protective Insurance did not have available 2020 P/BV estimates

The background of the image is a stylized representation of the Florida state flag. It features a large, five-pointed blue star on the left side, set against a dark blue background. To the right of the star is a vertical red stripe. The text is positioned to the left of the star, overlapping the dark blue background.

**LEADER IN DYNAMIC FLORIDA
HOMEOWNERS MARKET**

LEADING POSITION IN FRAGMENTED FLORIDA MARKET

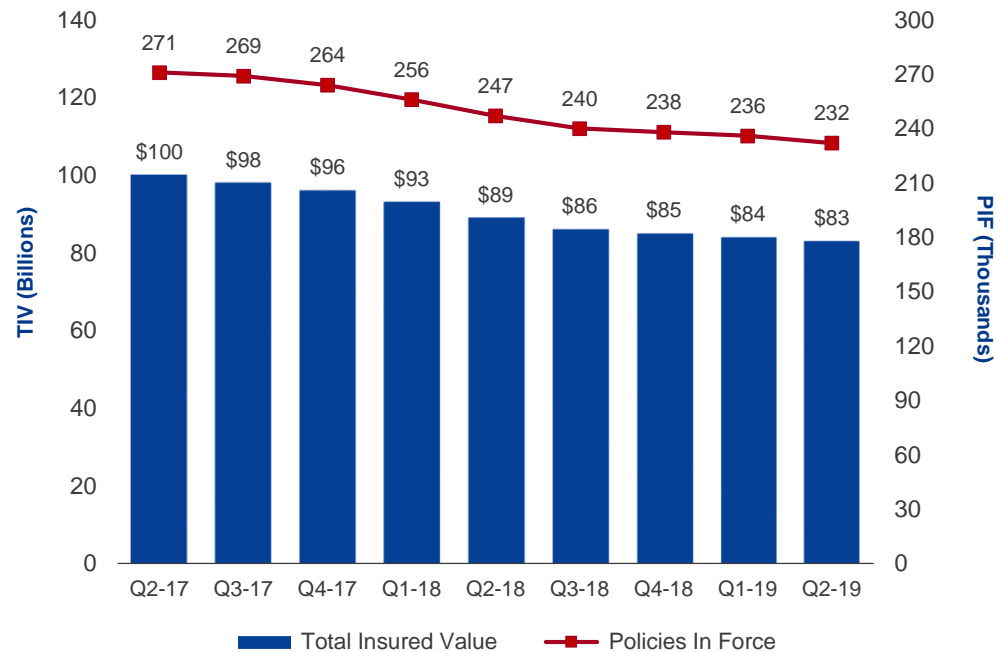
Market dominated by “specialists”, with limited national P&C carrier presence

Rank	Insurer	2019 Q1 FL HO DWP (\$ mm)	FL HO Mkt Share (%)
1	Universal Insurance	1,018	11.1
2	Citizens Property Insurance	766	8.4
3	FedNat Insurance	436	4.8
4	Security First Insurance	411	4.5
5	Heritage Insurance	410	4.5
6	American Integrity	316	3.5
7	Homeowners Choice	312	3.4
8	St. John's Insurance	311	3.4
9	First Protective	308	3.4
10	United Services Auto (USAA)	229	2.5
11	Florida Peninsula	227	2.5
12	People's Trust Insurance	221	2.4
13	ASI Preferred (Progressive)	218	2.4
14	Federal Insurance (Chubb)	180	2.0
15	Olympus Insurance	163	1.8
16	AIG Property Casualty	146	1.6
17	Safepoint Insurance	137	1.5
18	USAA Casualty	110	1.2
19	American Traditions	106	1.2
20	Auto Club Insurance	104	1.1
21	Gulfstream Insurance	104	1.1
22	Southern Fidelity	101	1.1
23	Southern Oak	99	1.1
24	Florida Specialty	98	1.1
25	Edison Insurance	96	1.1
	Others	2,507	27.5
	Total	\$9,131	100.0

- Nation's third largest state with 21 million people—projected at 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, FedNat has opportunity for incremental organic growth
- AOB reform is a positive development

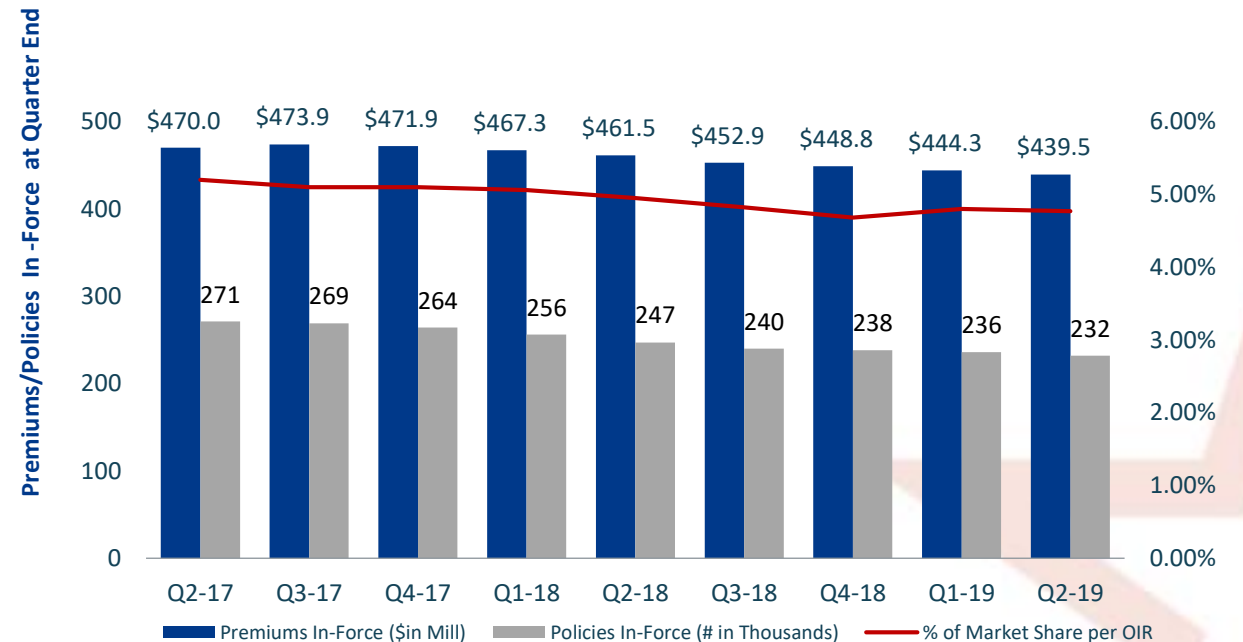
DISCIPLINED UNDERWRITING DRIVES IMPROVED ECONOMICS

FNIC Homeowners Florida Total Insured Value and Policies In-Force



FNIC Homeowners Florida Market Share

Premiums in Force and % Market Share



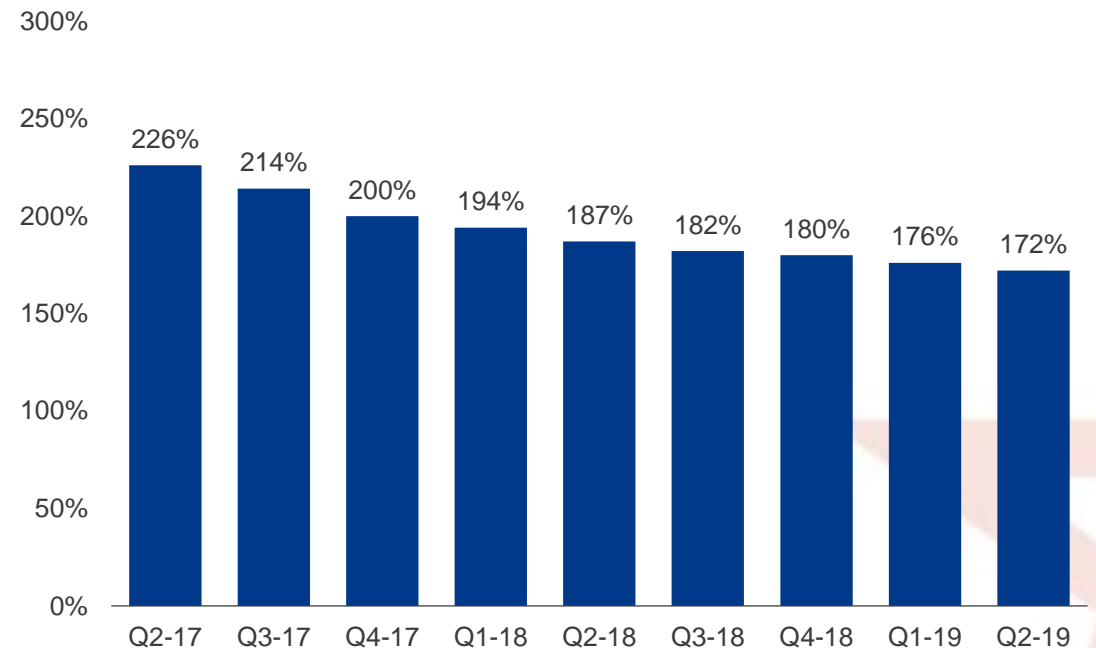
Flat premiums on decreased exposure drives increased profitability

RIGOROUS EXPOSURE MANAGEMENT

Excess-of-Loss Cat Reinsurance

- Even with recent price increase, \$15M lower spend for FNIC and MNIC in '19/'20 versus '17/'18
- FNIC and MNIC Homeowners ceded premium ratio for catastrophe coverage at 29%
- Same purchasing methodology and level of coverage as preceding years, except lowered 2nd & 3rd event Florida hurricane retention to \$10M for FNIC/MNIC in '19/'20

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

2019-2020 REINSURANCE STRUCTURE

FNIC / MNIC / MAISON COMBINED

\$1.3B
190 Yr
Florida Only
RMS Long Term
With Loss Amplification

\$1.275B vs \$27M
Catastrophe Excess of Loss Reinsurance
(Including FHCF Coverage)

Hurricane Irma: \$789.0M (63 yr RT)
Ultimate loss estimate

Multiple Events 2004*: \$448M (30 yr RT)
Recast Event: RMS v17 & AIR v5 average
Multiple Events 2005: \$670M (57 yr RT)**
Recast Event: RMS v17 & AIR v5 average

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

Hurricane Andrew: \$319M (19 yr RT)

Hurricane Wilma: \$203M (10 yr RT)

Hurricane Matthew: \$52M (5 yr RT)

Company Retention - \$27M (\$20M FNIC + \$2M MNIC + \$5M Maison) with 2nd/3rd Event: \$10M per event for Florida Only (FNIC/MNIC)

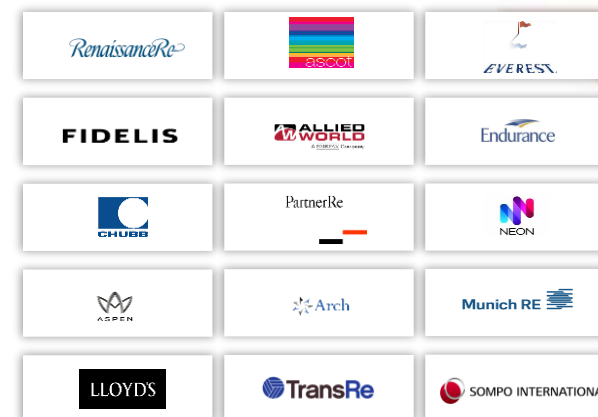
1st Event Florida (\$926M, 9/30/19P)
100 year RMS LT+DS RP)

*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 + Maison totals

PROGRAM HIGHLIGHTS

- Aggregate limit increased from \$1.79B to \$1.84B
- Maximum single event coverage of approximately \$1.3B
- Private market reinsurance limit increased ~\$150M due to less Florida Hurricane Catastrophe Fund protection from a smaller FL book
- Reinstatement Premium Protection and cascading structure facilitate coverage across multiple events
- Additional protection reduces FNIC/MNIC second and third event Florida hurricane retention to \$10 million from \$22 million per event.
- Partnered with reinsurers with an A.M. Best or S&P rating of "A-" or better, or that have fully collateralized their maximum potential obligations in dedicated trusts.

REINSURANCE PARTNERS



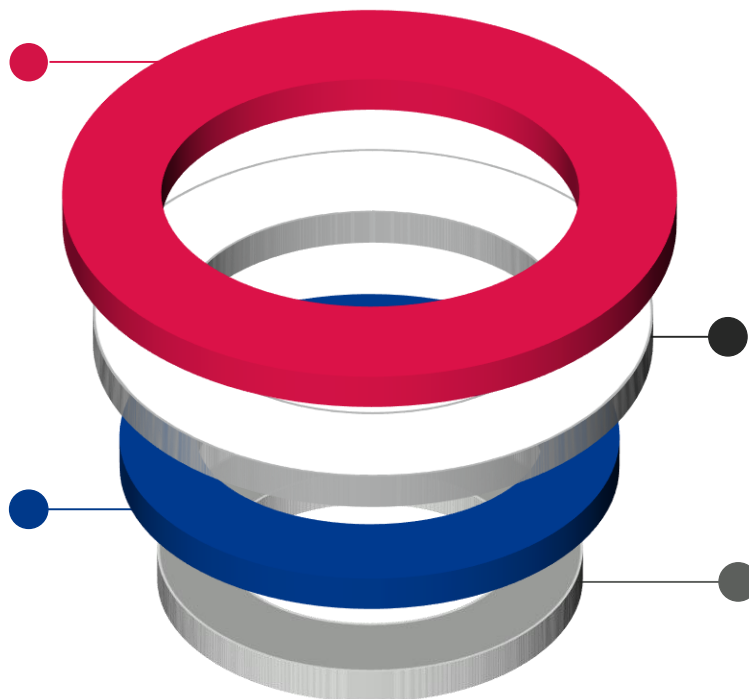
DISCIPLINED UNDERWRITING APPROACH

HIGH-QUALITY BOOK

Properties with more advanced wind/hurricane mitigation features and lower All Other Peril (non-catastrophe) losses

RATE DISCIPLINE¹

Rates on every policy are a function of FNIC's historical loss experience, concentration of risk, expenses and current market conditions



PROVEN MODEL

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

PRUDENT EXPANSION

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

FedNat's meticulous underwriting approach allows it to manage current exposures while profitably underwriting new risks

1. All risks are subject to an annual review to ensure low performing risks are not offered a renewal

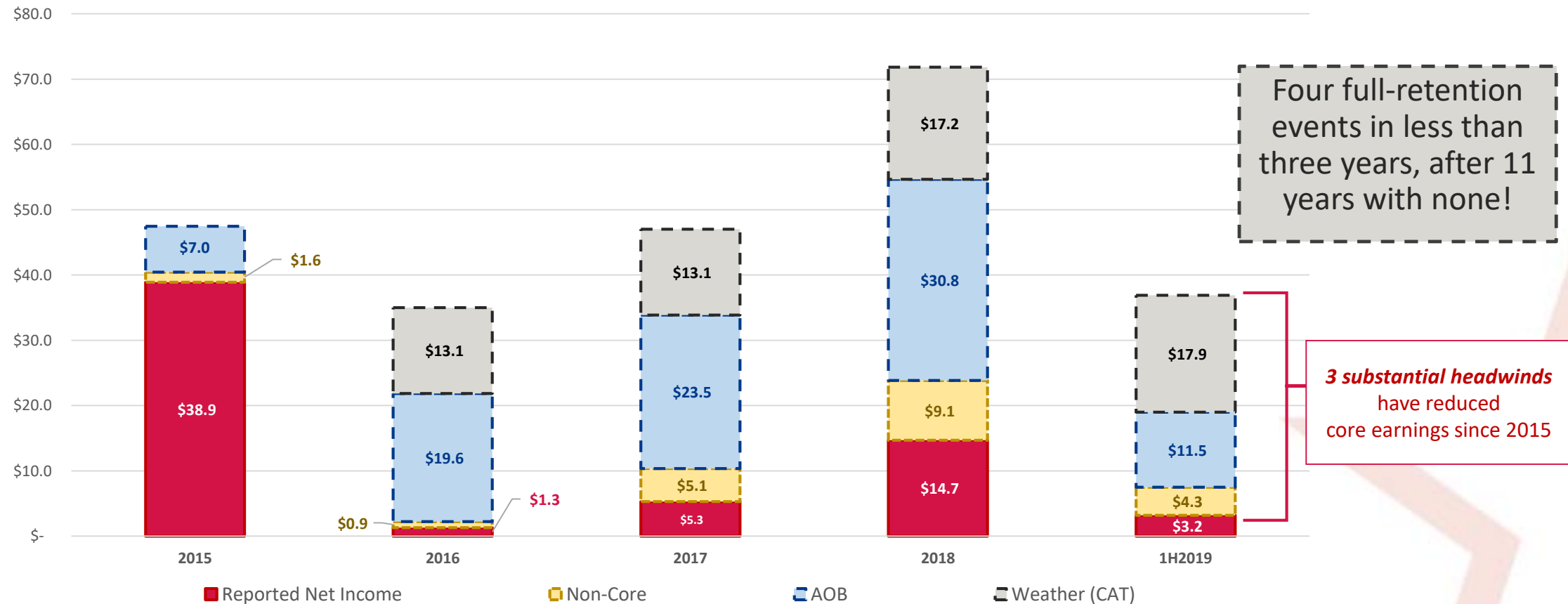
AOB REFORM!

Florida AOB reform took full effect on July 1, 2019 – long-overdue reform will restore rationality to Florida HO market. Reform combined with our AOB mitigation strategy expected to meaningfully 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
- Citizens Property Insurance Corporation recently reduced their rate increase by 5.9% points from an original 8.5% request to a 2.6% request as a result of Florida's recent AOB reform legislation

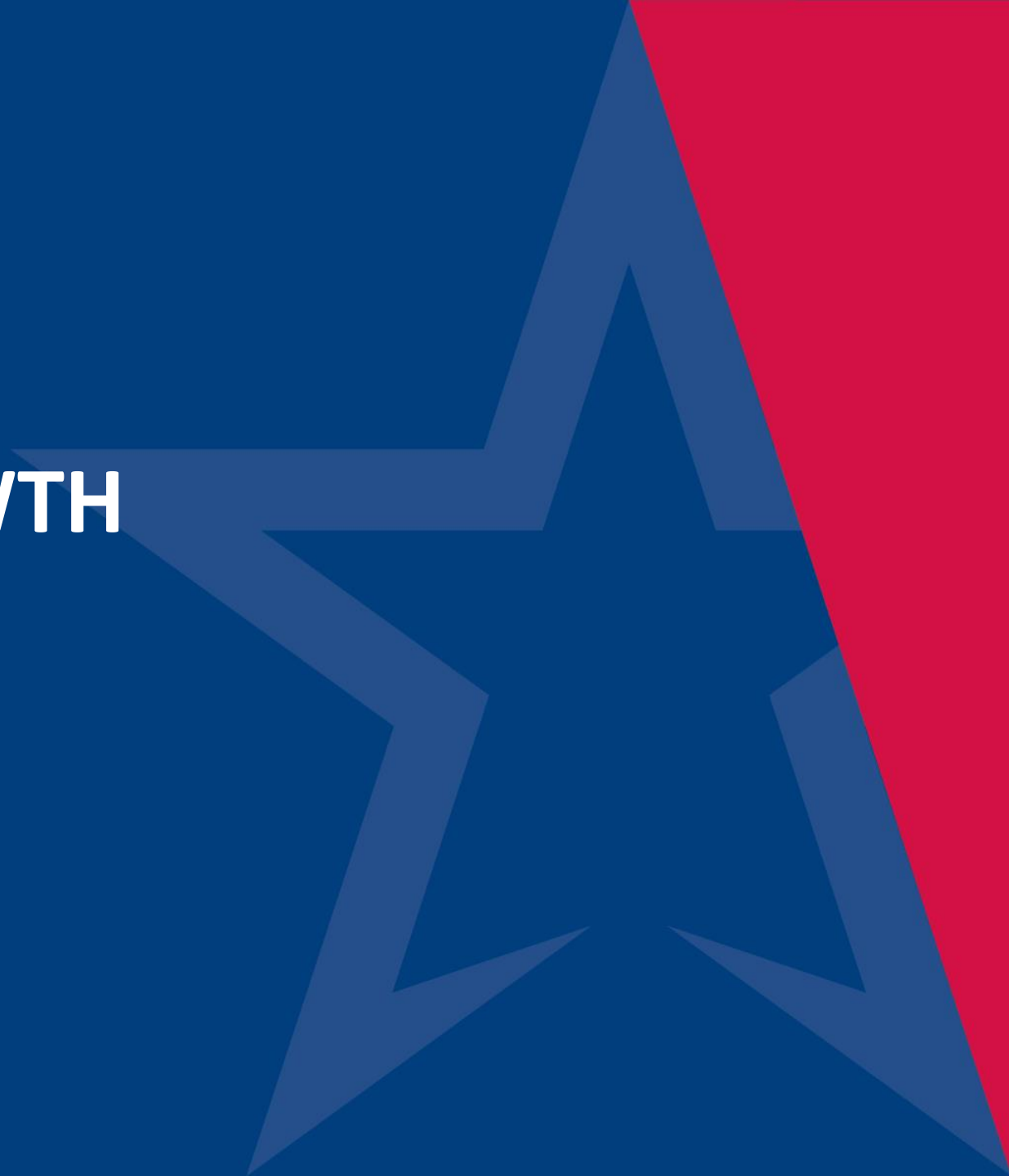
CORE EARNINGS POWER...MASKED BY HEADWINDS

(In millions)



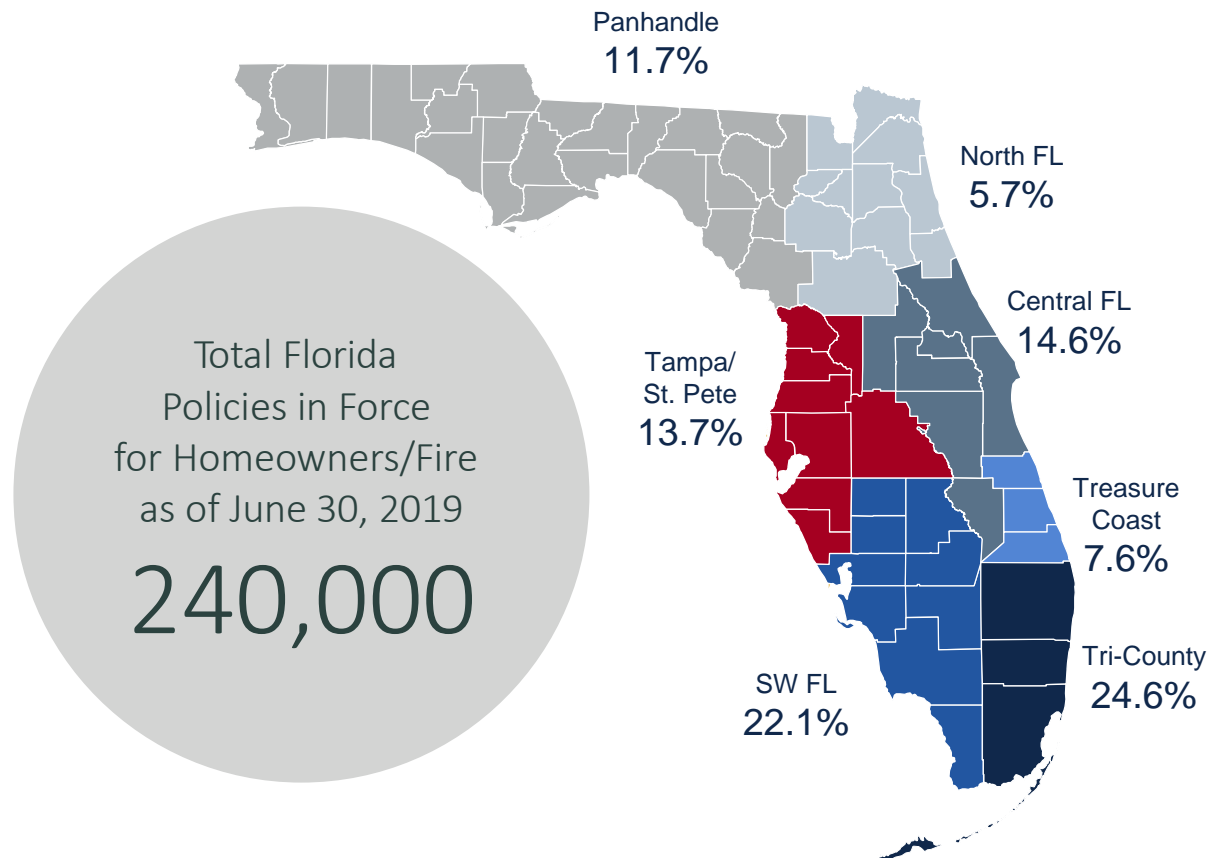
AOB alone has reduced net income by over \$90 million since 2015

**POSITIONED FOR
EARNINGS GROWTH**



BROADENING FLORIDA PENETRATION

FedNat – Florida Market for Homeowners

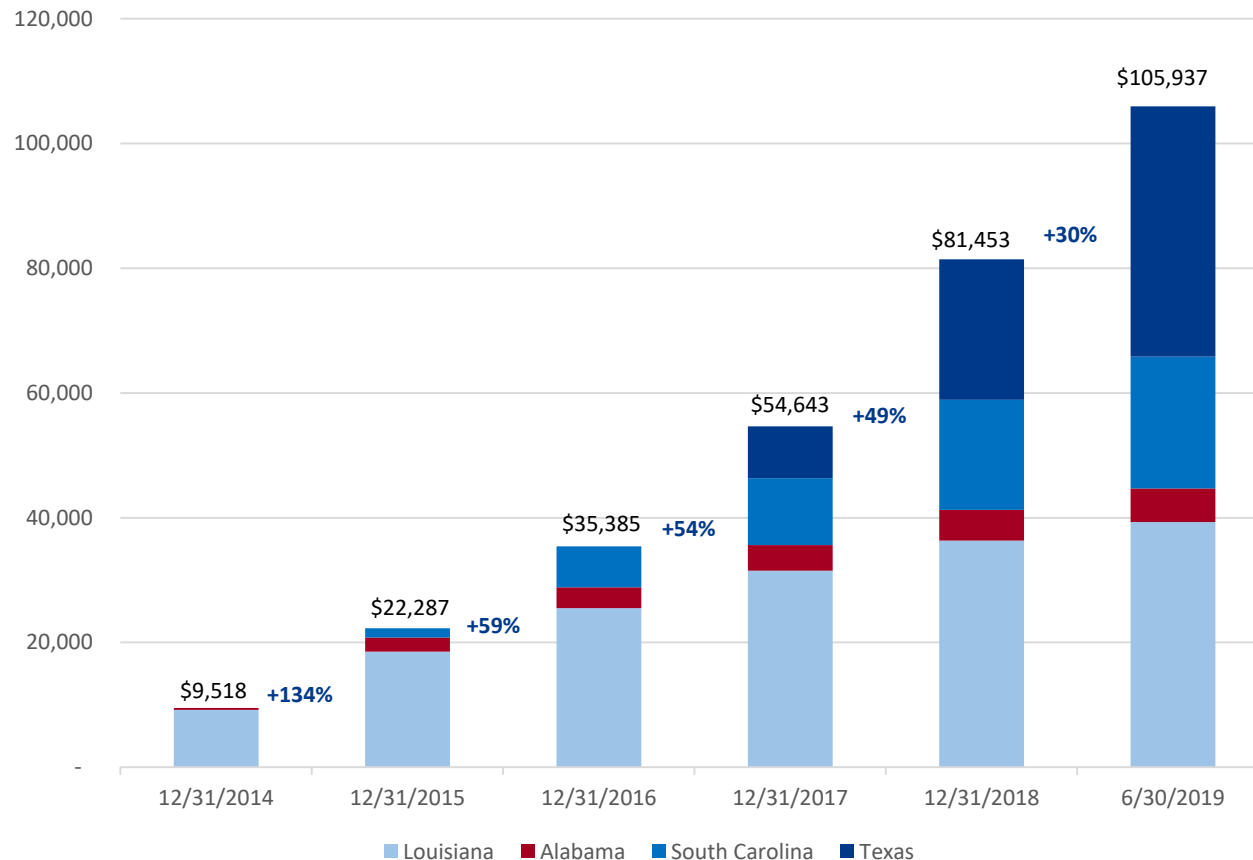


- Statewide offering of HO3, HO6, HO4 and DP3 Forms
- Risk management through utilization of both analytics and geographic exposure management
- Distribute through independent retail partner agents and national carrier affinities
- Managed catastrophe exposure by ceding risk through reinsurance treaties

EXECUTING ON NON-FLORIDA MARKET OPPORTUNITY

FedNat Non-Florida In-Force Premium

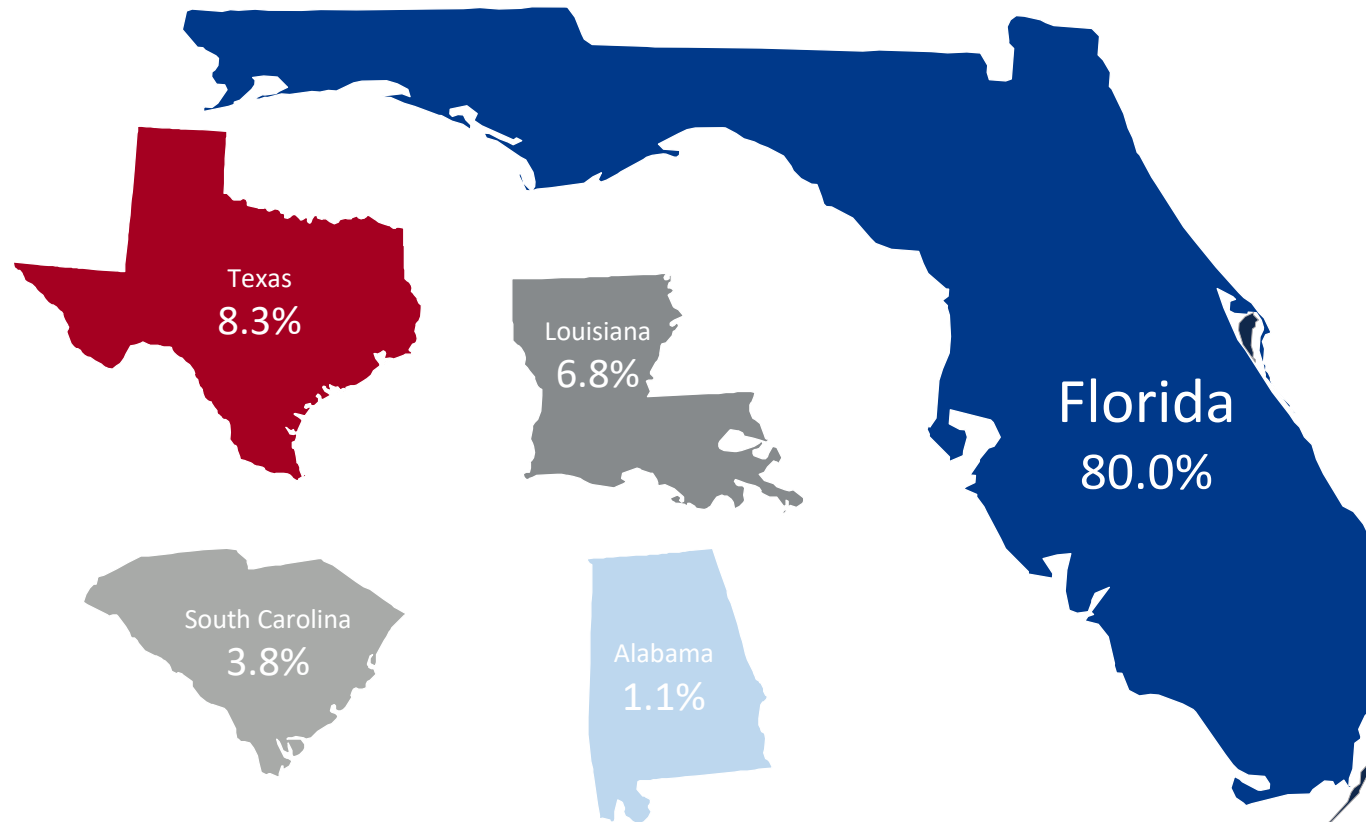
\$ in thousands



- FedNat's non-Florida book has increased by \$96.4M of premium since 12/31/2014 with the help of MGU Partner
- Gaining market share in Texas, Louisiana, South Carolina and Alabama
- 61,000 policies in-force

COASTAL STATE MARKET EXPANSION - HOMEOWNERS

FedNat In-Force Policy Counts - Regionally



- 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 non-Florida 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 Total Addressable Market Outside Florida



- ✓ Increases presence in Texas and Louisiana--\$84 million of profitable non-FL premium
- ✓ 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
- ✓ No new lines of business
- ✓ No new states of operation
- ✓ Continuity of key management

Financial Benefits



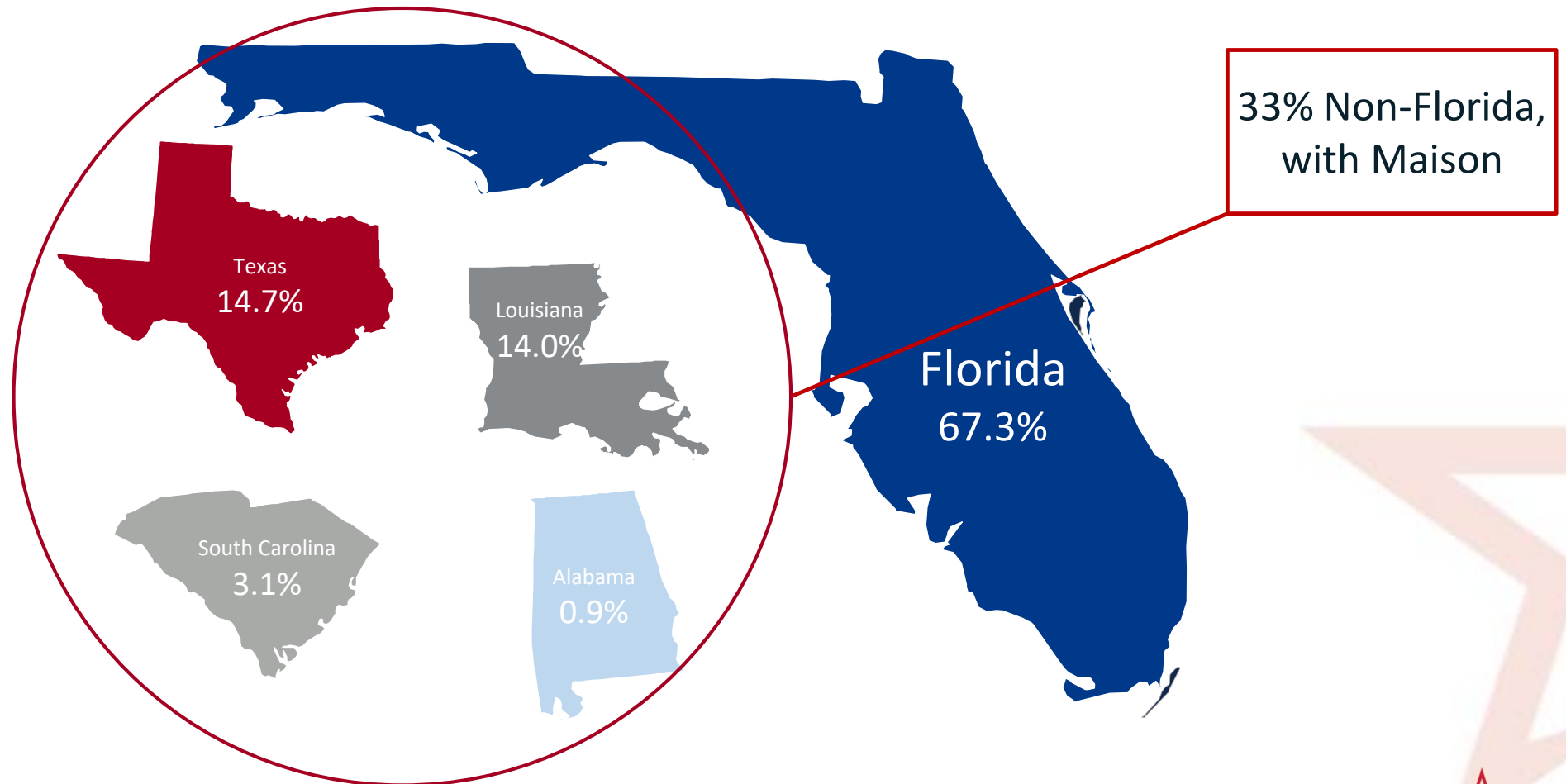
- ✓ \$7 million of reinsurance synergies in '19/'20 treaty year
- ✓ Expense synergies estimated at \$3.3 million in 2020, before integration costs, primarily from in-sourcing
- ✓ Immediately accretive—expected to immediately generate 10%+ EPS growth and increase ROE by 100 bps
- ✓ Multiple rate increases earnings in, including 11.6% effective January 2019, plus an additional 30.5% effective August 2019, on their Texas book of business
- ✓ Generates additional scale at a purchase cost of \$9 million above acquired book value

Strategic acquisition that accelerates our earnings growth strategy, on track to close in December of 2019.

Synergies alone drive 10%+ ROE on purchase price.

COASTAL STATE MARKET EXPANSION – WITH MAISON

FedNat and Maison In-Force Policy Counts - Regionally

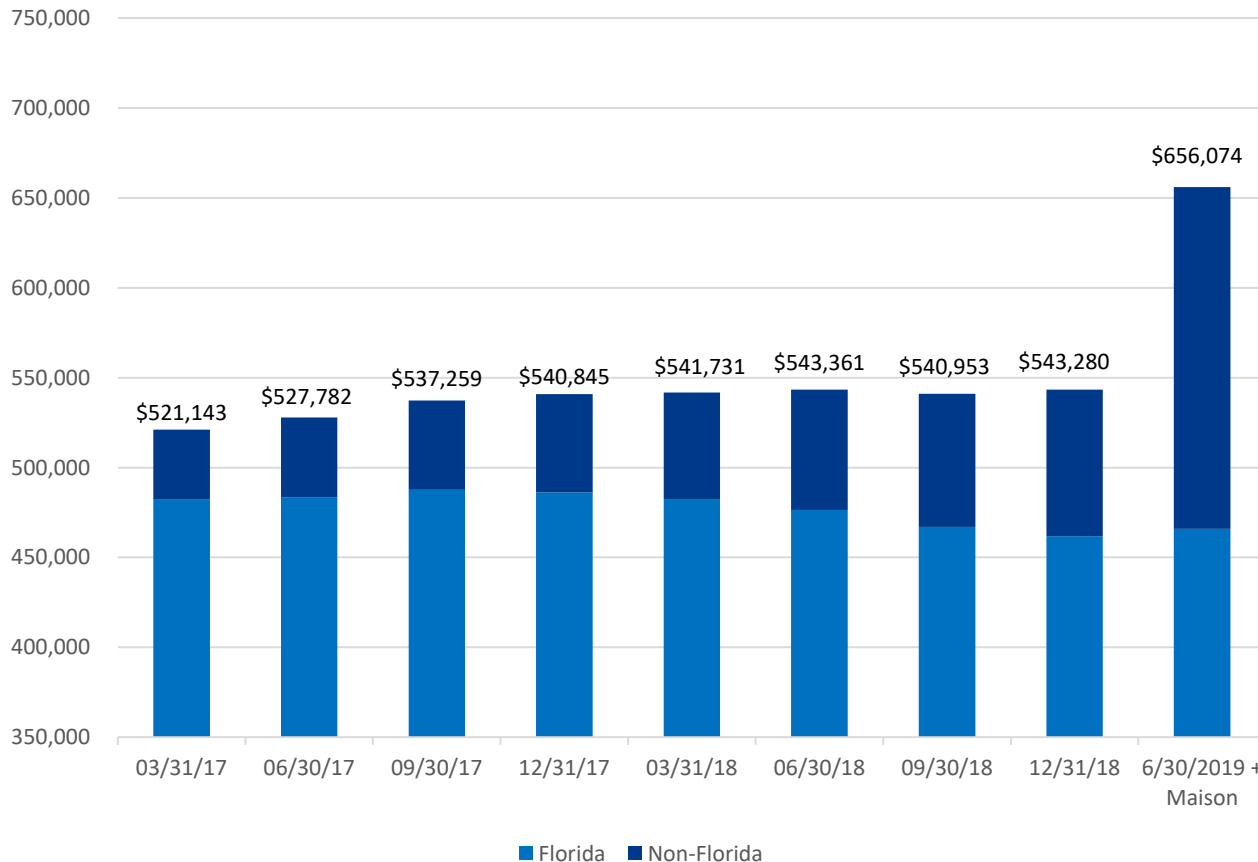


Note: Based on homeowners/fire lines of business as of 6/30/2019

FLORIDA & NON-FLORIDA PREMIUM TRENDS

FedNat In-Force Premium

(In thousands)



- Premium mix shifting to non-Florida.
- Non-Florida growth has offset 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 \$84.2M of non-Florida premium to FedNat's current book, an increase of 79%.

Note: 6/30/2019 annualized figures include Maison for illustrated purposes, the Maison deal is expected to close by the end of 2019.

MIDDLE MARKET OPPORTUNITY

FL HO Insurance Market Segments



FedNat Priorities



VAST MIDDLE-MARKET GROWTH OPPORTUNITY

*~50% of total HO
Insurance Market*



FINANCIAL OVERVIEW

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

RECENT FINANCIAL & OPERATING HIGHLIGHTS

(in thousands)	2Q18	3Q18	4Q18*	1Q19**	2Q19***
Income Statement Data:					
Gross Premiums Written	\$166,734	\$139,022	\$127,613	\$132,233	\$169,170
Net Premiums Earned	83,557	98,493	91,098	88,784	92,306
Net Investment Income	2,978	3,137	3,402	3,710	4,259
Net Income (Loss)	8,820	7,950	(9,305)	(3,865)	7,110
Diluted Earnings Per Share	0.69	0.62	(0.73)	(0.30)	0.55
Adjusted Operating Income	9,103	7,360	(4,937)	(2,394)	5,666
Adjusted Operating Income Per Share	\$0.71	\$0.57	(\$0.39)	(\$0.19)	\$0.44
Balance Sheet Data:					
Cash and Investments	532,084	518,395	515,948	569,423	611,522
Shareholders Equity	215,028	222,936	215,259	217,916	230,785
Book Value per Share	\$16.89	\$17.45	\$16.84	\$16.98	\$17.96
Financial Ratios:					
Net Loss Ratio	56.9%	63.4%	79.4%	75.3%	70.8%
Net Expense Ratio	42.1%	36.9%	38.9%	38.9%	30.7%
Net Combined Ratio	99.0%	100.3%	118.3%	114.2%	101.5%

Q2 NOTES/HIGHLIGHTS

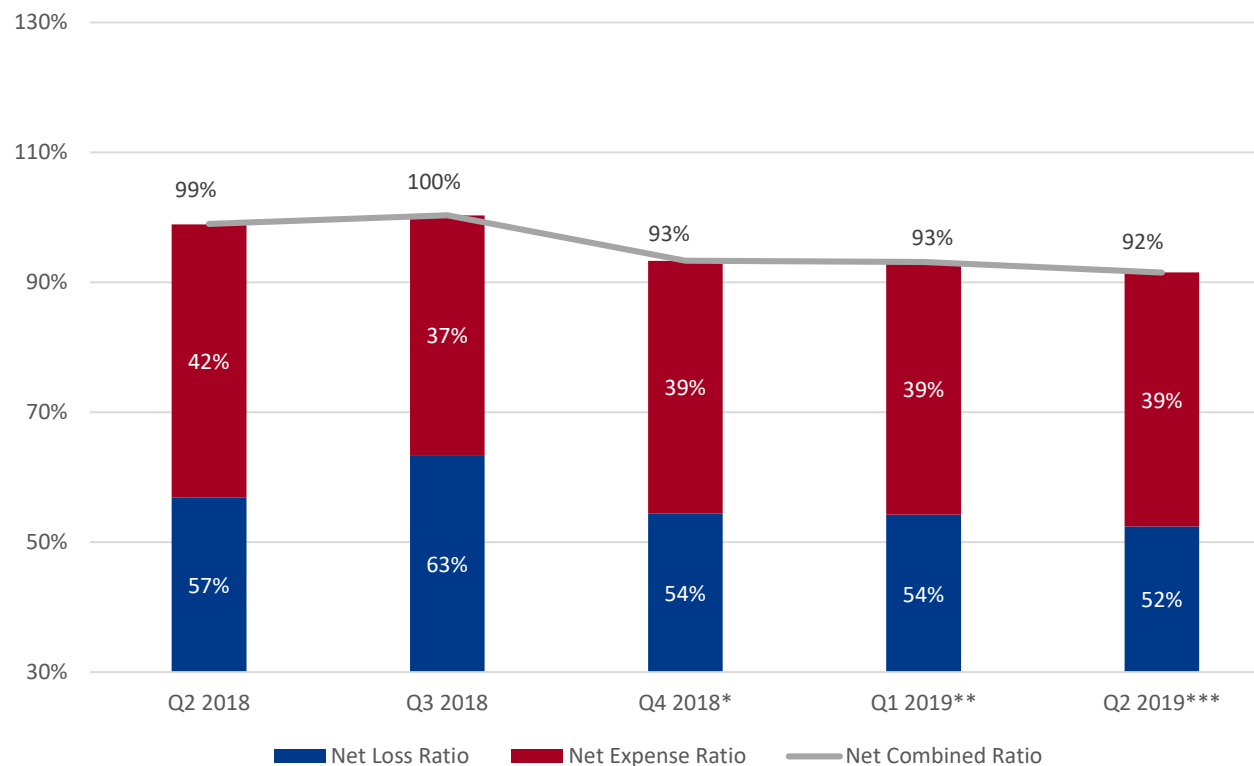
- Strong adjusted operating income result of \$0.44 per share despite twelve catastrophic weather events impacting Texas, Louisiana and other states.
- Net earned premiums increased 10% over 2Q18 driven by lower catastrophe reinsurance spend and strong non-Florida premium earned growth (up 57%).
- \$9.3 million of claims from severe weather represents 10 points on combined ratio and \$0.54 per share, after-tax.
- Annualized ROE of 10.1% in Q2 excluding investment gains—**almost 17%, excluding PCS Event # 1927.**
- Ongoing contribution from \$6 million in staff savings.
- Holding company liquidity of \$115 million as of June 30.

* Impact from Hurricane Michael was \$23 million, pre-tax, and approximately \$17.2 million, after-tax.

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

*** Impact from 12 PCS weather events was \$9.3 million, pre-tax, and approximately \$6.9 million, after-tax.

IMPROVING EX-CAT 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.

*** Excludes 2Q PCS events, which impacted the net loss ratio by 18 points and the combined ratios by 10 points.

RESULTS BY LOB: EXIT FROM NON-CORE LINES CONTRIBUTING TO EARNINGS IMPROVEMENT

(In thousands)

	Q2 2018				Q1 2019**				Q2 2019***			
	HO	Auto	Other	Consolidated	HO	Auto	Other	Consolidated	HO	Auto	Other	Consolidated
Total Revenue	\$85,474	\$3,374	\$6,927	\$95,742	\$93,651	\$20	\$7,526	\$101,197	\$97,299	\$3	\$7,999	\$105,301
Costs and expenses:												
Losses and loss adjustment expenses	42,617	1,932	3,021	47,570	63,330	844	2,665	66,839	62,482	1,208	1,650	65,340
All other expenses	31,566	1,691	2,899	36,156	32,227	85	7,284	39,596	26,772	66	3,418	30,256
Total costs and expenses	74,183	3,623	5,920	83,726	95,557	929	9,949	106,435	89,254	1,274	5,068	95,596
Income before income taxes	11,291	(282)	1,007	12,016	(1,906)	(909)	(2,423)	(5,238)	8,045	(1,271)	2,931	9,705
Income taxes	2,861	(71)	406	3,196	(483)	(230)	(660)	(1,373)	2,039	(322)	878	2,595
Net income	8,430	(211)	601	8,820	(1,423)	(679)	(1,763)	(3,865)	6,006	(949)	2,053	7,110
Net loss attributable to noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-
Net income attributable to FNHC shareholders	8,430	(211)	601	8,820	(1,423)*	(679)	(1,763)	(3,865)	6,006	(949)	2,053	7,110
Adjusted operating income	\$8,828	(\$200)	\$475	\$9,103	(\$1,387)	(\$679)	(\$328)	(\$2,394)	\$6,020	(\$949)	\$595	\$5,666

Excluding catastrophe weather, Homeowners earned \$12.9M in 2Q19.

* The "Other" line of business primarily consists of our commercial general liability and federal flood businesses, along with corporate and investment operations.

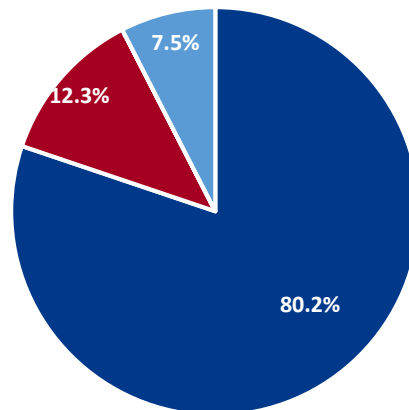
** The Brevard County hail storm impacted 1Q19 losses by \$18.7 million, and net income by approximately \$14.0 million.

*** PCS weather events increased 2Q19 losses by \$17 million, benefited expenses by \$8M and decreased net income by approximately \$6.9 million.

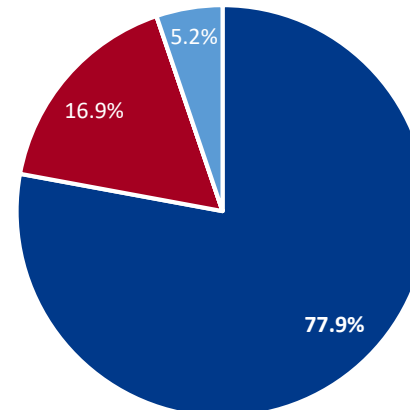
FAVORABLE PREMIUM COMPOSITION

YTD 2018

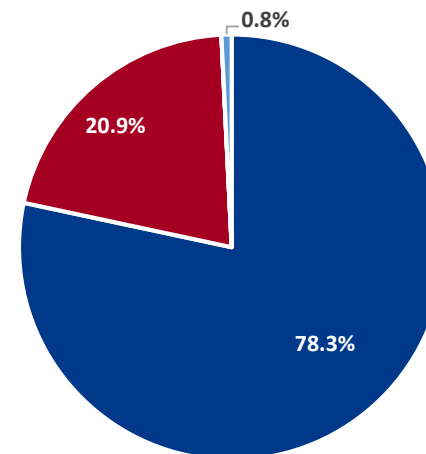
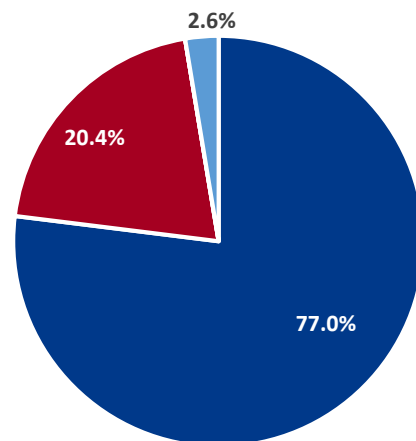
Gross Premiums Written



Net Premiums Earned

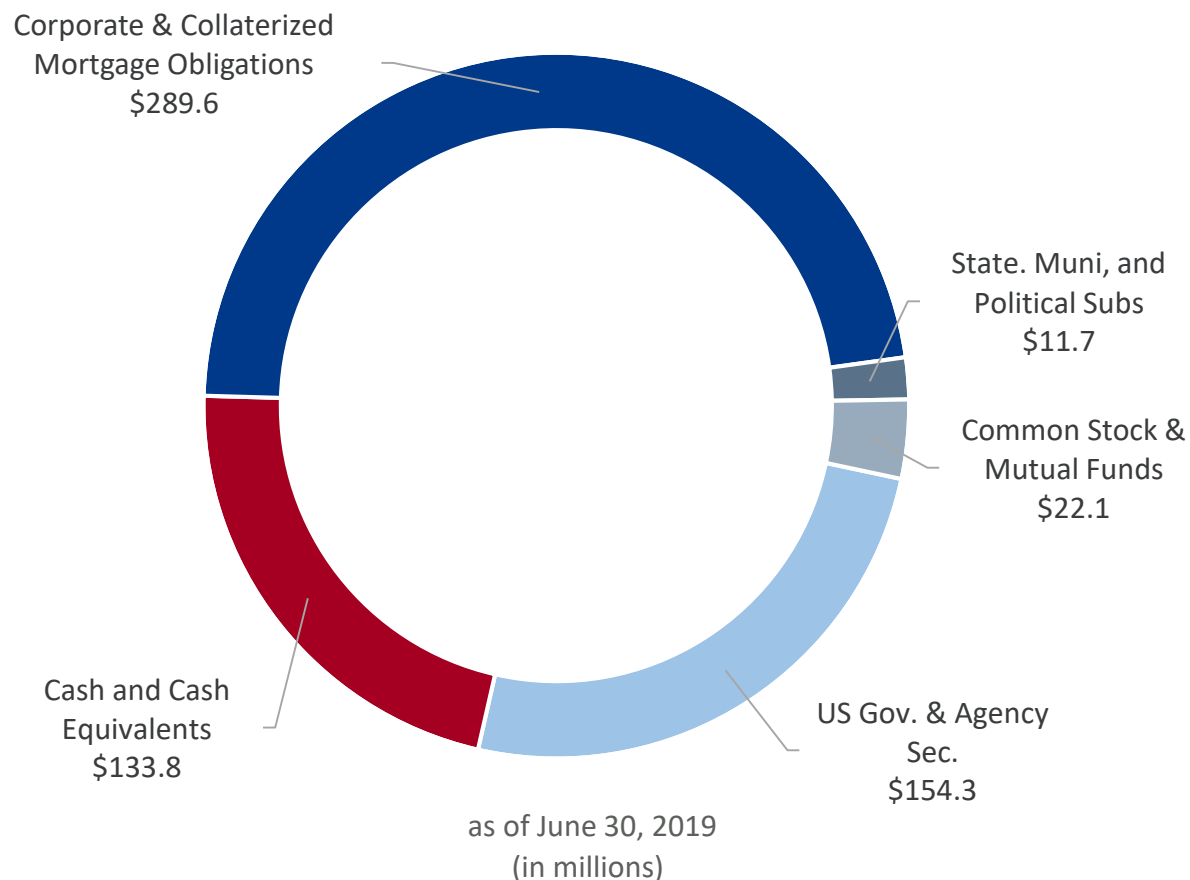


YTD 2019



- Florida Homeowners
- Non-Florida Homeowners
- Non-Core

INVESTMENT PORTFOLIO COMPOSITION

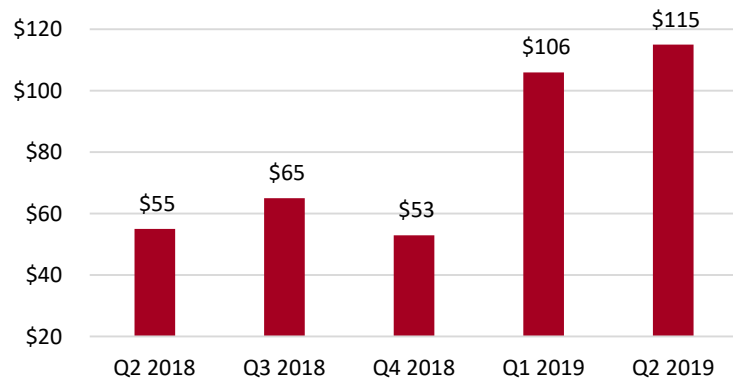


- Designed to preserve capital, maximize after-tax investment income, maintain liquidity and minimize risk, across a range of economic scenarios
- As of 6/30/2019, 98.4% of the Company's fixed income portfolio was rated investment grade
 - Average duration: 3.76 years
 - Composite rating: A- (S&P Composite)
 - YTM: 2.71%
 - Book yield: 3.30%
- Historical total returns on cash and investments as of 6/30/2019
 - 1 Year: 6.57%
 - 2 Years: 3.48%

LIQUIDITY & LEVERAGE

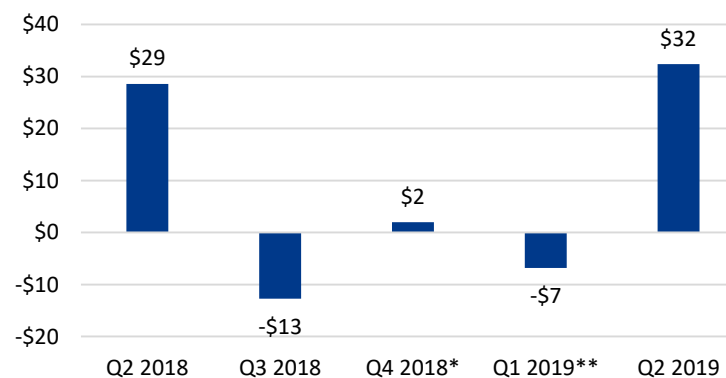
Non-insurance Liquidity

\$ in millions



Cash Flow from Operations

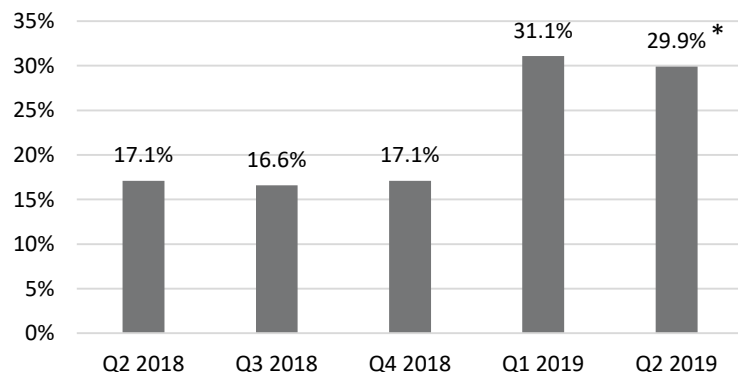
\$ in millions



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

Financial Leverage

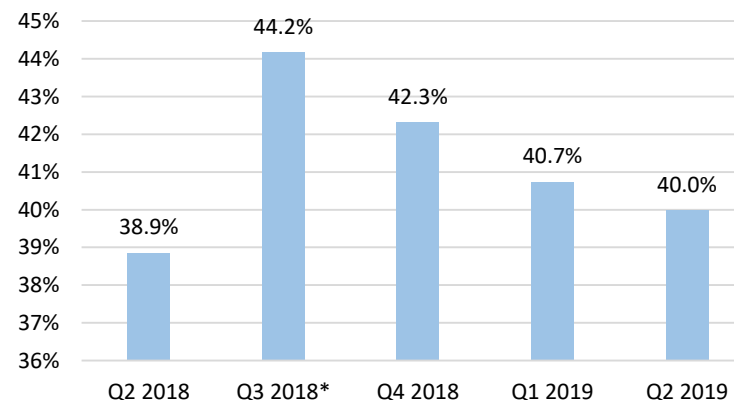
Debt/Capital



* Closing of the Maison transaction expected to decrease the debt to capital ratio by 2 points.

Underwriting Leverage

NPE/Equity



* Driven by lower ceded catastrophe reinsurance premiums.

CORE EARNINGS POWER

(In thousands)

	Pre-Tax	After-Tax
2Q19, as reported	\$9,705	\$7,110
Exclude:		
Catastrophe weather	9,300	6,943
Non-core adverse development	2,100	1,568
Investment gains	(1,955)	(1,460)
Earnings Power	\$19,150	\$14,161

2Q19 earnings power drives core business ROE of almost 25%

Note: Once fully earned, the benefit of the April 2019 4.6% rate increase will exceed the higher cost of our catastrophe reinsurance program that took effect July 1, 2019.



EARNINGS GROWTH DRIVERS

- Expected increase in homeowners gross earned premiums
 - 4.6% Florida Homeowners rate increase effective April 2019
 - With other 2019 Florida increases, translates to approximately \$20 million of additional annual GEP (once fully earned)
 - Continued strong organic growth (20%+) in non-Florida gross premiums
- Path to eliminate headwinds from exit of unprofitable non-core business lines
- AOB reform + recent rate increases
- Closing of accretive Maison transaction in December 2019, generating
 - Expected to immediately generate 10%+ EPS growth and increase ROE by 100 bps
- Ongoing savings from operating efficiency initiatives
 - \$1.5 million per quarter run rate, or approximately 160 combined ratio bps

Questions?

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