



**INVESTOR PRESENTATION  
Q3-2016**

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.*

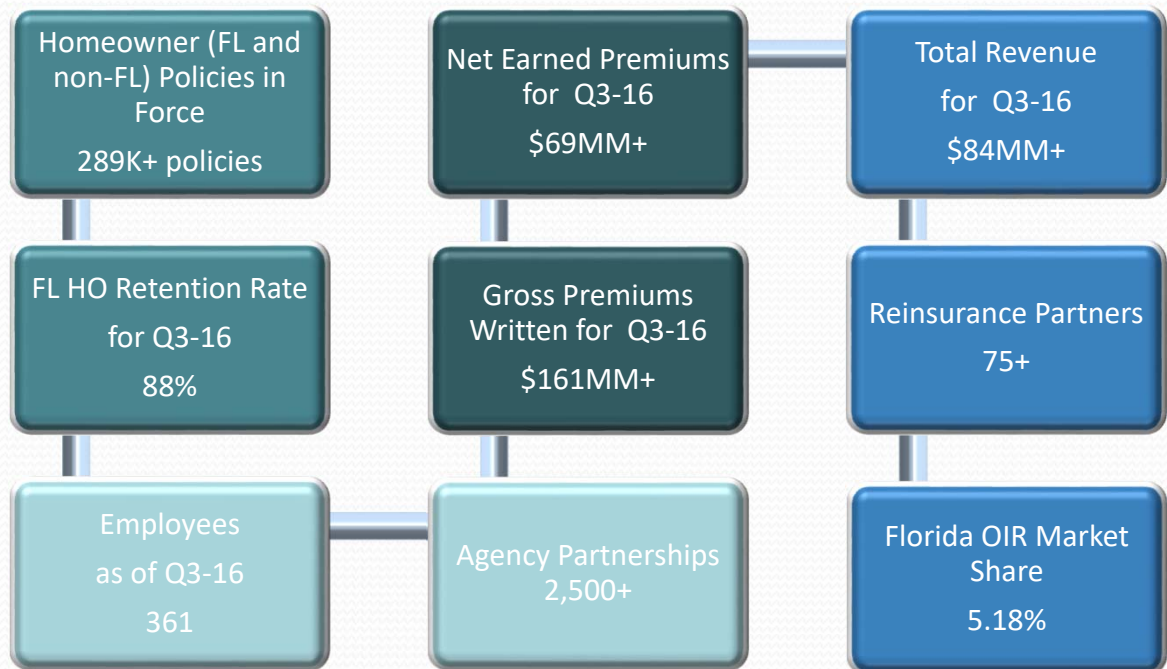
*In addition, investors should be aware that generally accepted accounting principles prescribe when a company may reserve for particular risks, including claims and litigation exposures. Accordingly, results for a given reporting period could be significantly affected if and when a reserve is established 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 9/30/2016)

- **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:** \$532 MM
- **Total Shareholders' Equity:**  
\$263 MM Including non-controlling interest  
\$245 MM Excluding non-controlling interest
- **Common Shares Outstanding:** 13.8 MM
- **Book Value Per Common Share:**  
\$17.72 Excluding non-controlling interest



# 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 all employees 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 profitable growth by:

- Continued market share growth in Florida
- Ongoing expansion into other Non-Florida States
- Develop additional affinity relationships
- Look for strategic acquisitions and/or joint ventures
- Maintaining our commitment to delivering quality products, services, and customer satisfaction

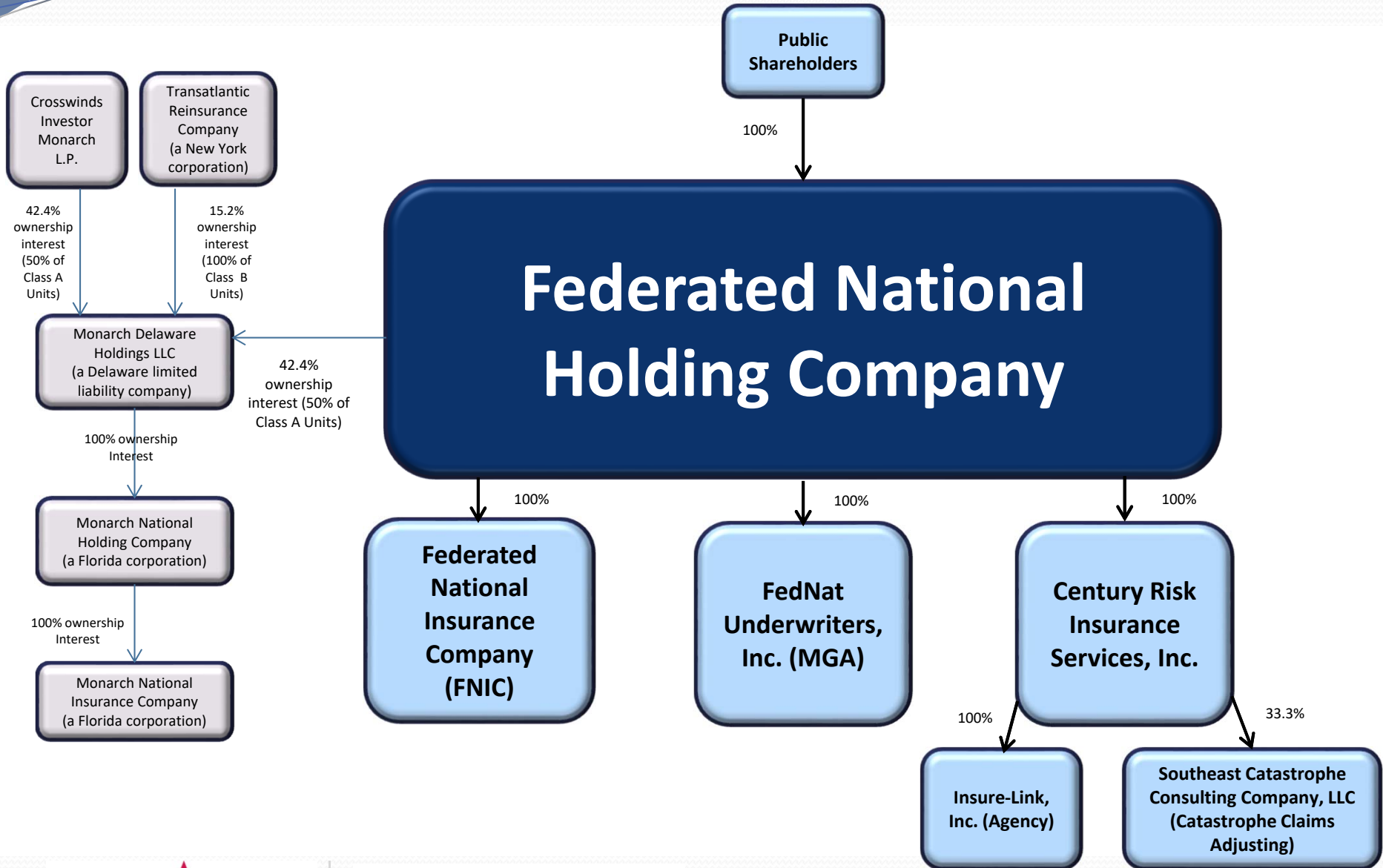
LEADING TO

24% Q3 Y/Y growth in Gross Premiums Written

17% Q3 Y/Y growth in HO FL Policies in Force

13% Q3 Y/Y growth in Investment Income

# FNHC ORGANIZATIONAL STRUCTURE



# FNHC AND MARKET TIMELINE

## The early years...

1992 &  
1993

- Hurricane Andrew
- Emergence of Citizen's predecessor, Florida's property residual market
- National carriers begin to intentionally reduce their share within the Florida property market
- 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 further accelerate their desire not to compete within the Florida property market

2006 &  
2007

- Windstorm mitigation credit overhaul
- Citizens becomes a competitor to the private market

2009

- Citizens establishes "glide path" to actuarial sound rates

2011

- Joined BBB and earned A+ rating



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

Timeline continues to next page...

# FNHC AND MARKET TIMELINE

## Recent developments...

2012

- Citizens reduces potential assessment



2013

- Citizens Clearinghouse established

**Clearing house participants**

12-27-Jan-14 launch	15-Mar-14	19-May-14	13-Jun-14
All Risk	American Tradition	Cypress Insurance	American Integrity
Florida Peninsula	Barrett Insurance Group	Security First	Aviva P&C
Safe Harbor	Federated National	Southern Fidelity	Capital Federal
United P&C	Heritage	Southern Fidelity P&C	Capital P&C
	Midcom USA	Southern Oak	
	People's Trust		
	Travel 1st Signatures		

Source: Citizens Property Insurance Corp.

2015

- Monarch National** approved by Florida Office of Insurance Regulation



2015

- Lloyd's of London appoints **FedNat Underwriters (FNU)** as Coverholders



2016

- Sun Sentinel honors **FNHC** as one of the 2016 Top Workplaces in South Florida



- Changed name from 21<sup>st</sup> Century Holding Company to **Federated National Holding Company**

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



- FNIC** named Fortune "Fastest Growing Companies"

- FNIC** appointed to Citizens Market Accountability Advisory Board
- FNIC** named Forbes "America's 50 Most Trustworthy Financial Companies"

- FNU** entered into an Authorization and Appointment Agreement with GEICO Insurance Agency, Inc.



# 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

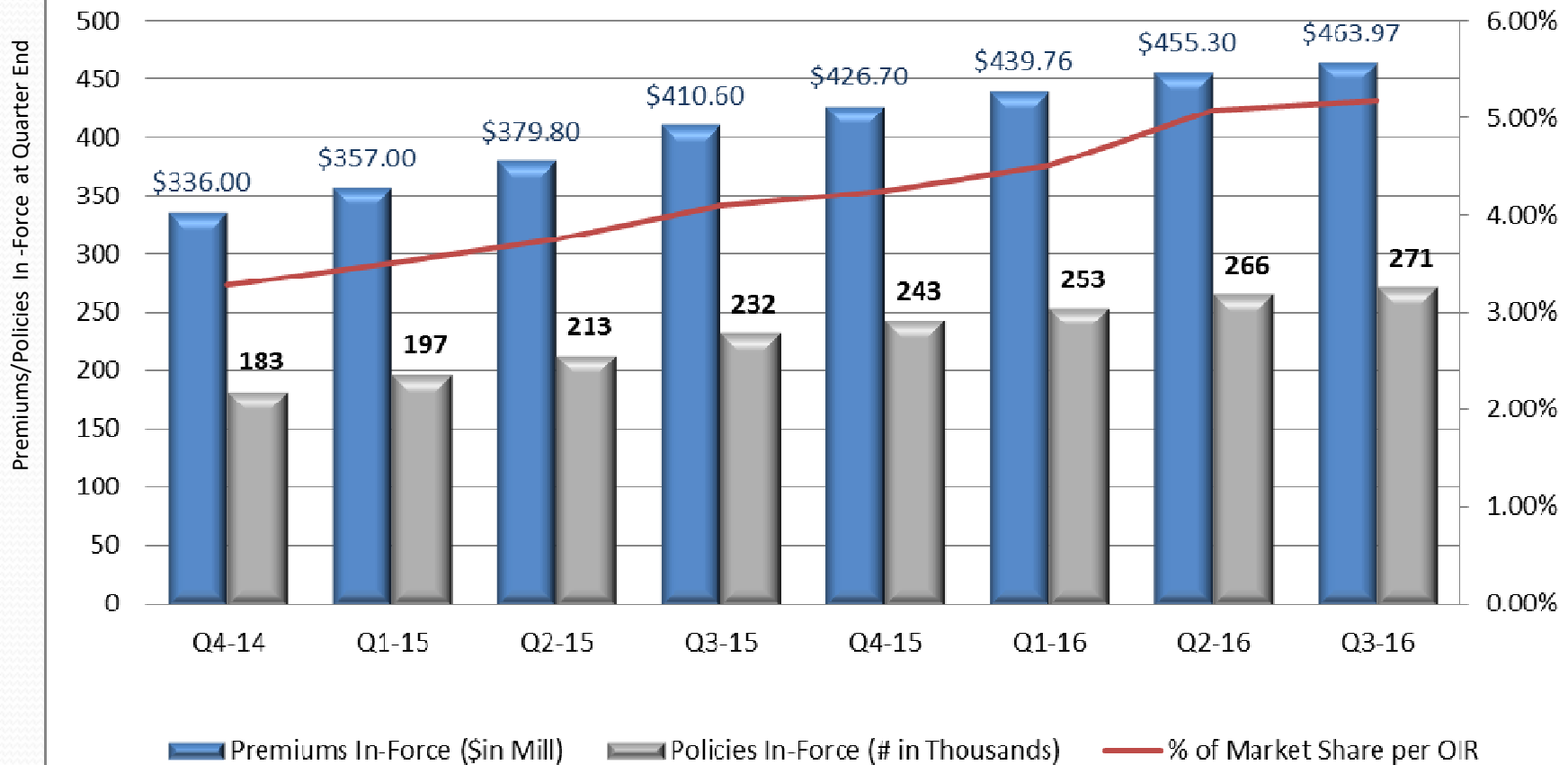
- Reduce geographic concentration in the Tri-County / South Florida area and expand in other counties in Florida
- Enhance underwriting results and reduce our risk exposure via greater diversification
- Expand into other coastal states



# FEDERATED NATIONAL GROWING MARKET SHARE

## FNIC Homeowner/Fire Florida Market Share

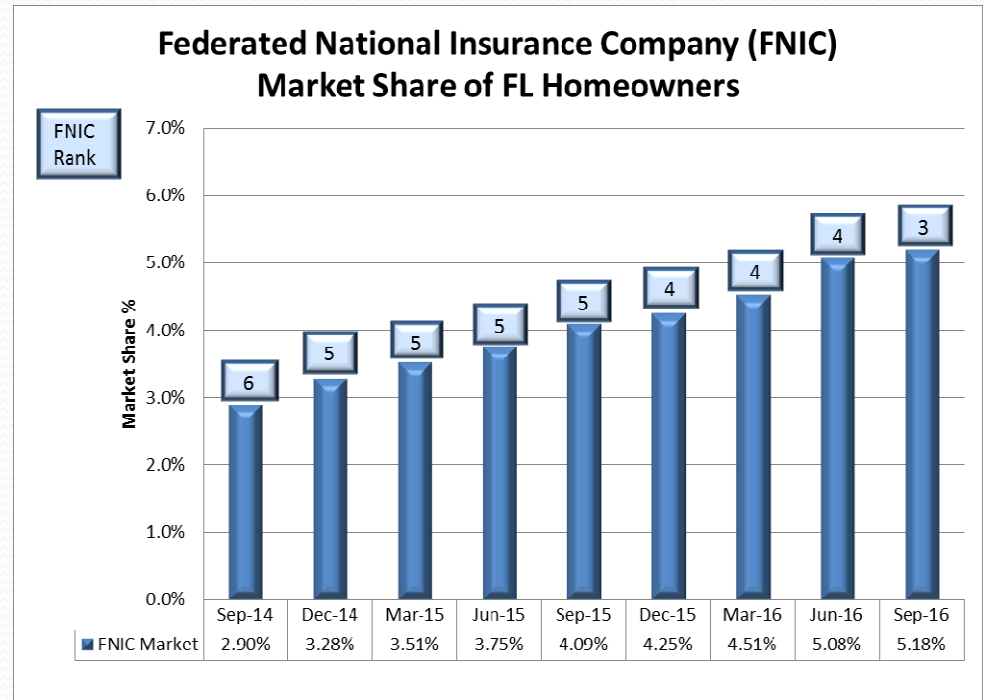
Premiums in Force and % Market Share



# FLORIDA MARKET PROVIDES CONTINUED GROWTH

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

- 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 & GEICO Florida agents
- Opportunity to increase FNIC's market share through partnership with 2500+ agents
- Opportunity to further increase our market presence through Monarch National insurance products
- FNIC's ranking has increased to 3<sup>rd</sup> largest insurance company in Florida as of September 20, 2016
- FNIC has achieved its growth by winning the business at the point of sale when our partner insurance agents decide which carrier to entrust their clients with

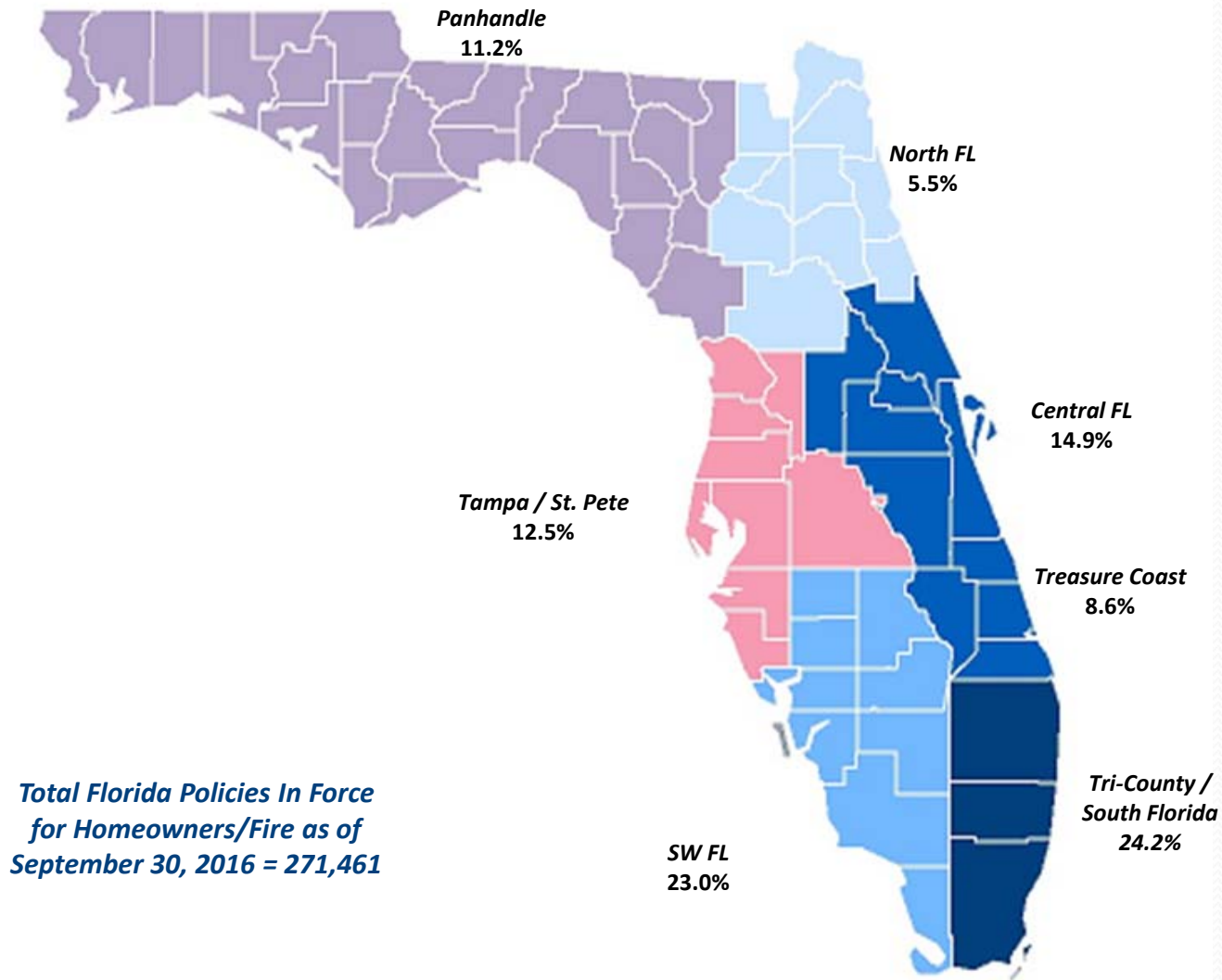


**Note:** Includes personal residential and excludes commercial residential business. The Florida Office of Insurance Regulation's QUASR next generation database excludes State Farm Florida Insurance Company in its dataset as of Sept. 30, 2016.

FNIC rank based on Florida residential homeowners' insurance premiums written per Florida Office of Insurance Regulation (FL OIR)

# DIVERSIFICATION IN FLORIDA

## Federated National Insurance Company - Florida Market for Homeowners



# DIVERSIFICATION

## Federated National Insurance Company Market



**Georgia**  
36.4k Policies  
9.2%



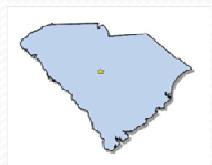
**Texas**  
32.4k Policies  
8.2%



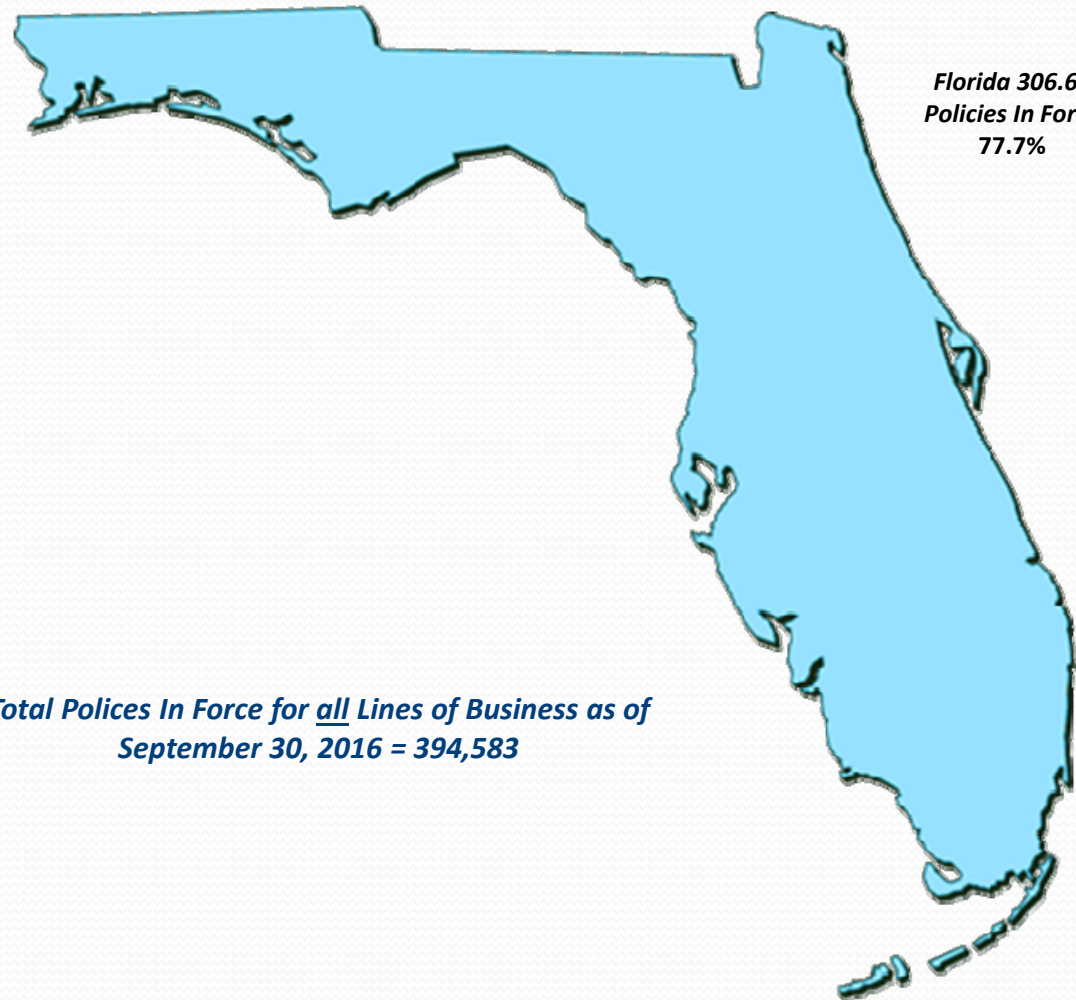
**Louisiana**  
12.8k Policies  
3.2%



**Alabama**  
3.4k Policies  
0.9%



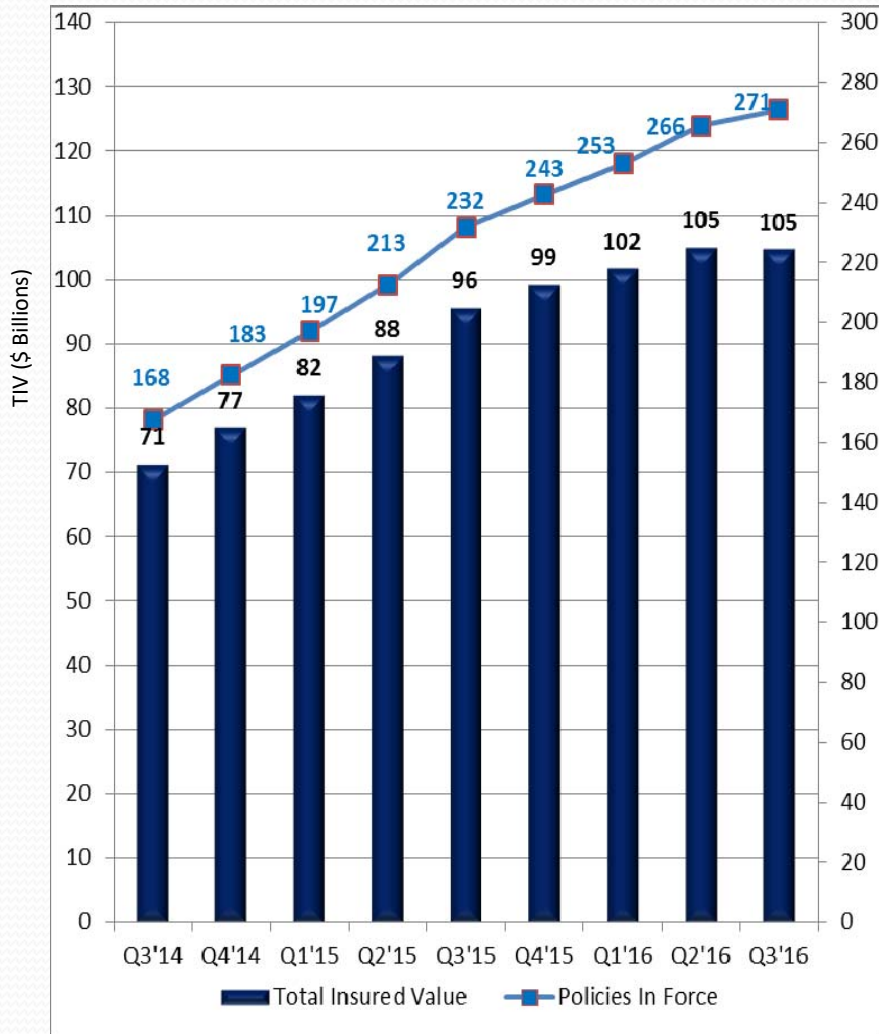
**South Carolina**  
3.1k Policies  
0.8%



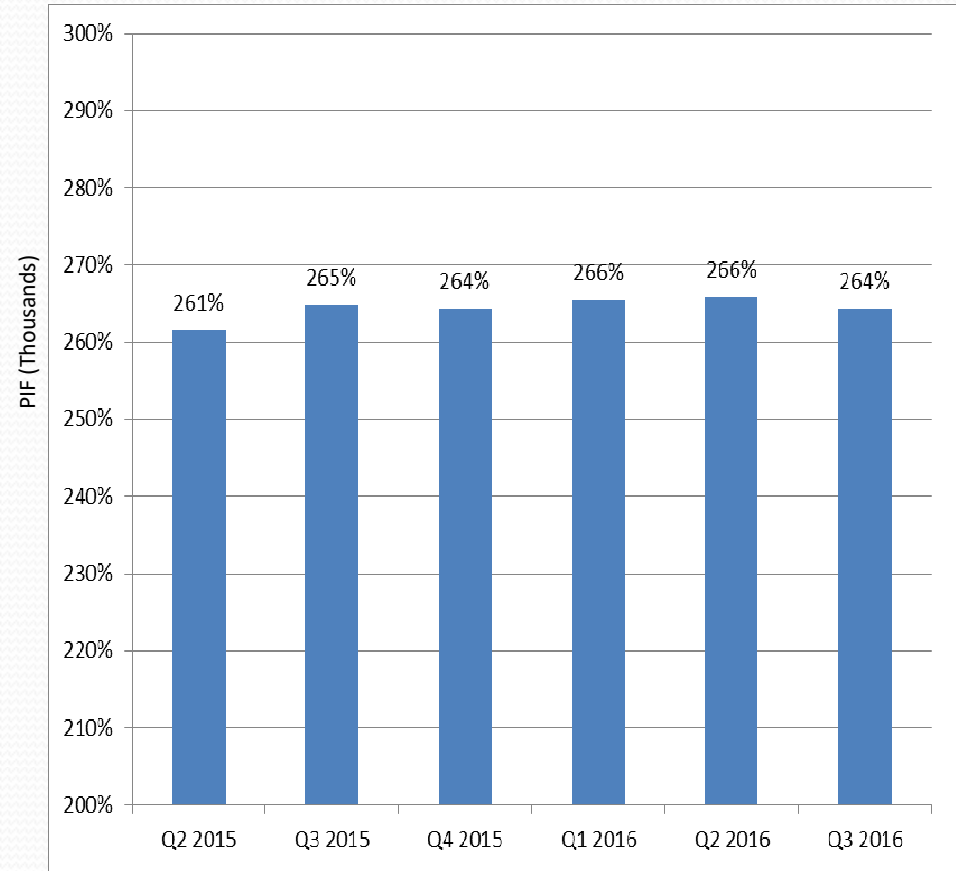
**Total Policies In Force for all Lines of Business as of  
September 30, 2016 = 394,583**

# 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 average of RMS and AIR combined and assuming LT, NoSS and NoLA

# ROBUST CLAIMS CAPABILITIES AND TENURED STAFF

## In-House Claims Adjuster

- 40 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' management team and 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 & Monarch 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

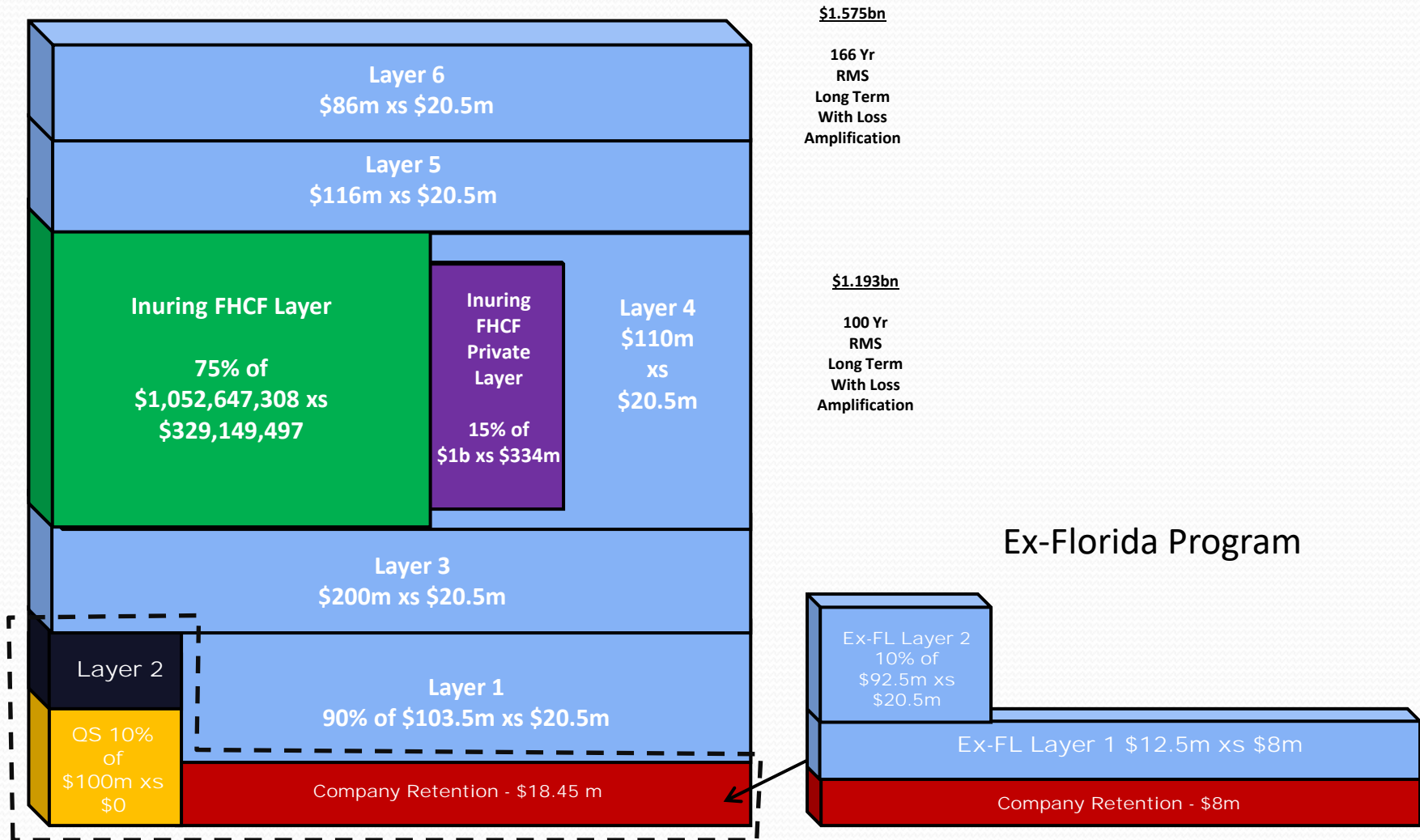
*Federated National has full indemnity reinsurance with highly rated reinsurers, and has maintained a business relationship with many of them for numerous years*

## 2016 – 2017 Excess of Loss Catastrophe Reinsurance Highlights

- Approximately \$2.22 billion of aggregate coverage with maximum single event coverage of approximately \$1.58 billion
- 75+ reinsurance partners, all of which are rated “A-” or higher by A.M. Best or fully collateralized
- Quota share of 10% of \$200 million aggregate coverage on two events with maximum single event coverage of 10% of \$100 million
- A retention of \$18.45 million pre-tax retention on first event with losses above \$100 million. First event coverage extends to \$1.58 billion
- All private market layers have prepaid automatic reinstatement premium protection (“RPP”) and a cascading, drop down feature
- Multiple year protection was obtained for the period of July 2016 – June 2018. The amount of multiple year protection varies by individual excess of loss layer

# 2016-2017 REINSURANCE STRUCTURE

## Core Program – All States



Note: Layer 2 represents a private cat layer of 10% of \$24m x \$100m and fills in the potential gap between the exit of the multi-year Quota Share and where we are attaching layer 3 this year



# 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 100% match up to 6%
  - 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 National
- Partnering with our reinsurers
- Obtaining approval to expand in other states
- AllState partnership
- GEICO partnership

# 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

**Erick Fernandez**, *Interim Chief Financial Officer*

- Worked for Fortune 20, 500 and Big 4
- More than 15 years of Accounting and Finance experience
- Joined in 2016

**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

**Scott Fest**, *Vice President of Reinsurance*

- Previously worked for E.W. Blanch, Benfield, Collins and Guy Carpenter
- More than 20 years of reinsurance experience
- Joined in 2016

**Melissa Shelley**, *Vice President Actuary*

- Worked for Florida Farm Bureau, USAA, and Ariel Re
- More than 15 years of industry experience
- Joined in 2016

**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

# 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*

**Stephen Young**, *Vice President of Operations*

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

**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

**Christopher Clouse**, *Vice President of Personal Lines Underwriting*

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

**Larry Hufschmid**, *Vice President 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**, *Vice President of Human Resources*

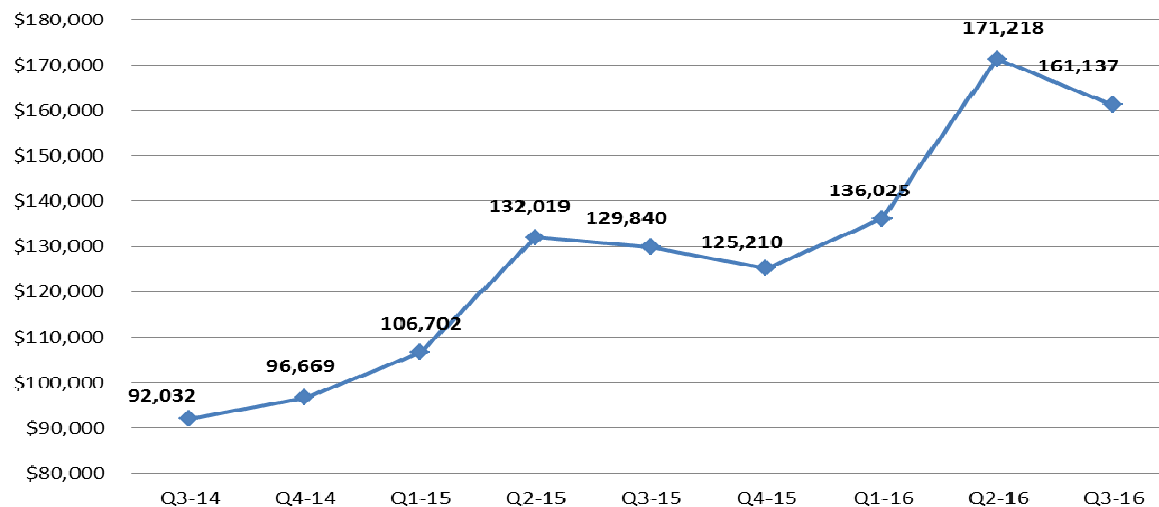
- Appointed as Director of Human Resources in July 2008
- More than 20 years experience in human resources
- Joined in 2005

# Financial Overview



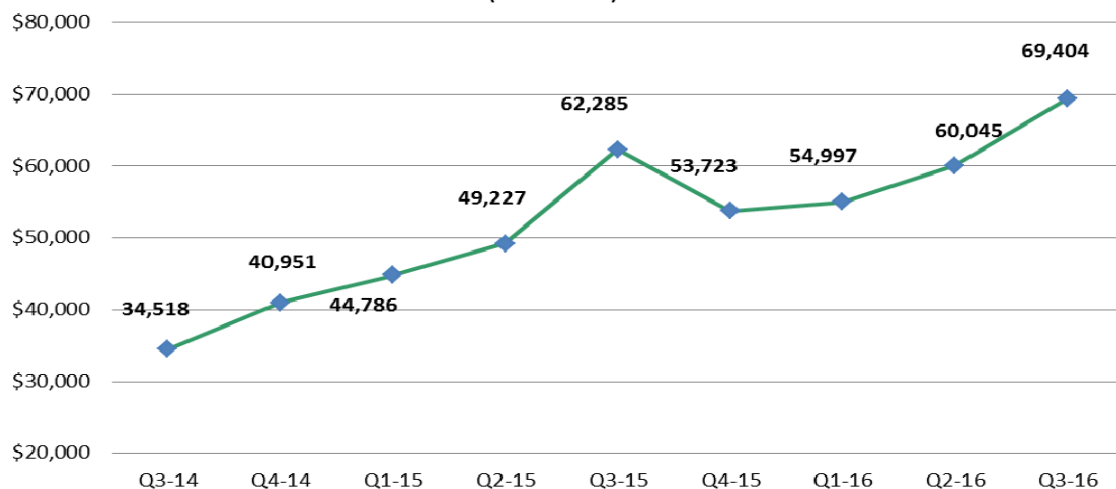
# STATEMENT OF OPERATIONS - FNHC

**Gross Premiums Written**  
(in thousands)



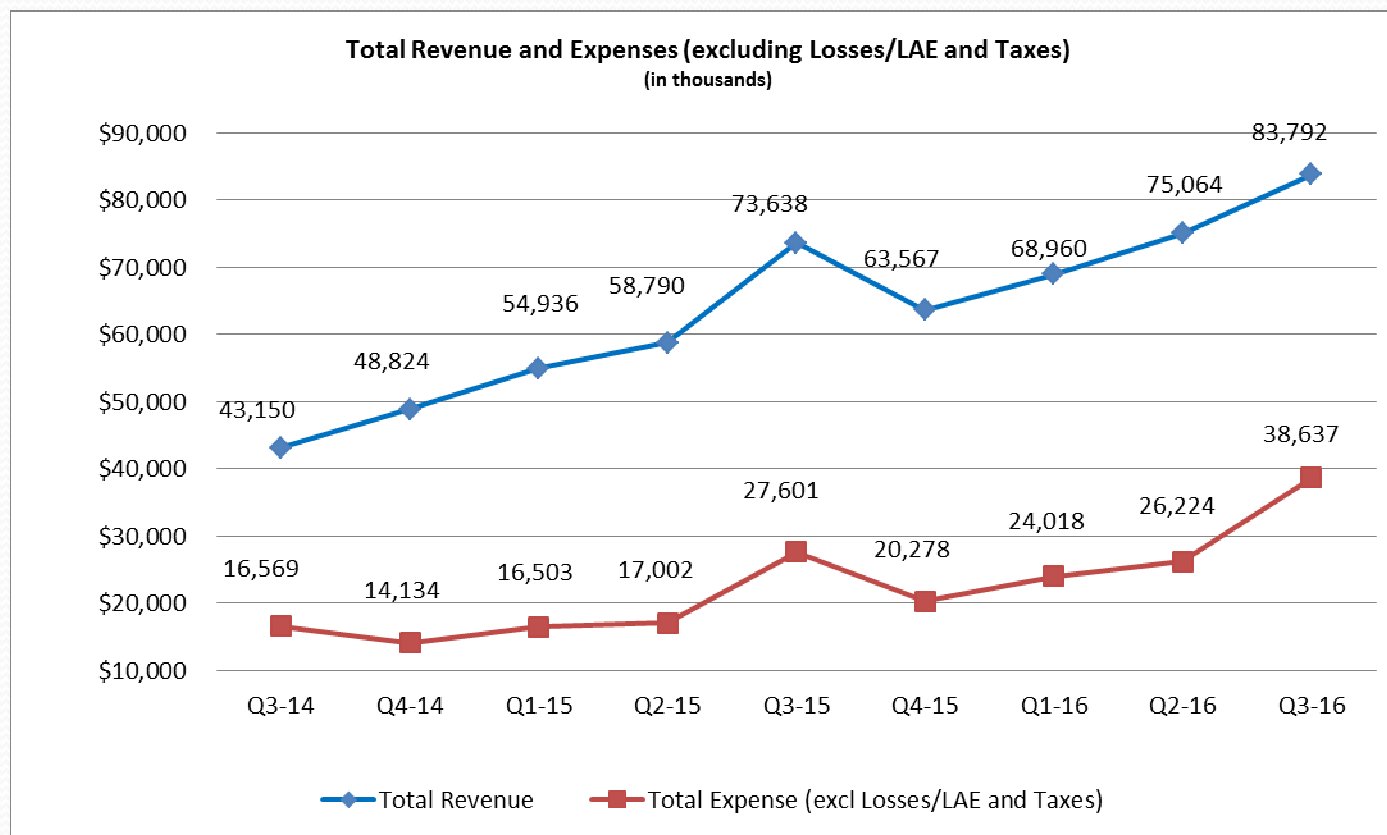
- Q3-16 impacted by rate increase of 5.6%, which became effective on August 1, 2016, as well as seasonality.

**Net Premiums Earned**  
(in thousands)



- Q3-16 reflects continued premiums growth in HO-FL, HO non-FL and Auto lines of business.

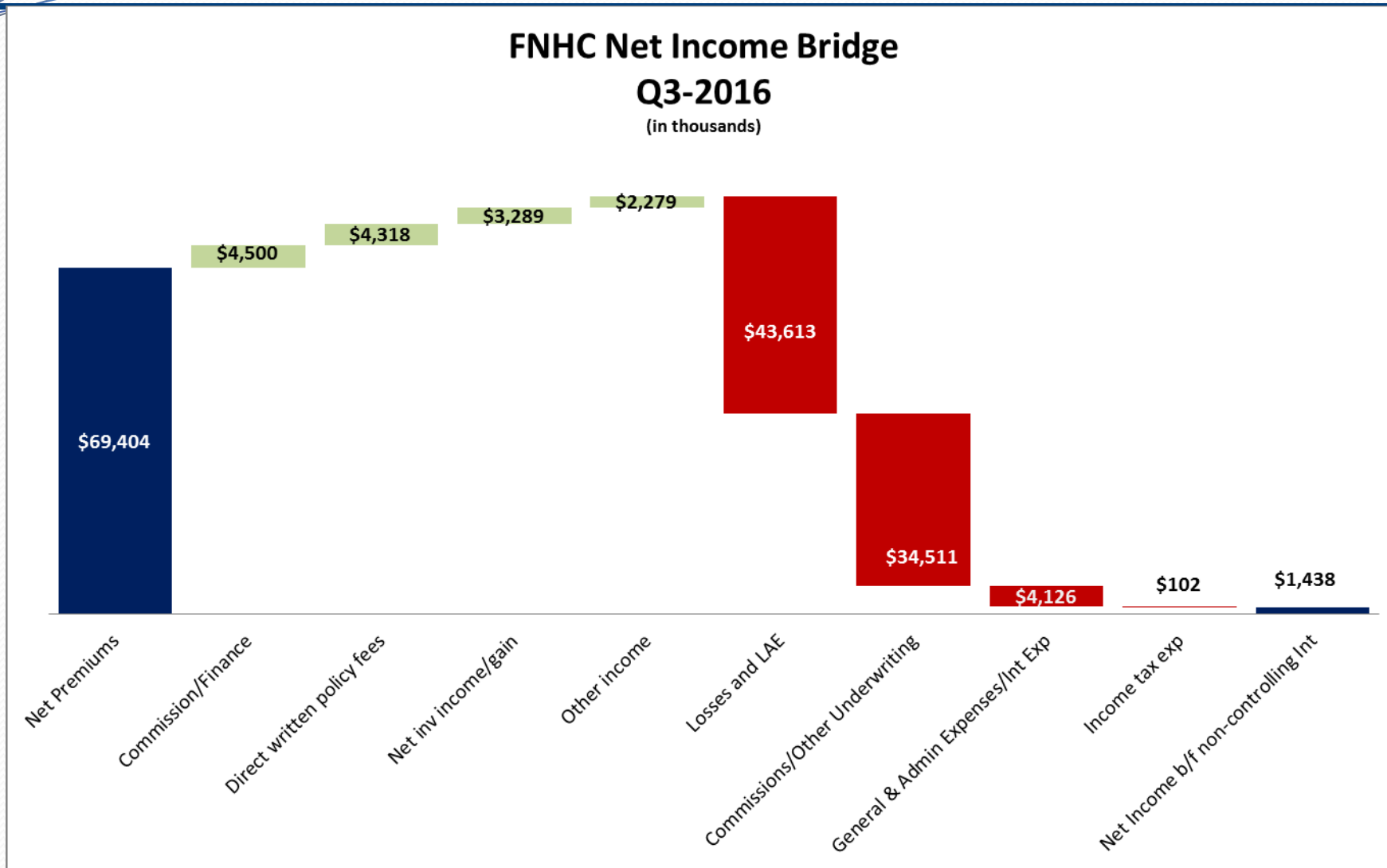
# STATEMENT OF OPERATIONS - FNHC



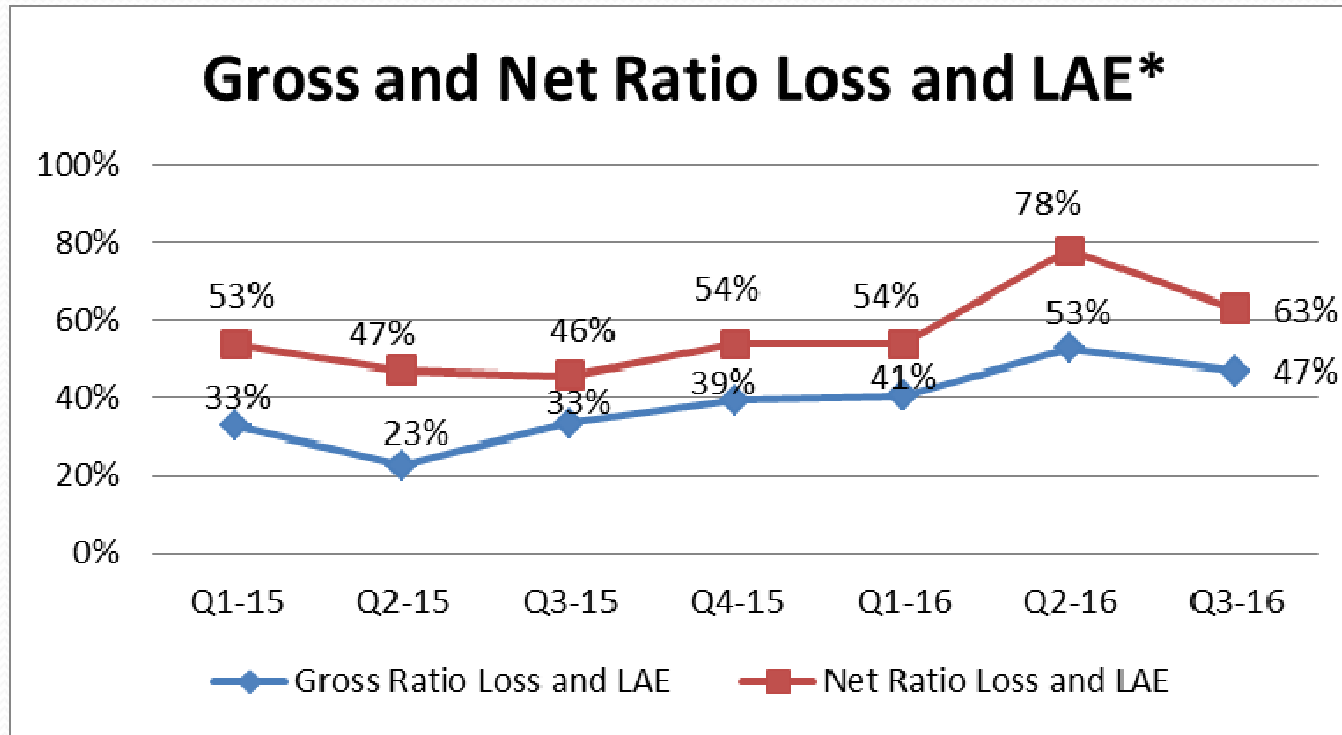
- Q3-16 total expenses (excl Losses/LAE and taxes) increase is due to faster growth in our private passenger automobile products and our non-Florida homeowners' lines of businesses, both of which have higher commissions expense directly related to their distribution along with the unwinding of the 30% quota share as we no longer cede the commissions from the related premiums.

# NET INCOME BRIDGE

**FNHC Net Income Bridge**  
**Q3-2016**  
 (in thousands)



# LOSSES AND LAE

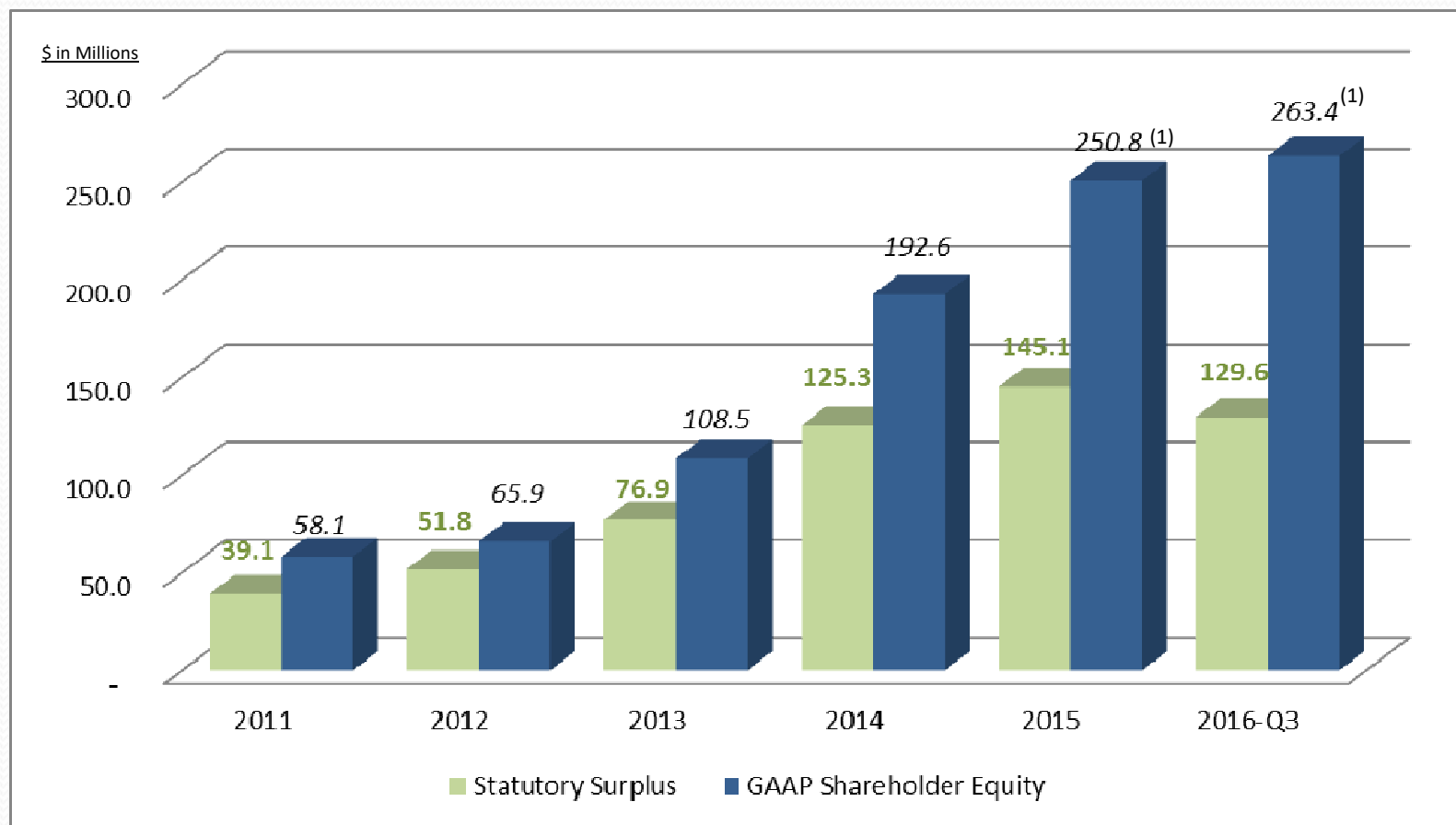


\*Includes severe weather events (Tornados, Tropical Storm Colin, Hurricane Hermine)



# BALANCE SHEET STRENGTH

*"Our commitment to protecting our policyholders and our shareholders"*



***\*Conservative Capital Structure***

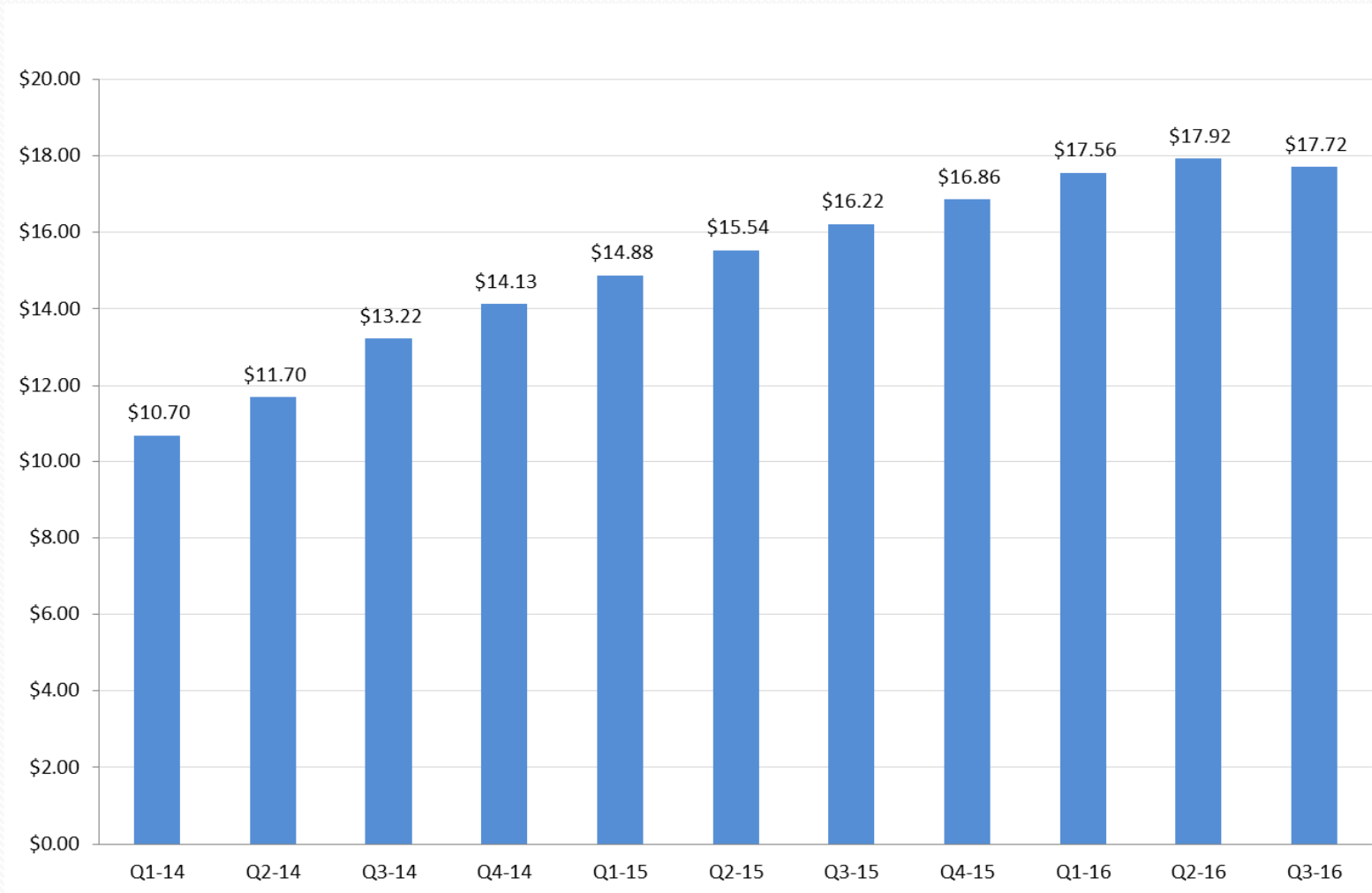
***\*Reinsurance Strategy***

***\*Low risk investment portfolio***

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

# SHAREHOLDER VALUE CREATION

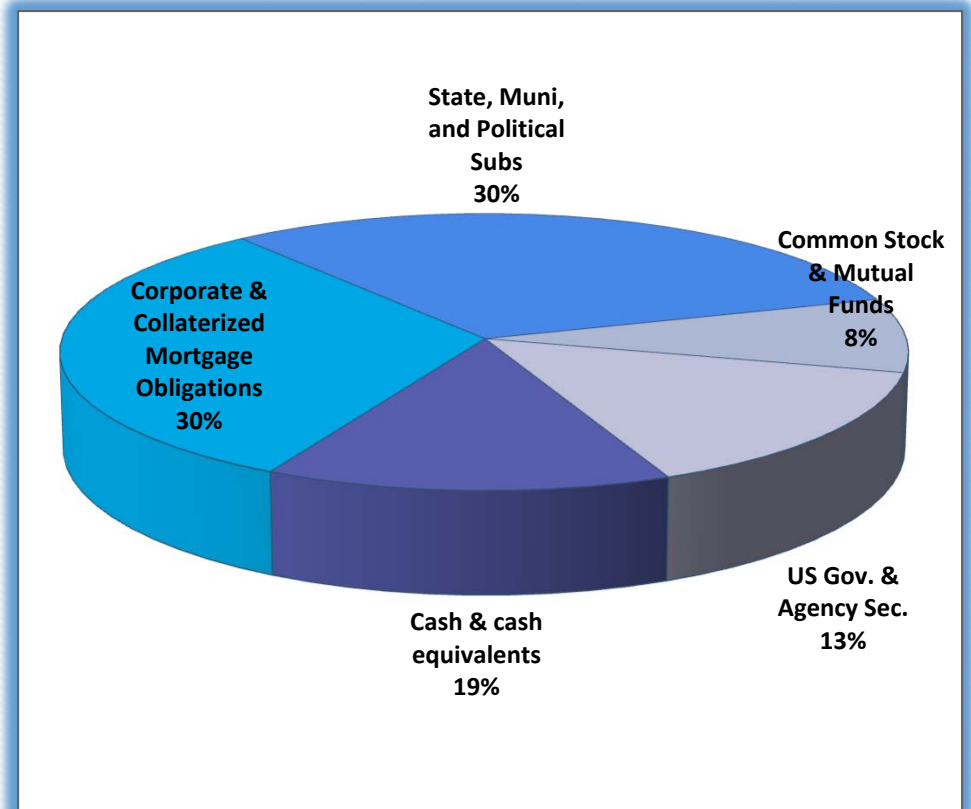
## BVPS excluding Non-Controlling Interest



Source: Company Filings and SNL Financial  
Note: Based on GAAP financial information

# 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 September 30, 2016, 99.83% of the Company's fixed income portfolio was rated investment grade
  - Average duration: 3.772 years
  - Composite rating: A (S&P)
  - Average yield: 1.516%
- Historical total returns on cash and investments as of September 30, 2016
  - 1 Year: 3.88%
  - 2 Years: 3.13%



**Federated National  
Investments and Cash**  
*As of September 30, 2016*  
**\$489.5 Million**

# INVESTMENT OPPORTUNITY

## UNDERWRITING PERFORMANCE

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

## RETURN OF CAPITAL TO SHAREHOLDERS

- Authorized program for Common Stock Repurchases
- Committed to Maintaining Dividends
- Effective use of controls and management oversight of expenditures
- Achieve book value growth

## INVESTMENT RETURNS

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

## STRATEGY AND PHILOSOPHY

- Shifting to "Fee Based" business model with Auto Line of Business (reducing risk to Shareholders)
- Maintain regional growth strategy that includes expanding in Non-FL states
- Continue efficient and effective use of reinsurance programs
- Focus on long-term profitable growth

# CONTACT US

## Company Contacts

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