



FedNat Holding Company

(NASDAQ: FNHC)

Investor Update
March 18, 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
- Expanding presence in neighboring coastal 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

Key Metrics*:

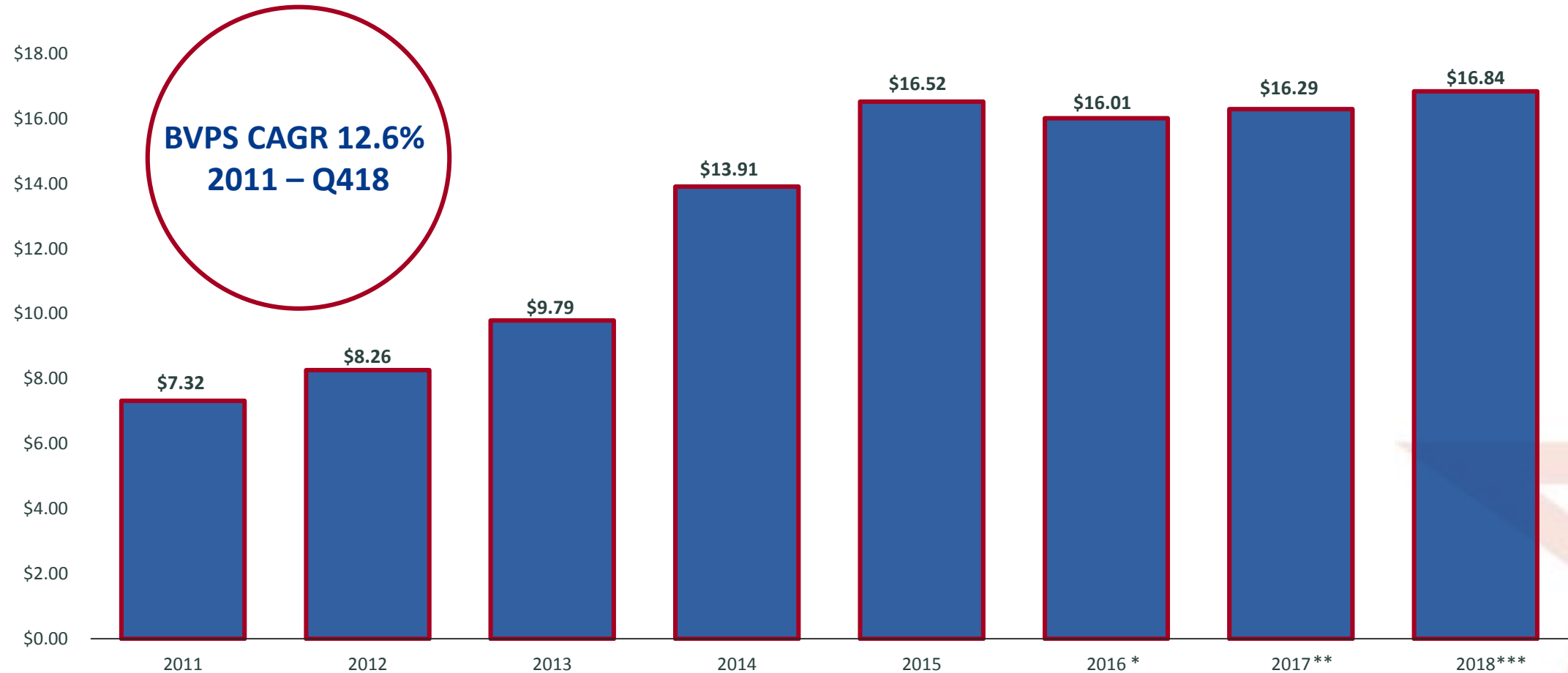
- Cash and Investments: \$500M+
- Book Value Per Common Share: \$16.84
- Agency Partnerships: 2,500+
- Gross Written Premiums for 4Q18: \$120M+
- Florida OIR Market Share**: 4.7%
- Demotech Financial Stability Rating: A



* As of December 31, 2018, unless otherwise noted

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

LONG-TERM TRACK RECORD OF BOOK VALUE GROWTH



* Impacted by Hurricane Matthew

** Impacted by Hurricane Irma

*** Impacted by Hurricane Michael

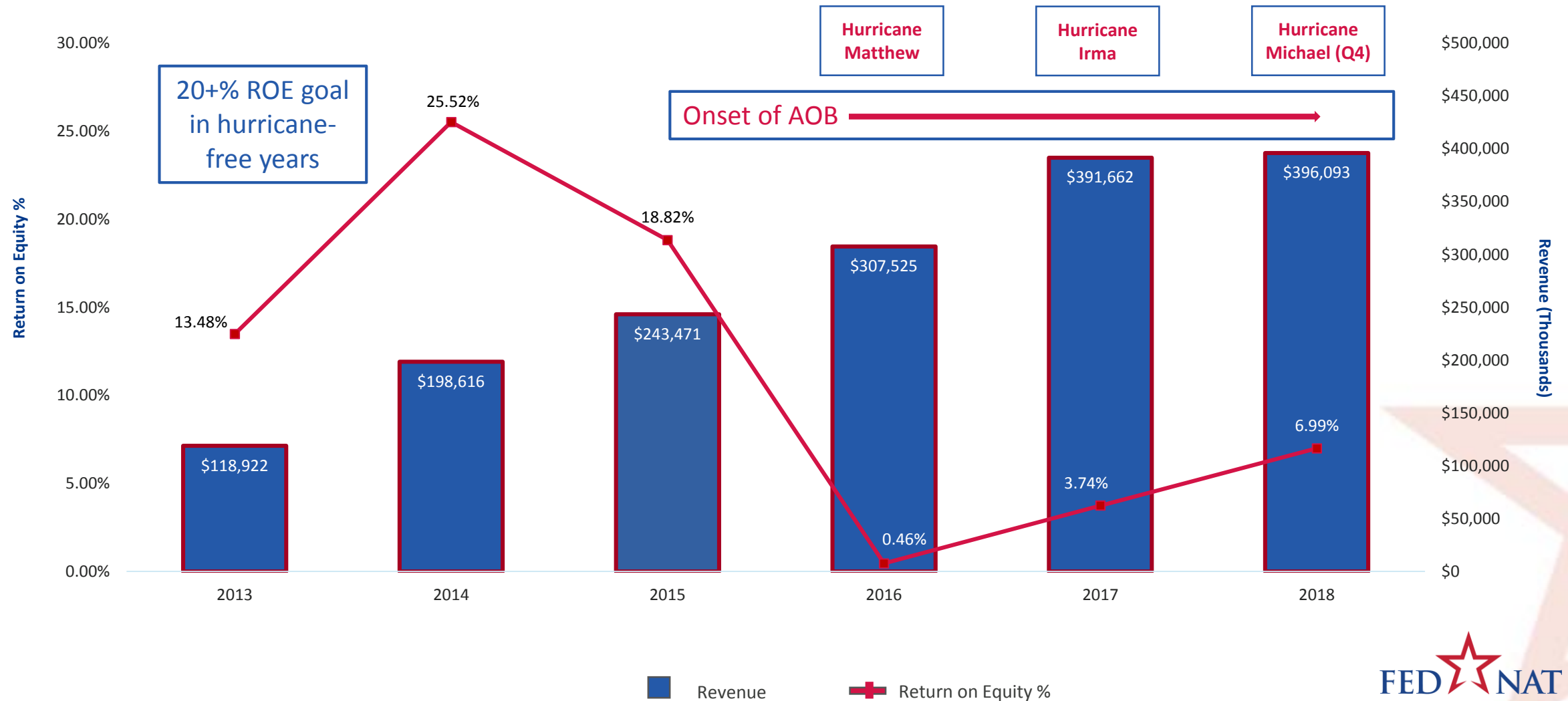
Source: Company Filings and SNL Financial

Note: Based on GAAP financial information

STRATEGIC EXECUTION DRIVING EARNINGS MOMENTUM

- Delivering **improving ex-cat underwriting profitability** in core Florida Homeowners book
- 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 multiple Florida rate increases**
- **Exited unprofitable non-core lines** (auto and commercial general liability)
- **Improving operating efficiency** and reducing expenses while **investing in technology**
- Execute on **Maison acquisition** and realize reinsurance as well as operational synergies
- Through Maison and existing book, continue to selectively **grow in neighboring coastal states**

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

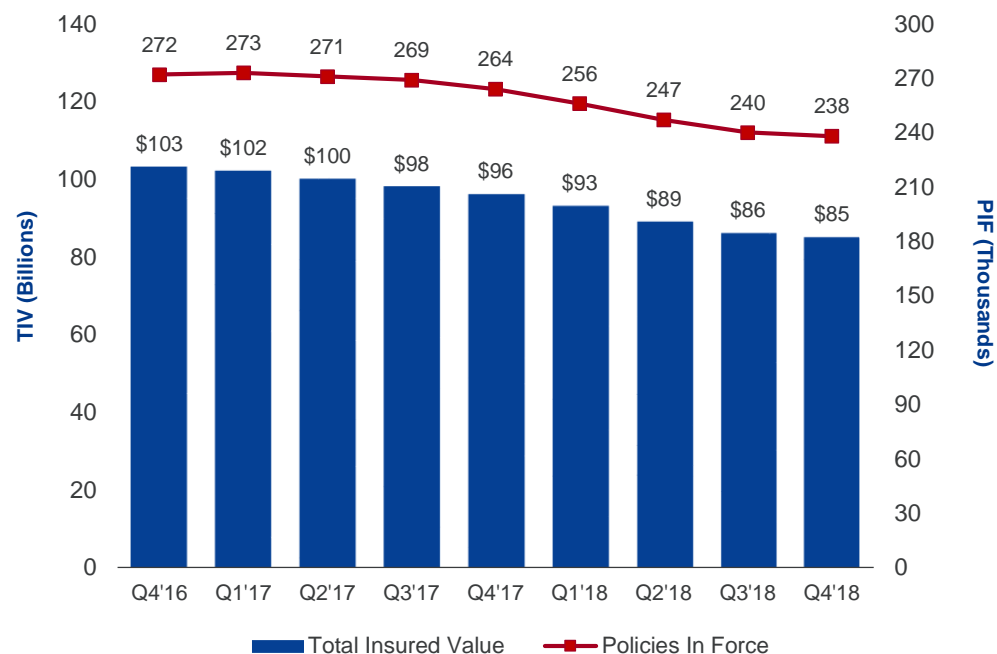
Rank	Insurer	2018 Q1 FL HO DWP (\$ mm)	FL HO Mkt Share (%)
1	Universal Insurance	995	10.5
2	Citizens Property Insurance	782	8.2
3	FedNat Insurance	444	4.7
4	Heritage Insurance	417	4.4
5	Security First Insurance	409	4.3
6	Homeowner's Choice Insurance	324	3.4
7	First Protective Insurance	310	3.3
8	American Integrity	309	3.3
9	St. John's Insurance	293	3.1
10	United Property Insurance	271	2.9
11	United Services Auto (USAA)	233	2.5
12	Florida Peninsula	120	2.4
13	Tower Hill Prime Insurance	224	2.4
14	People's Trust Insurance	222	2.3
15	ASI Preferred (Progressive)	176	1.9
16	Federal Insurance (Chubb)	174	1.8
17	AIG Property Casualty	152	1.6
18	Olympus Insurance	151	1.6
19	Safepoint Insurance	137	1.4
20	Tower Hill Signature	126	1.3
21	Privilege Underwriters	117	1.2
22	USAA Casualty	112	1.2
23	American Traditions	105	1.1
24	Gulfstream P&C Insurance	105	1.1
25	Family Security Insurance	104	1.1
	Others	2,575	27.1
	Total	\$9,497	100.0

- Nation's third largest state with 21 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



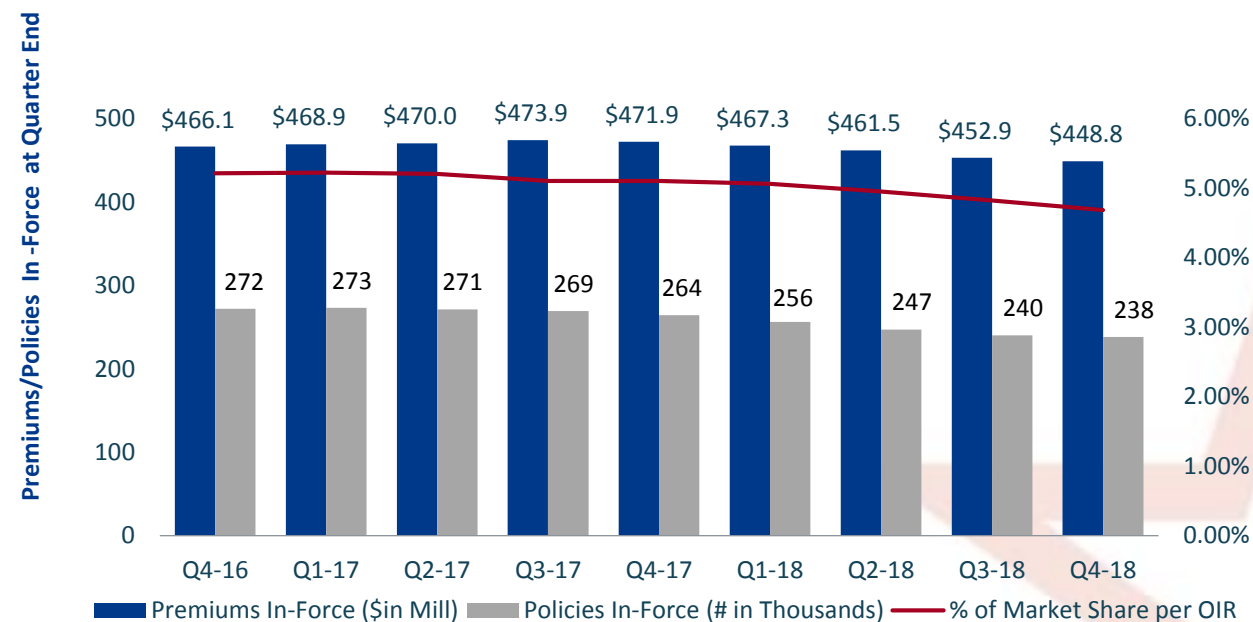
STRONG, DISCIPLINED, PROFITABLE FLORIDA BOOK

FNIC Total Insured Value and Policies In-Force



FNIC Homeowners Florida Market Share

Premiums in Force and % Market Share



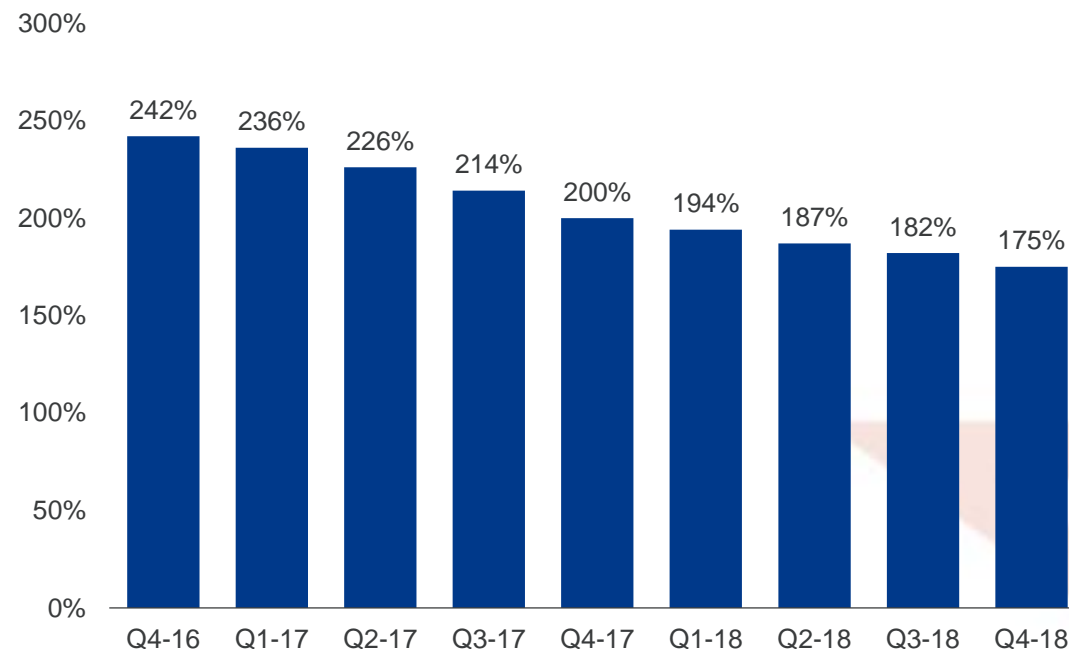
Disciplined underwriting driving increased profitability on flat premiums

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

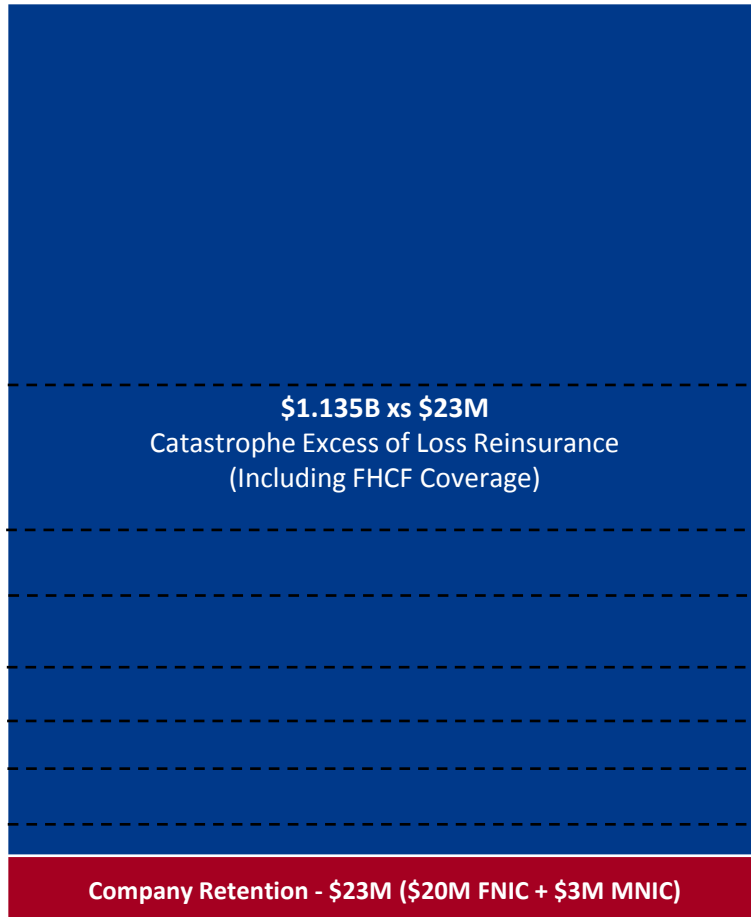
All States 1-in-100 Year Probable Maximum Loss / In-Force Premium (“PML to Premium”)



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: \$695.0M (44 yr RT)
Ultimate loss estimate

Multiple Events 2004*: \$495.0M (30 yr RT)
Recast Event: RMS v17 & AIR v5 average

Multiple Events 2005: \$446.0M (26 yr RT)**
Recast Event: RMS v17 & AIR v5 average

Hurricane Michael: \$275.0M (15 yr RT)
Ultimate loss Estimate

Hurricane Andrew: \$257.0M (14 yr RT)

Hurricane Wilma: \$203.0M (10 yr RT)

Hurricane Matthew: \$45.7M (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

SUCCESSFULLY MITIGATING AOB

AOB has been a significant drag on FL HO providers, but FedNat's multi-pronged strategy has positioned the company for improved underwriting profitability.

FedNat's AOB Strategy

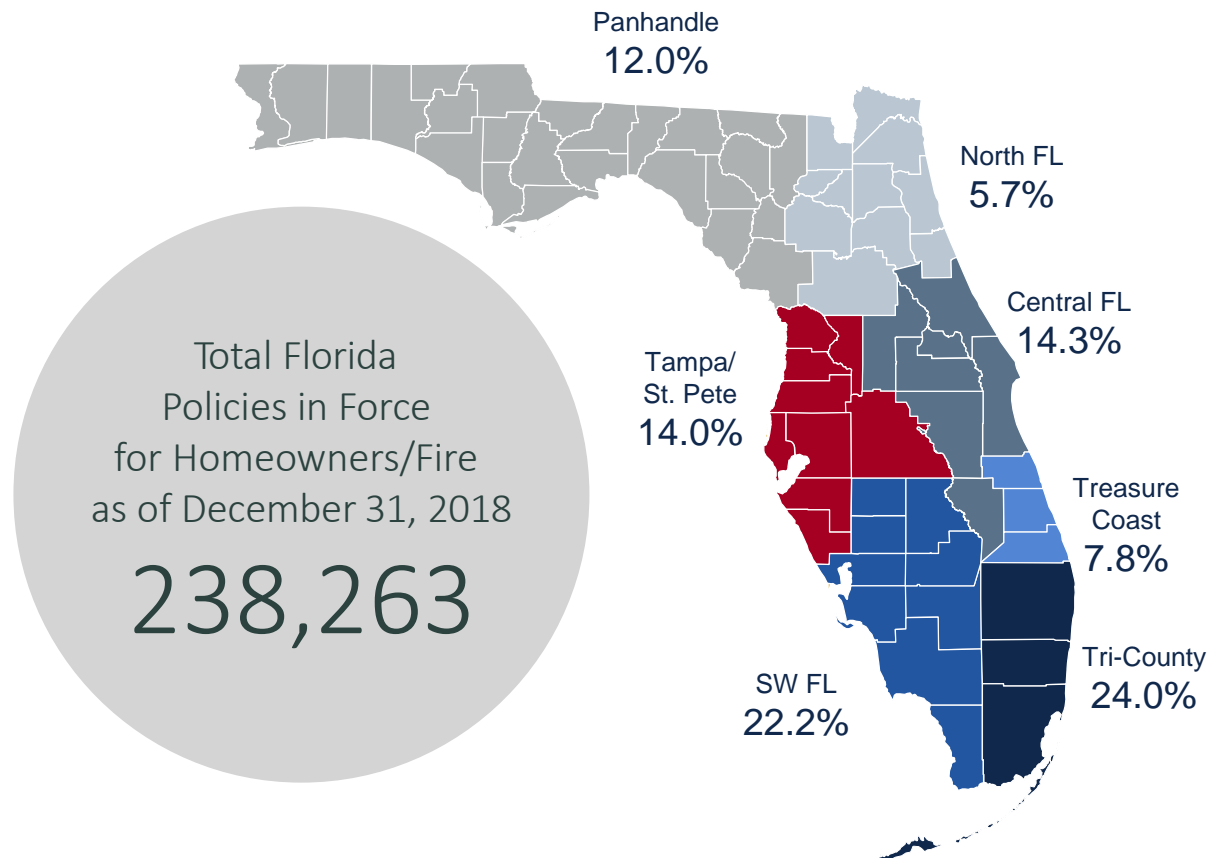
- Achieved aggregate 21+% compounded homeowners rate increase, since 2017, including 4.6% rate increase expected to be effective in April 2019
- Proactive management, training and engagement
- Educating policyholders and agents on reporting claims upon occurrence
- Analyze expected costs and work directly with AOB contractors and preferred FNHC vendors to arrive at a fair payment, or invoke policy appraisal clause
- Reducing litigation and mitigation expense risk
 - Aggressively pursuing Alternative Dispute Resolution practices
 - FNHC instituted FL OIR approved policy language changes that restrict emergency mitigation expenses



POSITIONING FOR GROWTH

BROADENING FLORIDA PENETRATION

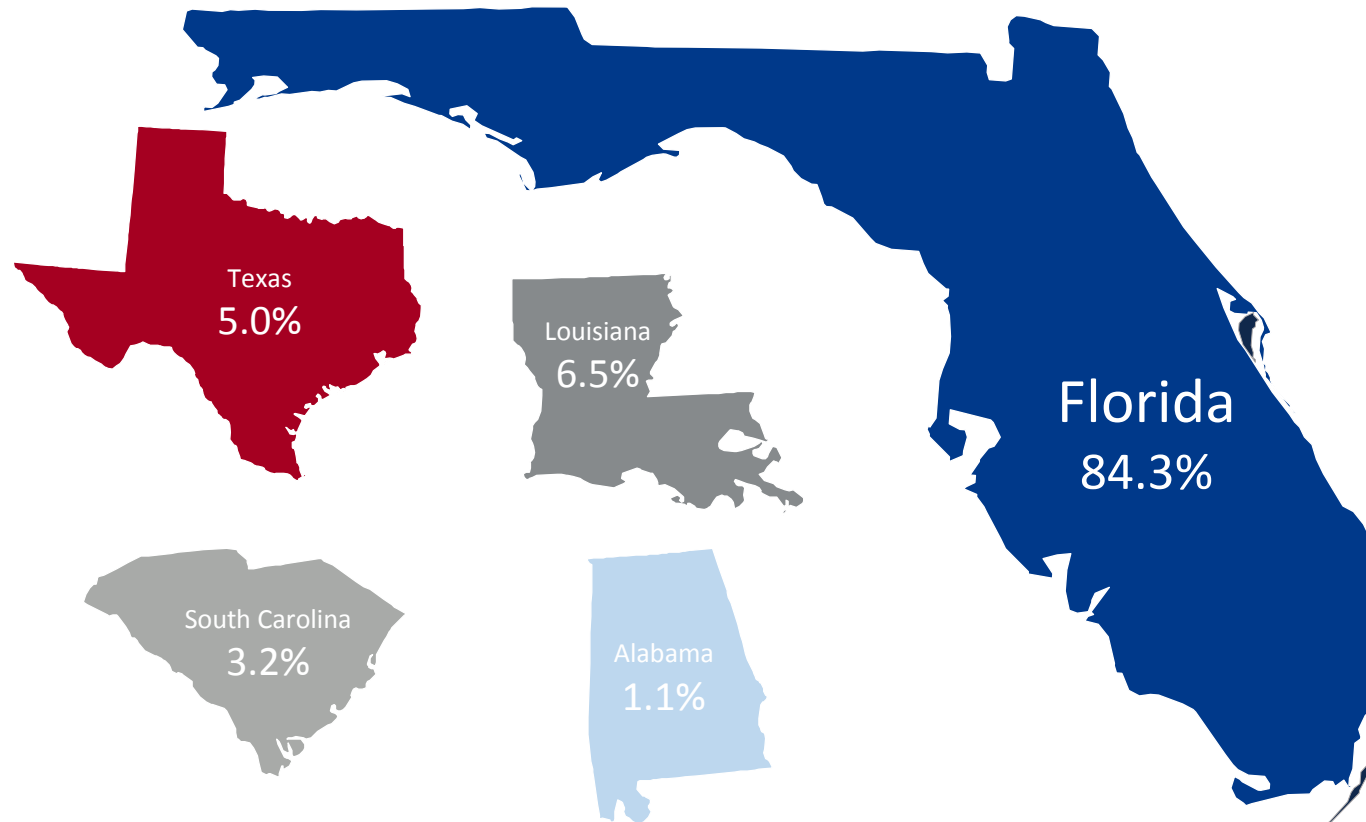
FedNat Insurance Company – Florida Market for Homeowners



- Statewide offering of HO3, HO6, HO4 and DP-3 Forms
- 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

COASTAL STATE DIVERSIFICATION – HOMEOWNERS

FedNat In-Force Policy Counts - Regionally



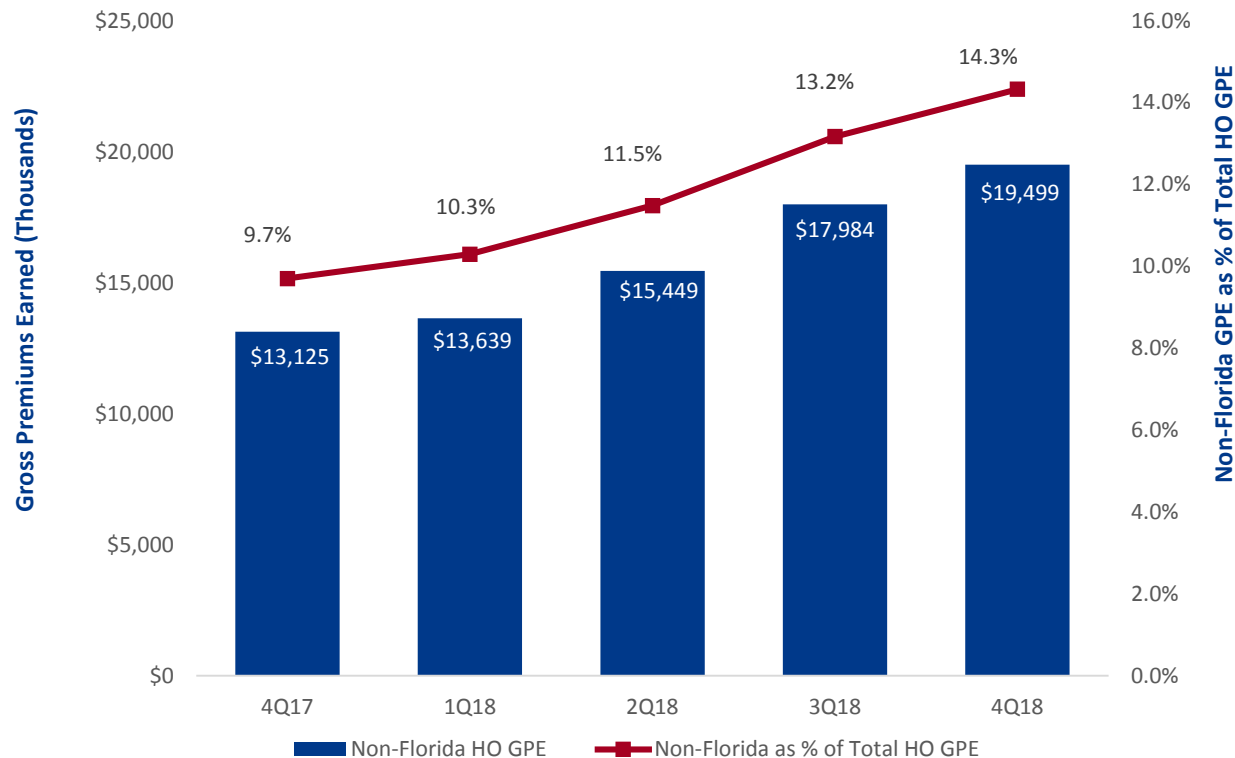
- Limited to Gulf and Atlantic coastal states
- Focus on hurricane zones 1 and 2 where need is greatest
- Leveraging best practices developed over our 25+ years of experience
- Organic growth via voluntary business distributed through partner managing general underwriter and national carrier affiliations

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



- Gross written premiums increased 52% to ~\$22 million in Q418 vs. Q417
- Gaining market share in Texas, Louisiana, South Carolina and Alabama
- \$85 million of premium in-force at December 31, 2018
- 44,000 policies in-force



MAISON ACQUISITION SUMMARY

Transaction	<ul style="list-style-type: none">• FNHC will acquire the three operating subsidiaries of 1347 Property Insurance Holdings, Inc. (“1347 PIH”):<ul style="list-style-type: none">– Maison Insurance Company (“Maison”)– Maison Managers, Inc.– ClaimCor, LLC
Consideration Value	<ul style="list-style-type: none">• \$51 million paid to 1347 PIH plus an estimated \$15 million STAT capital infusion into Maison to replace existing surplus notes Maison will pay off at close<ul style="list-style-type: none">– \$25.5 million in cash– \$25.5 million in FNHC common stock (represents less than 10% of pro forma shares outstanding)• Minimum GAAP Equity of \$42 million and minimum STAT Surplus of \$29 million delivered at close• ~1.2x consolidated tangible GAAP book value at close• Represents potential internal rate of return in excess of 20%• Limited tangible book value dilution earned back in less than two years
Approvals and Timing	<ul style="list-style-type: none">• Anticipated close Q2 2019• 1347 PIH is entitled to a 30-day go-shop period subject to a \$2.165 million termination fee• Subject to certain closing conditions including receipt of regulatory approvals
Other Items	<ul style="list-style-type: none">• FNHC will retain nearly all employees, including Doug Raucy (Maison President & CEO) and Dean Stroud (Maison VP & Chief Underwriting Officer) who are entering into new employment agreements with FedNat• Five year ROFR agreement for 1347 PIH to participate in FedNat’s reinsurance program for up to 7.5% of any layer• Investment advisory agreement with 1347 PIH post closing



TRANSACTION RATIONALE AND BENEFITS

Shareholder Financial Value Creation

- Immediately accretive to earnings per share
- Minimal book value per share dilution of less than 2%
- Tangible book value dilution anticipated to be earned back in less than two years
- Increases float of publicly traded shares

Diversification and Growth Opportunities

- Increases geographic diversification of book of business in Texas and Louisiana
- New distribution with direct access to non-Florida retail agents, which complements existing wholesale channel
- Additional carrier to monetize existing distribution channels within the Florida market

Reinsurance and Expense Synergies

- Realization of reinsurance cost savings estimated to be \$5 million annually pre-tax
- Generates additional scale with operating synergies and expense savings estimated to be 25% of Maison pre-tax G&A expenses annually (\$0.8 million in 2019 and \$3.3 million in 2020) before transaction integration costs

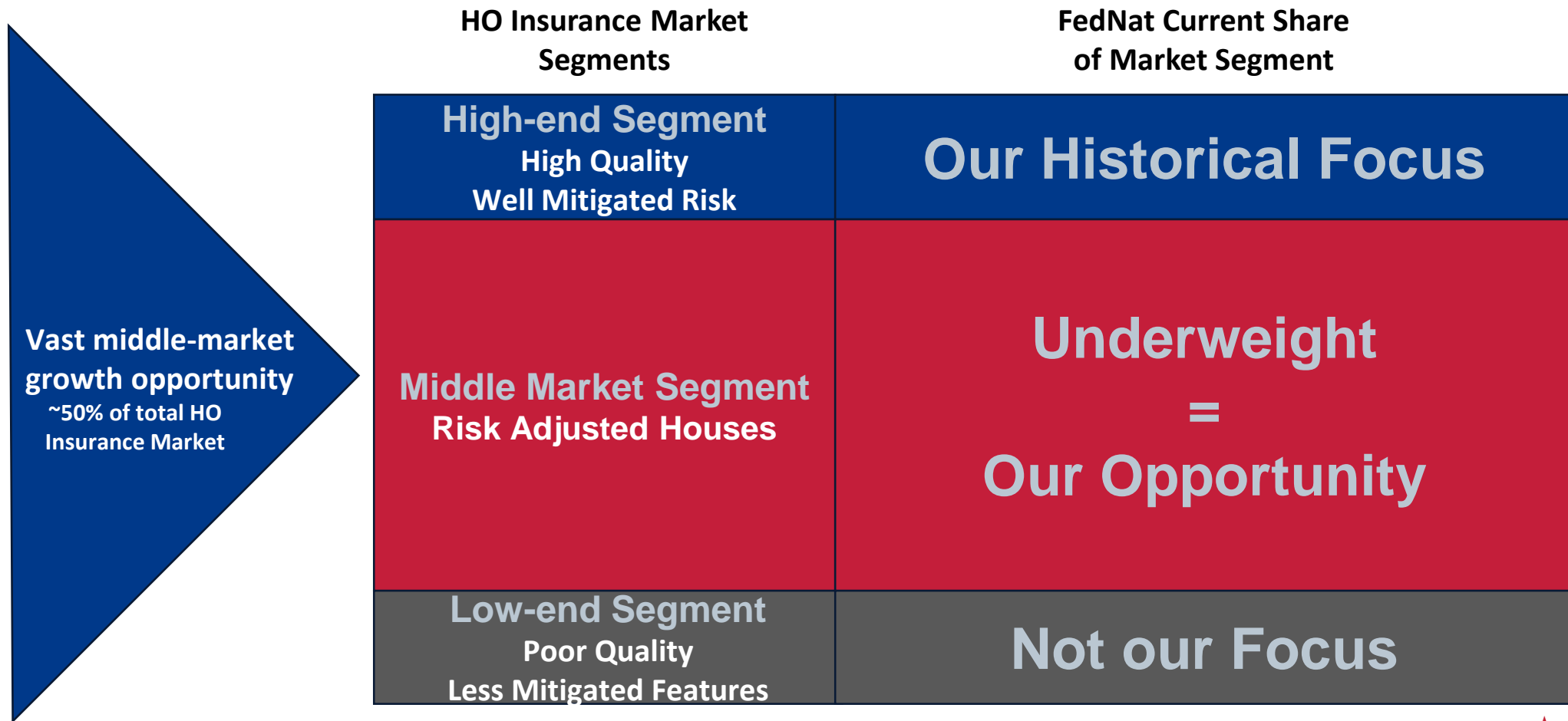
Limited Execution Risk

- Acquired new premium represents less than 20% of existing gross written premium volume
- Conservative estimate of reinsurance synergies following detailed analysis
- No new geographies / states
- No new product lines
- Minimal employee and system integration risk

Debt Offering Benefits

- Immediate reduction to weighted-average interest rate of approximately 170bps
- Eliminates floating rate risk on \$25 million of existing debt
- Substantial improvement in debt covenants
- Longer time horizon (10 years) provides greater stability

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 in the top right corner.

RECENT FINANCIAL & OPERATING HIGHLIGHTS

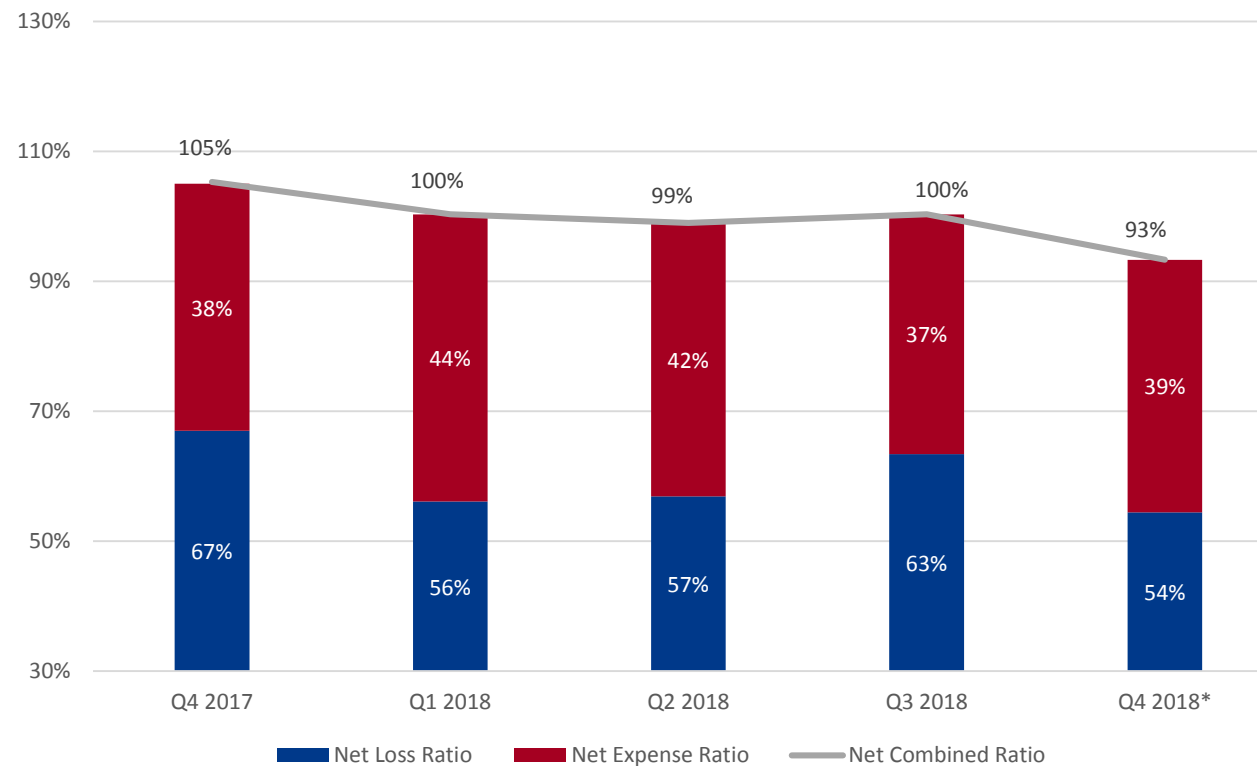
(in thousands)	4Q17	1Q18	2Q18	3Q18	4Q18*
Income Statement Data:					
Gross Premiums Written	\$133,892	\$134,395	\$166,734	\$139,022	\$127,613
Net Premiums Earned	87,503	82,109	83,557	98,493	91,098
Net Investment Income	2,773	2,943	2,978	3,137	3,402
Pre-Tax Income (Loss)	9,567	9,616	12,016	10,970	(12,394)
Net Income (Loss)	6,296	7,463	8,820	7,950	(9,305)
Diluted Earnings Per Share	\$0.48	\$0.58	\$0.69	\$0.62	(\$0.73)
Balance Sheet Data:					
Cash and Investments	530,249	506,861	532,084	518,395	515,948
Shareholders Equity	211,637	208,080	215,028	222,936	215,259
Book Value per Share	\$16.29	\$16.36	\$16.89	\$17.45	\$16.84
Financial Ratios:					
Net Loss Ratio	67.3%	56.1%	56.9%	63.4%	79.4%
Net Expense Ratio	38.0%	44.2%	42.1%	36.9%	38.9%
Net Combined Ratio	105.3%	100.3%	99.0%	100.3%	118.3%

Q4 Notes/Highlights

- Homeowners net earned premiums increased 11% over 4Q17 driven by lower catastrophe reinsurance spend and strong non-Florida premium growth (up 49%)
- Q4-18 EPS would have been (\$0.43), excluding investment losses and \$0.86, excluding Hurricane Michael as well.
- 93% year-over-year EPS growth to \$1.16. Excluding investment gains and losses, 2018 earnings of \$18.0 million were up 658% from 2017.
- Holding company liquidity of \$53 million as of December 31
- Expense initiatives taking hold
- \$23.0 million of claims from Hurricane Michael represents 25 points on combined ratio and \$1.29 per share, net of related claims handling revenue

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

* Excluding Hurricane Michael, which added 25 percentage points to the net loss and combined ratios.

EXIT FROM NON-CORE LINES DRIVING MEANINGFUL EARNINGS IMPROVEMENT

	Q4 2017				Q3 2018				Q4 2018			
	HO	Auto	Other	Consolidated	HO	Auto	Other	Consolidated	HO	Auto	Other	Consolidated
Total Revenue	\$87,606	\$6,149	\$7,997	\$101,752	\$100,616	\$2,332	\$7,884	\$110,832	\$95,357	\$289	\$796	\$96,442
Costs and expenses:												
Losses and loss adjustment expenses	47,345	7,633	3,896	58,874	56,856	2,609	2,992	62,457	64,634	4,840	2,844	72,318
All other expenses	29,254	2,035	2,022	33,311	32,834	1,620	2,951	37,405	32,537	780	3,201	36,518
Total costs and expenses	76,599	9,668	5,918	92,185	89,690	4,229	5,943	99,862	97,171	5,620	6,045	108,836
Income before income taxes	11,007	(3,519)	2,079	9,567	10,926	(1,897)	1,941	10,970	(1,814)	(5,331)	(5,249)	(12,394)
Income taxes	4,246	(1,358)	1,055	3,943	2,768	(481)	733	3,020	(460)	(1,351)	(1,278)	(3,089)
Net income	6,761	(2,161)	1,024	5,624	8,158	(1,416)	1,208	7,950	(1,354)	(3,980)	(3,971)	(9,305)
Net loss attributable to noncontrolling interest	(672)	-	-	(672)	-	-	-	-	-	-	-	-
Net income attributable to FNHC shareholders	\$7,433	(\$2,161)	\$1,024	\$6,296	\$8,158	(\$1,416)	\$1,208	\$7,950	(\$1,354)*	(\$3,980)	(\$3,971)	(\$9,305)

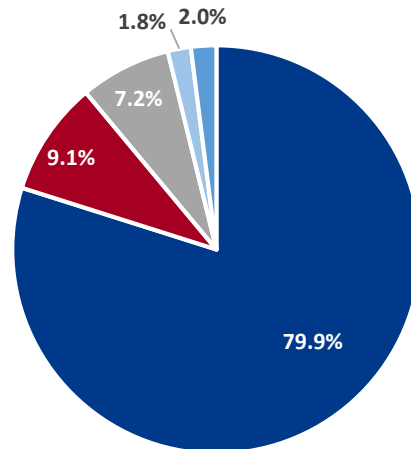
Excluding Hurricane Michael, Homeowners made \$15.1M in 4Q18.

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

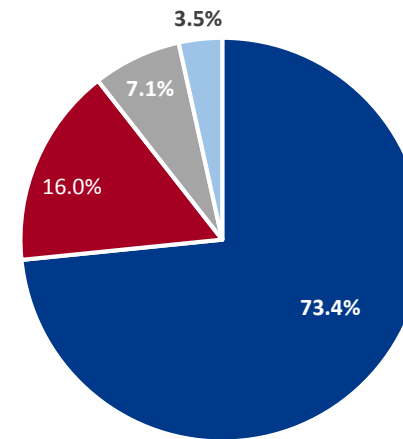
FAVORABLE PREMIUM COMPOSITION

2017

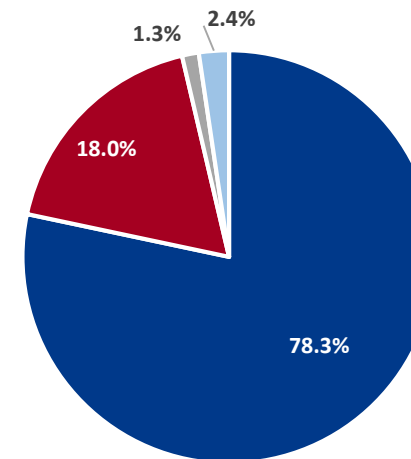
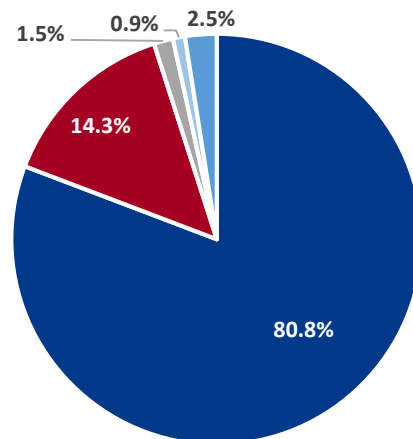
Gross Premiums Written



Net Premiums Earned

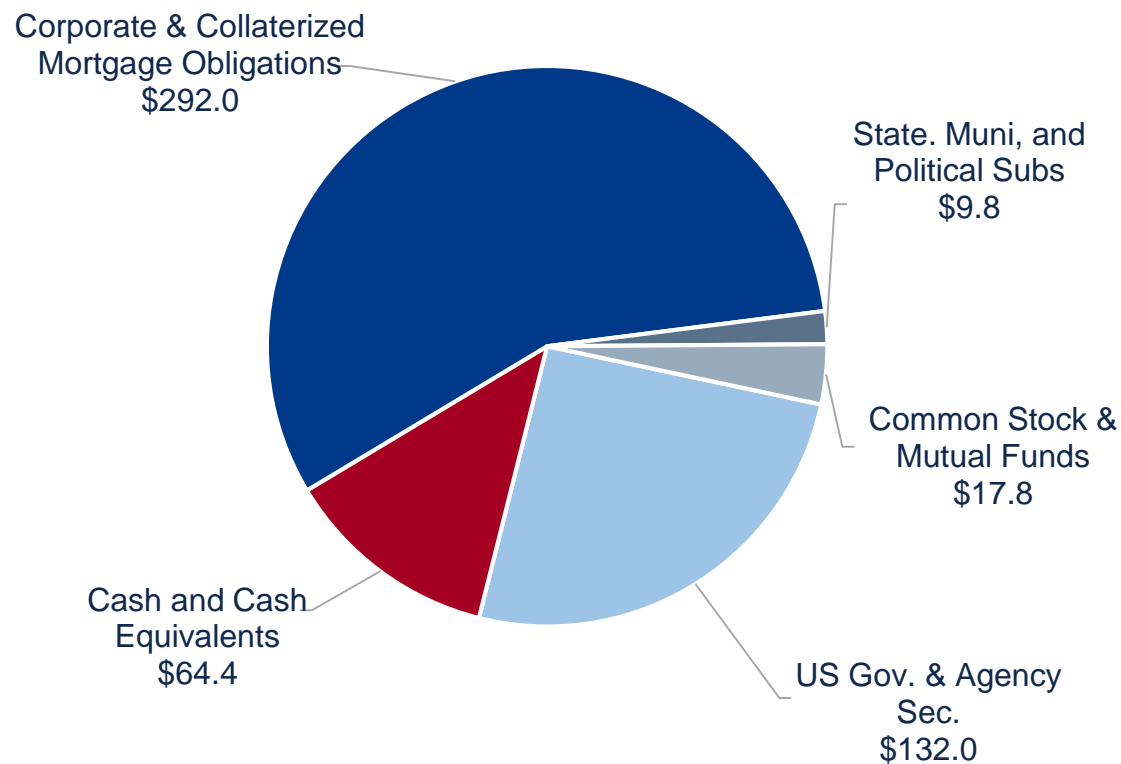


2018



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

INVESTMENT PORTFOLIO COMPOSITION



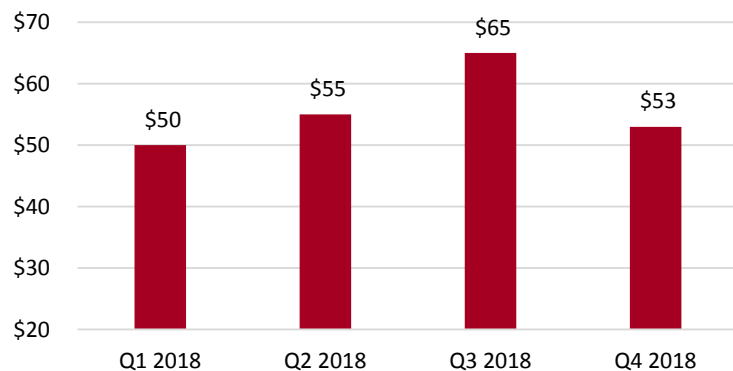
as of December 31, 2018
(in millions)

- Designed to preserve capital, maximize after-tax investment income, maintain liquidity and minimize risk
- As of 12/31/2018, 97.9% of the Company's fixed income portfolio was rated investment grade
 - Average duration: 4.2 years
 - Composite rating: A- (S&P Composite)
 - YTM: 3.66%
 - Book yield: 3.30%
- Historical total returns on cash and investments as of 12/31/2018
 - 1 Year: 0.53%
 - 2 Years: 2.18%

LIQUIDITY & LEVERAGE

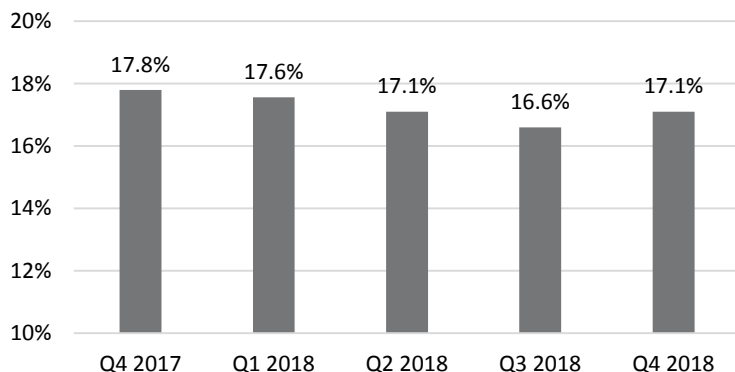
Non-insurance Liquidity

\$ in millions



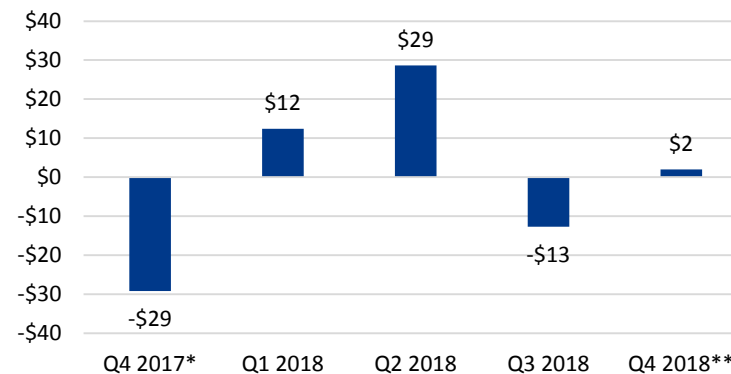
Financial Leverage

Debt/Capital



Cash Flow from Operations

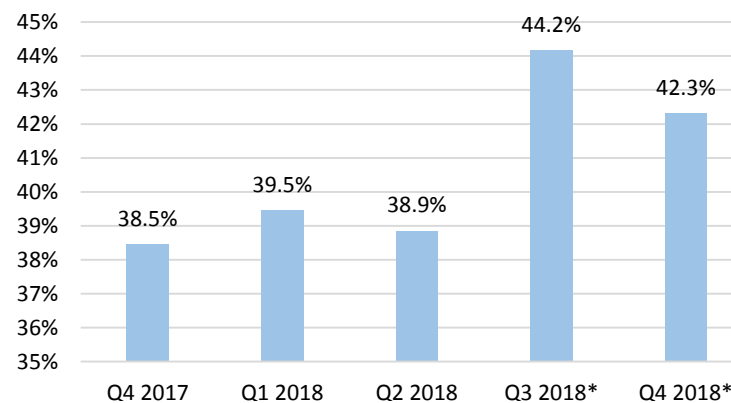
\$ in millions



* Impacted by Hurricane Irma. ** Impacted by Hurricane Michael.

Underwriting Leverage

NPE/Equity



* Driven by lower catastrophe program expense.

Notes/Highlights

- Pro forma debt/capital ratio, inclusive of the impacts of our recent debt offering and the pending Maison acquisition, of 29%, which is expected decline as earnings add to our GAAP equity.
- FNIC's 12/31/18 RBC ratio is 330%
- Maison's 12/31/18 RBC ratio is 361%

FORWARD FINANCIAL MOMENTUM

Incremental drivers of earnings growth into 2019:

- Homeowners net earned premiums will benefit from three key factors:
 - Rate increase of 4.6% expected to be effective on 4/20/19, approved by OIR
 - Rate increase of 10% effective 8/1/17 now being fully earned
 - Continued Non-Florida gross premiums growth – up 48% in 2018
- 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 105 in 2018
 - \$1.5M per quarter run-rate savings
- Exited unprofitable Auto and CGL business lines
- AOB mitigation efforts
- Integration of Maison's operations and execution on reinsurance and operational synergies

CORE EARNINGS POWER

	Pre-Tax	After-Tax
4Q18, as reported	(\$12,394)	(\$9,305)
Normalization:		
Hurricane Michael	22,000	16,423
Claims handling fee income and salvage/subrogation	(5,000)	(3,733)
Non-core adverse development	6,000	4,479
Severance costs	500	373
Investment losses	5,060	3,778
“Normalized” quarter	\$16,166	\$12,015

Normalized 4Q18 earnings drive core business ROE of over 20%

Questions?

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