FEDERATED NATIONAL HOLDING Co
Form PRE 14A
April 03, 2018

United States
Securities and Exchange Commission
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:
Preliminary Proxy Statement
Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material under Rule 14a-12

FEDERATED NATIONAL HOLDING COMPANY
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on the table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Federated National Holding Company
14050 N.W. 14 Street, Suite 180
Sunrise, Florida 33323

April 20, 2018

Dear Shareholder:

On behalf of the Board of Directors and management of Federated National Holding Company, you are cordially invited to join us at the 2018 Annual Shareholders Meeting to be held at 11:00 a.m. (Eastern Time) on May 31, 2018 at the DoubleTree by Hilton Hotel Sunrise – Sawgrass Mills, 13400 West Sunrise Boulevard, Sunrise, Florida 33323.

Attached to this letter are a Notice of Annual Meeting of Shareholders and Proxy Statement, which describe the business to be conducted at the meeting, and our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. We also will report on matters of current interest to our shareholders.

At this year’s meeting, you will be asked to:

(1) elect four director nominees listed in the Proxy Statement;
(2) consider and vote upon a proposal to change the Company's name to FedNat Holding Company;
(3) consider and vote upon a proposal to approve the 2018 Omnibus Incentive Compensation Plan;
(4) consider a non-binding advisory vote to approve the Company’s executive compensation; and
(5) ratify the appointment of our independent registered public accounting firm for 2018.

The Board of Directors recommends that you vote FOR the nominees listed in Proposal 1 and FOR Proposals 2, 3, 4 and 5.

Your vote is important. Whether you own a few shares or many, and whether or not you plan to attend the Annual Meeting in person, it is important that your shares be represented and voted at the meeting. You may vote your shares by proxy on the Internet, by telephone, or by completing, signing and promptly returning a proxy card, or you may vote in person at the Annual Meeting.

Thank you for your continued support of Federated National Holding Company.

Sincerely,
Bruce F. Simberg
Chairman of the Board

FEDERATED NATIONAL HOLDING COMPANY
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 31, 2018

To the Shareholders of Federated National Holding Company:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the "Annual Meeting") of Federated National Holding Company, a Florida corporation (the “Company”), will be held at the DoubleTree by Hilton Hotel Sunrise – Sawgrass Mills, 13400 West Sunrise Boulevard, Sunrise, Florida 33323, at 11:00 a.m. (Eastern Time) on May 31, 2018 for the following purposes:

1. To elect three Class II directors to serve until our 2021 annual meeting and one Class III director to serve until our 2020 annual meeting;
2. To consider and vote upon a proposal to change the Company's name to FedNat Holding Company by approval of an amendment to the Company’s Amended and Restated Articles of Incorporation;
3. To consider and vote upon a proposal to approve the 2018 Omnibus Incentive Compensation Plan;
4. To hold a non-binding advisory vote on the Company's executive compensation;
5. To ratify the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the 2018 fiscal year; and
6. To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on April 2, 2018 as the record date for determining those shareholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

Whether or not you expect to be present, please sign, date and return the enclosed proxy card in the pre-addressed envelope provided for that purpose as promptly as possible. No postage is required if mailed in the United States.

By Order of the Board of Directors,
Rebecca L. Sanchez, Corporate Secretary

Sunrise, Florida
April 20, 2018

ALL SHAREHOLDERS ARE INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. THOSE SHAREHOLDERS WHO ARE UNABLE TO ATTEND ARE RESPECTFULLY URGED TO EXECUTE AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE. SHAREHOLDERS WHO EXECUTE A PROXY MAY NEVERTHELESS ATTEND THE ANNUAL MEETING, REVOKE THEIR PROXY AND VOTE THEIR SHARES IN PERSON.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON MAY 31, 2018. The Company’s notice of annual meeting, proxy statement and 2017 Annual Report on Form 10-K are available on the Internet at https://materials.proxyvote.com/31422T.

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FEDERATED NATIONAL HOLDING COMPANY
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 31, 2018

PROXY STATEMENT

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Federated National Holding Company (the “Board”) of proxies to be voted at our 2018 Annual Meeting of Shareholders to be held on May 31, 2018, at 11:00 a.m. (Eastern Time) at the DoubleTree by Hilton Hotel Sunrise – Sawgrass Mills, 13400 West Sunrise Boulevard, Sunrise, Florida 33323, and at any postponements or adjournments thereof. In this proxy statement, Federated National Holding Company is referred to as the “Company,” “we,” “our” or “us.”

The approximate date that this proxy statement and the enclosed form of proxy are first being sent to our shareholders is April 12, 2018. You should review the information provided in this proxy statement with our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which is being delivered to shareholders simultaneously with this proxy statement.

GENERAL INFORMATION

Who is entitled to vote at the 2018 Annual Meeting?

Your board has set the close of business on April 2, 2018 as the record date for determining those shareholders entitled to notice of, and to vote on, all matters that may properly come before the Annual Meeting. As of the record date, the Company had approximately 13,126,480 outstanding shares of common stock entitled to notice of, and to vote at, the Annual Meeting. No other securities are entitled to vote at the Annual Meeting. Only shareholders of record on such date are entitled to notice of, and to vote at, the Annual Meeting.

What are the voting rights of shareholders?

Each shareholder of record is entitled to one vote for each share of the Company’s common stock that is owned as of the close of business on the record date on all matters to come before the Annual Meeting. Under our Amended and Restated Articles of Incorporation, as amended (the “Articles of Incorporation”), shareholders do not have cumulative voting rights in the election of directors.

How many votes must be present to hold the Annual Meeting?

To conduct business at the Annual Meeting, a quorum must be present. The attendance, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock entitled to vote on the matters being considered at the Annual Meeting is necessary to constitute a quorum. For purposes of determining whether a quorum exists, we count proxies marked “withhold authority” as to any director nominee or “abstain” as to a particular proposal as being present at the meeting. Shares represented by a proxy as to which there is a “broker non-vote” (that is, where a broker holding your shares in “street” or “nominee” name indicates to us on a proxy that you have given the broker the discretionary authority to vote your shares on some but not all matters), will also be considered present at the meeting for purposes of determining whether a quorum exists.

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How do I vote my shares?

We use the “Notice and Access” method of providing proxy materials to you via the Internet. We believe that this process provides you with a convenient and quick way to access your proxy materials and vote your shares, while allowing us to conserve natural resources and reduce the costs of printing and distributing the proxy materials. On or about April 20, 2018, we will mail to many of our shareholders a Notice of Internet Availability of Proxy Materials ("Notice") containing instructions on how to access our proxy statement and Form 10-K and vote electronically via the Internet. The Notice also contains instructions on how to receive a paper copy of your proxy materials. We will not be mailing this Notice to shareholders who had previously elected to receive notices, access our proxy materials and vote via the Internet, or who had previously elected to receive paper copies of our proxy materials.

In addition, to ensure we achieve a quorum for the Annual Meeting and facilitate voting by our shareholders, we will mail paper copies of our proxy materials to beneficial holders of at least 1,000 shares of our common stock, to shareholders who have specifically requested receipt of paper copies of our proxy materials, and to all registered holders.

To vote by mail, please sign, date and return to the Company as soon as possible the enclosed proxy card. An envelope with postage paid, if mailed in the United States, is provided for this purpose. Properly executed proxies that are received in time and not subsequently revoked will be voted as instructed on the proxies. If you vote by Internet as described above, you need not also mail a proxy to the Company.

You may vote by ballot in person at the Annual Meeting. If you want to vote by ballot, and you hold your shares in street name (that is, through a bank or broker), you must obtain a legal proxy from that organization and bring it to the Annual Meeting. Even if you plan to attend the Annual Meeting, you are encouraged to submit a proxy card or vote by Internet to ensure that your vote is received and counted. If you vote in person at the Annual Meeting, you will revoke any prior proxy you may have submitted.

Will my shares be voted if I do not provide instructions to my broker or nominee?

If you hold shares through an account with a bank or broker, the voting of the shares by the bank or broker when you do not provide voting instructions is governed by the rules of the New York Stock Exchange. In uncontested solicitations, these rules allow banks and brokers to vote shares in their discretion on “routine” matters for which their customers do not provide voting instructions. On matters considered “non-routine,” banks and brokers may not vote shares without your instruction. Shares that banks and brokers are not authorized to vote are referred to as “broker non votes.” Therefore, if you hold your shares in the name of your broker (sometimes called “street name” or “nominee name”) and you do not provide your broker with specific instructions regarding how to vote on any proposal to be voted on at the Annual Meeting, your broker will not be permitted to vote your shares on non-routine proposals. The only proposal to be voted on at the Annual Meeting that is considered a routine proposal is Proposal 5 regarding the ratification of the Audit Committee’s appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2018 fiscal year. All other proposals to be voted on at the Annual Meeting are considered non-routine. Therefore, if you want your vote to be counted on any proposal to be considered at the Annual Meeting, other than Proposal 5, you must instruct your bank or broker how to vote your shares. If you do not provide voting instructions, no votes will be cast on your behalf with respect to such proposals.

What vote is required?

The election of the Board’s nominees for election to the Board of Directors at the Annual Meeting is expected to be an uncontested election. As such, as a result of the recent amendment of the Company’s Amended and Restated Bylaws (the “Bylaws”) to require that directors be elected by a majority of the votes cast, a director will be elected only if a majority of the votes cast for the director exceeds the number of votes cast against the director.

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Proposal 2, the amendment to the Company's Amended and Restated Articles of Incorporation to change the name of our Company, will be approved if the votes in favor of the amendment exceed the votes against the amendment. Proposal 3, the approval of the Company's 2018 Omnibus Incentive Compensation Plan, will be approved if a majority of the votes cast by shareholders present, in person or by proxy, and entitled to vote at the Annual Meeting, vote in favor of the proposal. Proposal 4 is a non-binding advisory proposal. For Proposal 5, the votes cast favoring the proposal must exceed the votes cast against the proposal.

If a shareholder provides specific voting instructions, his or her shares will be voted as instructed. If a shareholder holds shares in his or her name and returns a properly executed proxy without giving specific voting instructions, the shareholder's shares will be voted "FOR" the Board's nominee for directors and "FOR" the remaining proposals, as indicated below. In tabulating the votes for any particular proposal, shares that constitute broker non-votes or abstentions will not be counted as votes cast for any non-routine proposal. Thus, broker non-votes and abstentions will not be counted as votes cast "FOR" or "AGAINST" for any of the proposals except for Proposal.

How does the Board of Directors recommend that I vote?

Your board unanimously recommends that you vote as follows:

Proposal	Board Recommendation	For More Information, See Page
(1) Election of three Class II directors to serve until our annual meeting in 2021 and one Class III director to serve until our annual meeting in 2020	FOR EACH NOMINEE	9
(2) Change of the Company's name to FedNat Holding Company	FOR	40
(3) Approval of the 2018 Omnibus Incentive Compensation Plan	FOR	41
(4) Non-binding advisory vote on the Company's executive compensation	FOR	53
(5) Ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2018 fiscal year	FOR	55

We will also consider other business, if any, that is properly presented at the Annual Meeting. At the time of mailing this proxy statement, however, we are not aware of any matters to be presented at the Annual Meeting other than those described in this proxy statement.

How have the Company's corporate governance practices been updated recently?

We have grown significantly, both in revenues and market capitalization, in recent years, and have updated our corporate governance practices, both to reflect that we are a larger company and to reflect how good corporate governance practices have evolved. We have made the following changes to our corporate governance practices:

§ We continue to separate the roles of Chairman of the Board and Chief Executive Officer.

§ We updated the composition of our Board so that six of our seven members are independent, and have added three new Board members since 2015.

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- § We have implemented majority voting for directors in uncontested elections.
- § We have implemented corporate governance guidelines that memorialize our corporate governance practices and procedures.
- § We amended the Company's articles and bylaws to reduce the supermajority requirements to amend certain provisions or call a special meeting to a majority of shares outstanding.
- § We adhere to the strictest definitions of "independence" in determining the members of our Compensation and Nominating committees.

We have also updated our executive compensation programs and practices to reflect evolving governance practices and shareholder feedback. Please see our Compensation Discussion and Analysis on page 21 for a full discussion of these changes.

How will my shares be voted if I mark "Abstain" on my proxy card?

We will count a properly executed proxy card marked "Abstain" as present for purposes of determining whether a quorum is present, but abstentions will not be counted as votes cast for or against any given matter.

What does it mean if I receive more than one proxy card or voting instruction form?

If you hold your shares in more than one account, you will receive a proxy card or voting instruction form for each account. To ensure that all of your shares are voted, please vote using each proxy card or voting instruction form you receive or, if you vote by Internet, you will need to enter each of your Control Numbers. Remember, you may vote by Internet or by signing, dating and returning the proxy card in the postage-paid envelope provided.

Who will solicit proxies on behalf of the Board?

Proxies may be solicited on behalf of the Board of Directors, without additional compensation, by the Company's directors, officers and regular employees. The original solicitation of proxies by mail may be supplemented by telephone, telegram, facsimile, electronic mail, and personal solicitation by our directors, officers or other regular employees (who will receive no additional compensation for such solicitation activities). You may also be solicited by advertisements in periodicals, press releases issued by us and postings on our corporate website. Unless expressly indicated otherwise, information contained on our corporate website is not part of this proxy statement. We have engaged MacKenzie Partners, Inc. ("MacKenzie Partners"), 105 Madison Avenue, New York, NY 10016, to assist with the solicitation of proxies for an estimated fee of $15,000 plus expenses.

Who will bear the cost of the solicitation of proxies?

The entire cost of soliciting proxies, including the costs of preparing, assembling, printing and mailing this proxy statement, the proxy card and any additional soliciting materials furnished to shareholders, will be borne by the Company. Copies of solicitation material will be furnished to banks, brokerage houses, dealers, banks, voting trustees, their respective nominees and other agents holding shares in their names, which are beneficially owned by others, so that they may forward such solicitation material, together with our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, to beneficial owners. In addition, we will reimburse these persons for their reasonable expenses in forwarding these materials to the beneficial owners upon request.

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May I attend the Annual Meeting?

Only holders of the Company's shares as of the record date are entitled to attend the Annual Meeting. If you are a shareholder of record, please be prepared to provide proper identification, such as a driver's license or state identification card. If you hold your shares in "street name," you will need to provide proof of ownership, such as a recent account statement or letter from your bank, broker or other nominee, along with proper identification. The Company reserves the right to deny admittance to anyone who cannot adequately show proof of share ownership as of the record date. No large bags, briefcases or packages will be permitted into the Annual Meeting.

May I record or take pictures at the Annual Meeting?

No cameras, recording equipment, sound equipment or video equipment will be permitted in the meeting room.

Can the Annual Meeting date be changed?

The Annual Meeting may be adjourned or postponed without notice other than by an announcement made at the Annual Meeting, if approved by the holders of a majority of the shares represented and entitled to vote at the Annual Meeting. No proxies voted against approval of any of the proposals will be voted in favor of adjournment or postponement for the purpose of soliciting additional proxies. If we postpone the Annual Meeting, we will issue a press release to announce the new date, time and location of the Annual Meeting.

Where and when will I be able to find the voting results?

You can find the official results of the voting at the Annual Meeting in our Current Report on Form 8-K that we will file with the Securities and Exchange Commission within four business days after the Annual Meeting. If the official results are not available at that time, we will provide preliminary voting results in the Form 8-K and will provide the final results in an amendment to the Form 8-K as soon as practicable after they become available.

What is the Company's Internet address?

The Company's Internet address is http://www.FedNat.com. You can access this proxy statement and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 at this Internet address. The Company's filings with the SEC are available free of charge via a link from this address. Unless expressly indicated otherwise, information contained on our website is not part of this proxy statement. In addition, none of the information on any other website listed in this proxy statement is part of this proxy statement. Any such website addresses are intended to be inactive textual references only.

Who can answer my questions?

Your vote at this year's meeting is important, no matter how many or how few shares you own. Please sign and date the enclosed proxy card and return it in the enclosed postage-paid envelope promptly or vote by Internet or telephone. If you have questions or require assistance in the voting of your shares, please call the Company's Corporate Secretary at (800) 293-2532.

How can I obtain additional copies of these materials or copies of other documents?

Complete copies of this proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 are also available on our website at www.FedNat.com and also may be obtained by contacting our Corporate Secretary by phone at (800) 293-2532 or by mail to the Corporate Secretary, 14050 N.W. 14 Street, Suite 180, Sunrise, Florida 33323.

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BENEFICIAL SECURITY OWNERSHIP

The following table sets forth, as of April 2, 2018, information with respect to the beneficial ownership of our common stock by (i) each person who is known by us to beneficially own 5% or more of our outstanding common stock, (ii) each of our executive officers named in the Summary Compensation Table in the section "Executive Compensation," (iii) each of our directors, and (iv) all directors and executive officers as a group.

As used herein, the term beneficial ownership with respect to a security is defined by Rule 13d-3 under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") as consisting of sole or shared voting power (including the power to vote or direct the vote) and/or sole or shared investment power (including the power to dispose or direct the disposition of) with respect to the shares through any contract, arrangement, understanding, relationship or otherwise, including a right to acquire such power(s) during the next 60 days. Unless otherwise noted, beneficial ownership consists of sole ownership, voting and investment rights, and the address for each person is c/o Federated National Holding Company, 14050 N.W. 14 Street, Suite 180, Sunrise, Florida 33323.

Name and Address of Beneficial Owner (1)	Number of Shares Beneficially Owned	Percent of Class Outstanding (1)	
Michael H. Braun (2)	588,525	4.48	%
Bruce F. Simberg (3)	506,604	3.86	%
Richard W. Wilcox Jr. (4)	188,715	1.44	%
Jenifer G. Kimbrough (5)	36,149	*	
Thomas A. Rogers (6)	16,458	*	
William G. Stewart (7)	16,458	*	
Ronald A. Jordan (8)	20,013	*	
Roberta N. Young (9)	10,435	*	
Erick A. Fernandez (10)	6,300	*	
All directors and executive officers as a group (nine persons) (11)	1,374,657	10.50	%
5% or greater holders:			
Lenox Capital Management, Inc. (12) Douglas Ruth (12) 322 Alana Drive New Lenox, IL 60451	1,310,376	9.98	%
Dimensional Fund Advisors LP (13) Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	1,011,037	7.70	%
Capital Returns Management, LLC (14) Ronald D. Bobman (14) 641 Lexington Avenue, 18th Floor New York, NY 10022	1,009,372	7.69	%
BlackRock, Inc. (15) 55 East 52nd Street New York, NY 10022	891,028	6.79	%
Lighthouse Investment Partners, LLC (16) North Rock Capital Management, LLC (16) MAP 41 Segregated Portfolio, a Segregated Portfolio of LMA SPC (16) MAP 154 Segregated Portfolio, a Segregated Portfolio of LMA SPC (16) MAP 166 Segregated Portfolio, a Segregated Portfolio of LMA SPC (16) MAP 205 Segregated Portfolio, a Segregated Portfolio of LMA SPC (16)	850,674	6.48	%

NRI SP, a Segregated Portfolio of North Rock SPC (16) 3801 PGA Boulevard, Suite 500 Palm Beach Gardens, FL 33410			
Renaissance Technologies Holdings Corporation (17) Renaissance Technologies LLC 800 Third Avenue New York, NY 10022	750,761	5.72	%

*Less than 1%.

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(1) Unless otherwise indicated, the address of each beneficial owner listed is c/o Federated National Holding Company, 14050 N.W. 14 Street, Suite 180, Sunrise, Florida 33323. The percentage of class outstanding is based on 13,126,480 shares outstanding as of April 2, 2018.

(2) Includes 20,000 shares of restricted stock, which began vesting over five years with an initial vest date of August 5, 2014, 18,000 shares of restricted stock, which began vesting over five years with an initial vest date of September 9, 2015, 20,000 shares of restricted stock, which began vesting over five years with an initial vest date of December 9, 2015, 30,000 shares of restricted stock, which began vesting over five years with an initial vest date of May 5, 2016, 18,789 shares of restricted stock, which began vesting over five years with an initial vest date of March 10, 2017, 30,456 shares of restricted stock, which began vesting over three years based on performance with an initial vest date of March 14, 2017, 22,845 shares of restricted stock, which will cliff vest over three years based on performance on March 14, 2020, 51,156 shares of restricted stock, which will vest over three years based on performance with an initial vest date of March 16, 2019 and 25,578 shares of restricted stock, which will cliff vest over three years based on performance with a vest date of March 16, 2021.

(3) Includes 1,218 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2017, 2,192 shares of restricted stock, which began vesting over three years with an initial vest date of March 14, 2018 and 4,297 shares of restricted stock which will vest over three years with an initial vest date of March 16, 2019.

(4) Includes 3,000 shares of common stock held in Mr. Wilcox's IRA, 40,000 shares of common stock held by Mr. Wilcox's spouse, 4,000 shares of restricted stock, which began vesting over five years with an initial vest date of September 9, 2015, 1,218 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2017, 2,192 shares of restricted stock which began vesting over three years with an initial vest date of March 14, 2018 and 4,297 shares of restricted stock which will vest over three years with an initial vest date of March 16, 2019.

(5) Includes 4,000 shares of restricted stock, which began vesting over five years with an initial vest date of September 9, 2015, 1,218 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2017, 2,192 shares of restricted stock which began vesting over three years with an initial vest date of March 14, 2018, 4,297 shares of restricted stock which will vest over three years with an initial vest date of March 16, 2019 and 15,000 shares of common stock issuable upon the exercise of vested stock options held by Ms. Kimbrough.

(6) Includes 1,218 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2017, 3,132 shares of restricted stock, which began vesting over five years with an initial vest date of March 10, 2017, 2,192 shares of restricted stock, which began vesting over three years with an initial vest date of March 14, 2018 and 4,297 shares of restricted stock which will vest over three years with an initial vest date of March 16, 2019.

(7) Includes 1,218 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2017, 3,132 shares of restricted stock, which began vesting over five years with an initial vest date of March 10, 2017, 2,192 shares of restricted stock, which began vesting over three years with an initial vest date of March 14, 2018 and 4,297 shares of restricted stock which will vest over three years with an initial vest date of March 16, 2019.

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(8) Includes 10,000 restricted shares, which will vest over five years with an initial vest date of May 12, 2018, 6,675 shares of restricted stock which will vest over three years based on performance with an initial vest date of March 16, 2019 and 3,338 shares of restricted stock, which will cliff vest over three years based on performance with a vest date of March 16, 2021.

(9) Includes 4,297 shares of restricted stock which will vest over three years with an initial vest date of March 16, 2019 and 6,138 shares of restricted stock which will vest over five years with an initial vest date of March 16, 2019.

(10) Includes 1,100 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2017 and 3,000 shares of restricted stock which will vest over three years with an initial vest date of March 16, 2019.

(11) Includes a total of 324,171 shares of restricted stock, 20,000 which began vesting over five years with an initial vest date of August 5, 2014; 26,000 which began vesting over five years with an initial vest date of September 9, 2015; 20,000 which began vesting over five years with an initial vest date of December 9, 2015; 30,000 which began vesting over five years with an initial vest date of May 5, 2016; 25,979 which began vesting over three years with an initial vest date of March 10, 2017; 6,264 which began vesting over five years with an initial vest date of March 10, 2017; 10,960 which began vesting over three years with an initial vest date of March 14, 2018; 30,456 shares of restricted stock which began vesting over three years based on performance on March 14, 2017; 22,845 which will cliff vest over three years based on performance on March 14, 2020; 10,000 which will vest over five years with an initial vest date of May 12, 2018; 28,782 which will vest over three years with an initial vest date of March16, 2019; 6,138 which will vest over five years with an initial vest date of March 16, 2019; 57,831 which will vest over three years based on performance beginning on March 16, 2019; and 28,916 which will cliff vest over three years based on performance on March 16, 2021.

(12) This information is based on Amendment No. 1 to the Schedule 13G/A filed with the SEC on April 25, 2017

(13) This information is based on Amendment No. 8 to the Schedule 13G/A filed with the SEC on February 9, 2018.

(14) This information is based on Schedule 13G filed with the SEC on February 14, 2018.

(15) This information is based on Amendment No. 3 to the Schedule 13G/A filed with the SEC on January 24, 2018.

(16) This information is based on Schedule 13G filed with the SEC on January 24, 2018. North Rock Capital Management, LLC serves as investment manager.

(17) This information is based on Amendment No. 3 to the Schedule 13G/A filed with the SEC on January 24, 2018.

PROPOSAL ONE: ELECTION OF DIRECTORS

Nominees for Re-Election

Our Articles of Incorporation provide that our Board of Directors consists of three classes of directors, as nearly equal in number as possible, designated Class I, Class II and Class III, and provides that the exact number of directors comprising our Board of Directors will be determined from time to time by resolution adopted by the Board. At each annual meeting of shareholders, successors to the class of directors whose terms expire at that annual meeting are elected for a three-year term.

Our Board of Directors is currently composed of seven members. The current term of the Class II directors, Bruce F. Simberg, Richard W. Wilcox Jr., and William G. Stewart, expires at this Annual Meeting and each are being nominated for reelection to the Board. Roberta N. Young, a Class III director, is also being nominated for reelection at this Annual Meeting because she was initially elected to the Board after the 2017 annual meeting of shareholders. If re-elected, Messrs. Simberg, Wilcox and Stewart will serve until the 2021 annual meeting and Mrs. Young will serve until the 2020 annual meeting.

The term of the Class I directors, Michael H. Braun and Jenifer G. Kimbrough, terminates at our 2019 annual meeting. The term of the other Class III director, Thomas A. Rogers, terminates at our 2020 annual meeting

Pursuant to a recent amendment to the Company’s Bylaws, directors must receive a majority of the votes cast to be elected to the Board. Under Rule 452 of the New York Stock Exchange, brokers may not cast discretionary votes for directors without instructions from the beneficial owners; therefore, it is important that all shareholders complete, sign and return the voting instruction forms that they receive from their brokers as promptly as possible. In this election, which is not contested, a vote withheld as to the nominees being proposed for election to the Board will not be counted as a vote cast for purposes of the election of directors at this Annual Meeting, but will be counted for purposes of determining the presence of a quorum.

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It is intended that shares represented by proxies will be voted for each of Bruce F. Simberg, Richard W. Wilcox Jr., William G. Stewart and Roberta N. Young, the nominees for reelection to the Board. Messrs. Simberg, Wilcox, Stewart and Mrs. Young have consented to continue to serve on our Board of Directors, and the Board of Directors has no reason to believe that they will not serve if elected. If, however, any of the nominees should become unavailable to serve as a director, and if the Board has designated a substitute nominee, the persons named as proxies will vote for this substitute nominee.

Experience of Nominees

The following provides information regarding Bruce F. Simberg, Richard W. Wilcox Jr., William G. Stewart and Roberta N. Young, each of whom have been recommended and nominated by the Board of Directors to serve as a Class II or a Class III director of the Company, including his or her age, principal occupation, business experience for at least the past five years and directorships in other reporting companies:

Bruce F. Simberg rejoined the Board on January 29, 2016, after serving as a director of the Company from January 1998 to March 2015. Mr. Simberg has been a practicing attorney since October 1975, most recently as managing partner of Conroy Simberg, P.A. (“Conroy Simberg”), a law firm in Hollywood, Florida, since October 1979. Mr. Simberg received his Bachelor of Science degree from Emory University and his Juris Doctor from the University of Miami. Mr. Simberg does not serve on the board of directors of any other SEC reporting company.

Mr. Simberg has significant historical knowledge and understanding of the Company’s development, as well as significant experience in insurance-related and other litigation and risk assessment matters.

Richard W. Wilcox Jr. has served as a director of the Company since January 2003. Mr. Wilcox has been in the insurance industry for more than 50 years. In 1968, Mr. Wilcox purchased an insurance agency that he grew into a business generating $10 million in annual revenue. In 1991, Mr. Wilcox sold his agency to Hilb, Rogal and Hamilton Company (“HRH”) of Fort Lauderdale, for which he retained the position of President through 1998. In 1998, HRH of Fort Lauderdale merged with Poe and Brown of Fort Lauderdale, and Mr. Wilcox served as the Vice President of Poe and Brown until 1999, when he retired. Mr. Wilcox holds CIC designation as a member of the Society of Certified Insurance Counselors. Mr. Wilcox also holds an Advanced Professional Director Certification from the American College of Corporate Directors, a national public company director education and credentialing organization. Mr. Wilcox does not serve on the board of directors of any other SEC reporting company.

Mr. Wilcox’s substantial experience with insurance agency operations, his overall knowledge of the insurance industry, including in the Company’s primary market of Florida, as well as his historical knowledge of the Company, are considered to be valuable expertise for the Board.

William G. Stewart has served as a director of the Company since October 1, 2015. Mr. Stewart has significant experience in administration and investment management. He has served as the Deputy Secretary of Administration for the State of Maryland, Department of Public Safety and Correctional Services, since February 2015. From 2003 to 2007, Mr. Stewart was an Assistant Secretary for Administration/Business Services and an Acting Deputy Secretary for the State of Maryland, Department of Juvenile Services. He has more than 35 years’ experience in the securities industry, including as a Senior Consultant at Asset Strategy Consultants, an investment management consulting firm, from 2007 to 2015, and as a senior executive officer and registered representative at Mercantile Capital Advisors, Inc. from 2000 to 2002, and at BT Alex. Brown Incorporated and Alex. Brown & Sons Incorporated from 1973 to 1999. Mr. Stewart received a Bachelor of Arts degree from Princeton University and a Masters of Business Administration from the University of Virginia Graduate School of Business Administration. Mr. Stewart does not serve on the board of directors of any other SEC reporting company.

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Mr. Stewart's significant experience in administration and investment management provides the Board with greater depth of knowledge regarding management of the Company's investment portfolio.

Roberta N. Young was appointed to serve as a director of the company beginning on September 29, 2017. Mrs. Young joins the Board with more than 40 years' experience as a CPA and is licensed in both Florida and Texas. She has extensive experience in auditing many different types of companies, including SEC companies and insurance companies and in tax preparation and consulting. Most recently Mrs. Young was a director of tax at BDO USA, LLP ("BDO") from August 2016 to May 2017. Mrs. Young currently provides tax and consulting services to individuals and companies in South Florida. She was a partner of Goldstein Schechter Koch, CPAs ("GSK"), from 2014 until BDO acquired GSK in August 2016. She started her career in Florida with De Meo, Young McGrath in 1988 becoming partner in 1992 and was managing partner for 4 years. The firm merged with GSK in 2014. Mrs. Young does not serve on the board of directors of any other SEC reporting company.

Mrs. Young's more than 40 years of experience in accounting and auditing, including in particular for public companies in the insurance industry, provides the Board with another expert in accounting, auditing and financial reporting.

Vote Required and Recommendation

The nominees for election to the Board of Directors who receive at least a majority of the votes cast for the election of directors by the shares present, in person or by proxy, shall be an elected director. Shareholders do not have the right to cumulate their votes for directors. In this non-contested election of directors, a vote withheld will have no effect on the outcome. Under Rule 452 of the New York Stock Exchange, brokers may not cast discretionary votes for the election of directors without instructions from the beneficial owners of the shares.

The Board of Directors recommends a vote FOR each of the nominees for director set forth above.

CONTINUING DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to our continuing directors and our executive officers as of April 2, 2018:

Name	Age	Position with Company
Michael H. Braun (1)	50	Chief Executive Officer, President, Class I Director
Jenifer G. Kimbrough (2)(4)(5)	46	Class I Director
Bruce F. Simberg (1)(3)	69	Chairman of the Board, Class II Director
Richard W. Wilcox Jr. (2)(4)(5)	76	Lead Independent Director, Class II Director
William G. Stewart (3)(5)	69	Class II Director
Thomas A. Rogers (1)(4)(5)	65	Class III Director
Roberta N. Young (2)(3)(5)	68	Class III Director
Ronald A. Jordan	50	Chief Financial Officer
Erick A. Fernandez	38	Chief Accounting Officer

(1) Business Strategy Committee Member
(2) Audit Committee Member
(3) Investment Committee Member
(4) Compensation Committee Member
(5) Nominating Committee Member

The business experience of Bruce F. Simberg, Richard W. Wilcox Jr., William G. Stewart and Roberta N. Young, the nominees for reelection to serve as Class II and Class III directors, appears under the caption "Nominees for Re-election" beginning on page 9.

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Michael H. Braun was appointed Chief Executive Officer of the Company in July 2008, President in June 2009, elected to the Board of Directors in December 2005 and served as Chairman of the Board from March 2015 to January 2016. Previously, Mr. Braun was Chief Operating Officer, where he was responsible for the Company's day-to-day operations and strategic product portfolio. Mr. Braun has also served as President of Federated National Insurance Company ("FNIC"), a subsidiary of the Company, since September 2003, a position that he continues to hold. Previously, he held key management positions within FNIC, responsible for operations, marketing and underwriting. Prior to joining the Company, Mr. Braun was Managing Partner for an independent chain of insurance agencies, which was acquired by the Company in 1998. Mr. Braun received a Bachelor of Science degree in Business Administration from the University of Buffalo. Mr. Braun does not serve on the board of directors of any other SEC reporting company.

Mr. Braun's nearly 20-year tenure with the Company, together with his substantial experience in all aspects of insurance company operations, including product development, strategy, reinsurance and underwriting, have been critical to the Company's growth in the Florida homeowners' insurance market.

Jenifer G. Kimbrough has served as a director of the Company since April 2009. Ms. Kimbrough serves as Managing Director, Chief Financial Officer at Oakworth Capital Bank since October 2015, prior to which Ms. Kimbrough was the Vice President of Compliance and Audit for Surgical Care Affiliates from March 2010 to October 2015. Prior to 2010, Ms. Kimbrough served as the Vice President of Assurance and Process Improvement. Prior to 2007, Ms. Kimbrough was the Senior Vice President of Investor Relations at Regions Financial Corporation. From 1993 to 2003, Ms. Kimbrough served as an Audit Senior Manager at Ernst & Young LLP. Ms. Kimbrough received her certification as a Certified Public Accountant ("CPA") from the Alabama State Board of Public Accountancy in 1994 and obtained a Bachelor of Science degree in Commerce & Business Administration (Accounting) from The University of Alabama in 1993. Ms. Kimbrough is a member of several professional societies, including: American Woman's Society of Certified Public Accountants ("AWSCPA"), Alabama State Society of Certified Public Accountants and American Institute of Certified Public Accountants ("AICPA"). Additionally, she recently served on the AICPA Women's Initiative Executive Committee and as National President of the AWSCPA and serves in various volunteer leadership capacities. Ms. Kimbrough does not serve on the board of directors of any other SEC reporting company.

Ms. Kimbrough brings her significant knowledge in compliance and audit, from both the issuer's perspective and the auditor's perspective, to the Company and the Board.

Thomas A. Rogers has served as a director of the Company since October 1, 2015. Mr. Rogers has more than 40 years' experience in the reinsurance industry, including 22 years serving in senior executive officer positions with Aon Benfield Inc. until his retirement in 2014 as its Vice Chairman. Prior to Aon Benfield, Mr. Rogers spent 18 years with both reinsurance underwriting and intermediary companies and specialized in the development and management of specialized property and casualty lines. Mr. Rogers received his Bachelor of Science degree from Drexel University. Mr. Rogers does not serve on the board of directors of any other SEC reporting company.

Mr. Rogers' significant knowledge of reinsurance underwriting, including day-to-day insurance operations, and in specialized property and casualty lines provides the Board with expertise that is highly relevant to the Company's current operations and that will be beneficial in connection with possible future expansion of the Company's business lines.

Ronald A. Jordan was appointed as Chief Financial Officer of the Company on April 17, 2017. Mr. Jordan brings to the Company more than 25 years' experience in accounting and financial reporting, including most recently as Chief Accounting Officer of Hatteras Financial Corp., a mortgage real estate investment trust based in Winston-Salem, North Carolina, from 2013 to 2016. Prior to that position, Mr. Jordan held various positions at Lincoln Financial Group from 2003 to 2012, including Senior Vice President, Financial Planning and Strategic Initiatives, from 2011 to 2012, Vice President and General Auditor from 2006 to 2011, and Vice President and Controller from 2003 to 2006.

From 1996 to 2003, Mr. Jordan held positions in financial reporting and accounting at Jefferson Pilot Corporation, CNA Insurance, and Bankers Life & Casualty. Mr. Jordan began his career at Arthur Andersen, LLP from 1989 to 1996, departing as an Experienced Audit Manager. Mr. Jordan is a Certified Public Accountant and Certified Internal Auditor (inactive), and received his Bachelor of Business Administration degree in accounting, with high distinction, from the University of Michigan.

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Erick A. Fernandez served as the Company's Interim Chief Financial Officer from June 20, 2016 through April 17, 2017 at which time he was appointed to serve as the Company's Chief Accounting Officer. Mr. Fernandez joined the Company in January 2016 as the Company's Vice President, Corporate Accounting and Reporting, until his appointment as Interim Chief Financial Officer. Mr. Fernandez brings more than 15 years of experience in accounting, finance, financial reporting and auditing. Prior to joining the Company, Mr. Fernandez worked for Verizon Communications, Inc. in that company's Cloud and Datacenter segment as a Senior Director of Financial Planning and Analysis, responsible for strategic planning and finance operations. From June 2008 to June 2011, Mr. Fernandez held various finance and accounting positions at Terremark Worldwide, Inc., including Senior Director of Accounting and External Reporting, Director of Budgeting and Reporting, and Director of SEC Reporting. From September 2001 to June 2008, Mr. Fernandez worked for "Big 5" accounting firms, including as an Audit Manager at Ernst & Young LLP from May 2002 to June 2008. Mr. Fernandez is a Certified Public Accountant and received his Bachelor's degree in accounting and a Master of Business Administration from Florida International University.

CORPORATE GOVERNANCE

Corporate Governance Update

The Company has experienced significant growth, both in revenues and market capitalization, in recent years. The Board of Directors has received feedback from shareholders and others regarding its corporate governance and executive compensation practices. With that feedback in mind, and being cognizant of the Company's recent growth, the Board of Directors has undertaken a comprehensive review of our Company's corporate governance in order to assure strong Board accountability and effective shareholder rights policies. This review was done in conjunction with a review by our Compensation Committee of our executive compensation practices, which resulted in significant updates to our executive compensation practices as described more fully below under the caption "Compensation Discussion and Analysis." Although the Board believes that the Company's current corporate governance practices and provisions of its articles and bylaws are consistent with those of a public company that is a comparable size to the Company in the Company's industry, and are in the best interests of its shareholders, the Board has embraced the feedback received as part of its outreach to shareholders and investment community, and taken the following actions in the last two years:

- The Board added two new independent directors in 2015 and a third new independent director in 2017, continuing the Board's refreshment efforts and maintaining the number of independent directors at six of the seven Board members.
- The Board separated the roles of Chairman of the Board and Chief Executive Officer.
- The Board has amended the Company's bylaws to implement a majority voting standard for uncontested elections of directors.
- The Board approved increasing the frequency of the shareholder vote on executive compensation ("say-on-pay") to occur annually.
- The Board amended the Company's articles and bylaws to reduce the supermajority requirement (66-2/3% of the shares outstanding) to amend certain provisions to a simple majority of shares outstanding.
- The Board amended the Company's articles and bylaws to reduce the percentage of shares required to call a special meeting from 33% to 25%.

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- The Board approved stock ownership and retention guidelines applicable to our directors, in addition to our Chief Executive Officer and Chief Financial Officer. Under these guidelines, our outside, non-employee directors are each required to hold shares of the Company's common stock with a value of at least four times their annual retainer. The guidelines further provide that the outside directors should achieve the guideline amounts within five years of the policy's adoption and, until the guideline amounts are achieved, our directors must retain 66-2/3% of any shares received as equity grants from the Company, net of shares withheld or sold to pay taxes.

- The Board prohibited directors and executive officers from hedging or pledging the Company's common stock, without exception.

- The Board adopted corporate governance guidelines, which update, consolidate and memorialize the corporate governance practices followed by the Board and the Company.

- The Company's Amended and Restated 2012 Stock Incentive Plan was amended to prohibit option repricing and implement a one-year minimum vesting requirement.

- The Board has adopted the most restrictive definition of "independence" when appointing the current members of its Compensation and Nominating committees.

The Board believes that these steps represent a good faith effort to respond to the feedback received as a result of its shareholder outreach and represent meaningful steps to align its corporate governance practices with the interests of its shareholders and current best practices.

Leadership Structure

The Chairman of the Board is elected by the members of the Board and typically presides at all meetings of the Board. Bruce F. Simberg currently serves as our Chairman, a position he has held since 1998 other than the period from March 2015 to January 2016. Richard W. Wilcox Jr., an independent member of the Board since 2003, was named the Board's Lead Independent Director during Mr. Simberg's absence from the Chairman position, and continues to hold that position in recognition of his significant knowledge of the Company's history, growth and operations. The responsibilities of the Company's Chairman of the Board are: (i) presiding at all meetings of the Board (with the Lead Independent Director presiding at meetings where the Chairman is not present), including presiding at executive sessions of the Board (without management present) at every regularly scheduled Board meeting, (ii) serving as a liaison between management and the independent directors, (iii) providing input regarding meeting agendas, time schedules and other information provided to the Board, and (iv) being available for direct communication and consultation with major shareholders, as appropriate, upon request. Our Chairman also has the authority to call meetings of the independent directors. The Chief Executive Officer is the only member of management on the Board.

The Company believes that its Board as a whole should encompass a diverse range of talents, skills, perspectives, experiences, and tenure on the Board, enabling the Board to provide sound guidance with respect to the Company's operations and interests. The Company's policy is to have at least a majority of directors qualify as independent as defined by the listing and maintenance rules of The Nasdaq Stock Market (the "Nasdaq Rules"). The Nominating Committee identifies candidates for election to the Board of Directors; reviews their skills, characteristics and experience; and recommends nominees for director to the Board for approval. The Nominating Committee's Charter provides that the Board of Directors as a whole should be balanced and diverse, and consist of individuals with various and relevant career experience, relevant technical skills, industry knowledge and experience, financial expertise and local or community ties. Minimum individual requirements include strength of character, mature judgment, familiarity with the Company's business and industry, independence of thought and an ability to work collegially. The Board believes that the qualifications of the directors, as set forth in their biographies above provide them with the qualifications and skills to serve as a director of our Company.

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Board Self-Assessment Process

The Board believes that ongoing self-assessment is important to strengthening its performance and fulfilling its role on behalf of the Company's shareholders. To that end, the Board conducts an annual evaluation process that begins by asking each Board member to complete a comprehensive evaluation form that addresses the Board's overall performance and a self-evaluation of the individual director's performance. Overall Board performance is evaluated based on, among other things, the conduct of Board meetings, the composition of the Board, the quality of information provided to the Board, Board effectiveness, and access to management. Individual performance is evaluated to determine, among other things, whether the director continues to be able to devote the necessary time to Board and committee matters, whether the director's skills are best utilized, and whether the director contributes to Board decision making. In addition, the Audit Committee conducts an annual evaluation of its performance, including a review of the effectiveness of its processes, the composition of the Committee, the Committee's interactions with management and the Company's auditors, and the Committee members' understanding of the Company's risks, controls and compliance. These evaluation forms are reviewed by the Chairman of the Board or the Audit Committee, and by the entire Board or Audit Committee, and are discussed in detail at a Board or Audit Committee meeting, as applicable.

Board Continuing Education

The Company encourages its directors to remain current in corporate governance, compliance and industry topics facing publicly traded insurance companies such as the Company. In that regard, the Company provides directors with the opportunity to attend seminars and conferences on director education, board leadership, current issues facing the insurance industry generally and the Florida insurance market in particular, governance, risk management and other subjects of interest to Board members and relevant to the Company. Certain of our directors also obtain significant continuing education relevant to the Company in connection with their professional licenses and certifications in accounting, finance and law.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines, which have updated, consolidated and memorialized the corporate governance practices followed by the Board and the Company. Among other things, the guidelines address the following matters relating to the Board and its committees:

- Director qualifications generally and guidelines on the composition of the Board and its committees;
- Director responsibilities and the standards for carrying out such responsibilities;
- Board membership criteria;
- Board committee requirements;
- Director compensation;
- Director access to management and independent advisors;
- Director orientation and continuing education requirements; and
- CEO evaluation, management succession and CEO compensation.

The Corporate Governance Guidelines are reviewed at least annually by the Board.

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Risk Oversight

The Board's role in connection with risk oversight is to oversee and monitor the management of risk practiced by the Company's management in the performance of their duties. The Board does this in a number of ways, principally through the oversight responsibility of committees of the Board, but also as part of the strategic planning process. For example, our Audit Committee oversees management of risks related to accounting, auditing and financial reporting, maintaining effective internal controls over financial reporting, and information security and technology risks. Our Nominating Committee oversees risk associated with corporate governance and the Company's code of conduct, including compliance with listing standards for independent directors and conflicts of interest. Our Compensation Committee oversees the risk related to our executive compensation plans and arrangements and is responsible for reviewing and recommending our non-employee director compensation plans and arrangements. Our Investment Committee oversees the risks related to managing our investment portfolio. The full Board receives reports on a regular basis regarding each committee's oversight from the chairperson of each committee when reporting on their committee's actions at regular Board meetings, as well as overseeing the development and implementation of strategic initiatives.

Meetings and Committees of the Board of Directors

During 2017, the Board of Directors held nine regular meetings, eight special meetings and took actions by written consent on four occasions. During 2017, no director attended fewer than 75% of the Board and committee meetings held during this period. The Board of Directors encourages, but does not require, its directors to attend the Company's annual meeting. Five of our seven directors attended our 2017 annual meeting.

Board Independence

The Board has determined that the following continuing directors are independent pursuant to the Nasdaq Rules applicable to the Company: Bruce F. Simberg, Richard W. Wilcox Jr., Jenifer G. Kimbrough, William G. Stewart, Thomas A. Rogers and Roberta N. Young. The Board has also used the stricter definition of "independence" utilized by shareholder advisory services in determining the members of the Compensation and Nominating committees in 2017, with the result that Mr. Simberg, whose law firm has provided a limited amount of legal services to the Company, did not serve on either committee in 2017. The matters handled by the firm have been completed and the Company does not at this time anticipate retaining his firm for future matters. Please see "Certain Relationships and Related Transactions—Related Transactions" below for more information.

The independent directors of the Board meet in executive sessions without management present. These sessions, which generally occur at every regularly scheduled Board meeting, are led by the Chairman. Executive sessions allow the independent directors to discuss, among other issues, management performance and compensation.

To facilitate the Board's oversight functions and to take advantage of the knowledge and experience of its members, the Board has created several standing committees. These committees, the Audit, Investment, Nominating, Compensation and Business Strategy committees, allow regular risk oversight and monitoring, and deeper analysis of issues before the Board. The Audit, Compensation, Investment and Nominating committees are composed exclusively of independent directors. The membership of the standing committees is reviewed from time to time, and specific committee assignments are proposed and appointed by the Board. Each committee holds regularly scheduled meetings and confers between regularly scheduled meetings as needed.

Charters for the Audit, Compensation and Nominating committees, and the Corporate Governance Guidelines, are available upon the Company's website at www.FedNat.com and are also available in print to any shareholder upon request from our Corporate Secretary.

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Audit Committee. As of December 31, 2017, the Audit Committee was composed of Jenifer G. Kimbrough, who served as the Chair, Richard W. Wilcox Jr. and Roberta N. Young. Each member was determined to be "independent" as defined under the Nasdaq Rules applicable to the Company and SEC rules for Audit Committee membership. Ms. Kimbrough and Mrs. Young, who are Certified Public Accountants, were designated as "financial experts" as that term is defined in the applicable rules and regulations of the Exchange Act based on their understanding of U.S. generally accepted accounting principles ("GAAP") and financial statements; their ability to assess the general application of GAAP in connection with the accounting for estimates, accruals and reserves; their experience preparing, auditing, analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities; their understanding of internal controls and procedures for financial reporting; and their understanding of audit committee functions. The Audit Committee held five regular meetings in fiscal 2017 and one special meeting.

Pursuant to its written charter, the duties and responsibilities of the Audit Committee include, but are not limited to, (a) the appointment of the independent certified public accountants and any termination of such engagement, (b) reviewing the plan and scope of independent audits, (c) reviewing significant accounting and reporting policies and operating controls, (d) having general responsibility for all related auditing and financial statement matters, and (e) reporting its recommendations and findings to the full Board of Directors. The Audit Committee pre-approves all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed by the independent accountants, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Audit Committee prior to the completion of the audit.

To ensure prompt handling of unexpected matters, the Audit Committee delegates to the Chair the authority to amend or modify the list of approved permissible non-audit services and fees. The Chair will report action taken to the Audit Committee at the next committee meeting. The Chief Financial Officer is responsible for tracking all independent auditor fees against the budget for such services and reports at least annually to the Audit Committee.

Compensation Committee. As of December 31, 2017, the Company's Compensation Committee was composed of Jenifer G. Kimbrough, Thomas A. Rogers and Richard W. Wilcox Jr. Each member is independent as defined by the Nasdaq Rules. The Compensation Committee performs the duties and responsibilities pursuant to its charter, which includes reviewing and approving the compensation of the Company's executive officers. Mr. Wilcox serves as the Chairman. During fiscal 2017, the Compensation Committee held one regular meeting and seven special meetings. For 2018, the members of the Compensation Committee are Jenifer G. Kimbrough, Thomas A. Rogers and Richard W. Wilcox Jr.

The Compensation Committee has worked with compensation consultants in prior years, and also regularly reviews internally compiled data about the compensation practices of our competitors. For the 2017 fiscal year, the Company also engaged the firm of MacKenzie Partners to assist the Board in updating the Company's corporate governance practices generally, assist with a review and update of the Company's executive compensation practices, and assist with the Company's shareholder engagement program for 2017. MacKenzie Partners also provided proxy solicitation services to the Company as well as services relating to executive compensation to the Compensation Committee. MacKenzie Partners participated in meetings of the Compensation Committee at the request of the committee, met with the Compensation Committee in executive sessions without the presence of management, and communicated with the Chairman of the Compensation Committee with respect to emerging issues. The Compensation Committee may use the services of MacKenzie Partners or other comparable consultants in the future to assist it in providing a fair and competitive compensation plan for its executives.

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Nominating Committee. As of December 31, 2017, the Company's Nominating Committee was composed of Jenifer G. Kimbrough, Richard W. Wilcox Jr., Thomas A. Rogers, William G. Stewart and Roberta N. Young. Each member is independent as defined by the Nasdaq Rules. During fiscal 2017, the Nominating Committee held two regular meetings. The same Board members will constitute the Nominating Committee for 2018.

The Nominating Committee continues to identify qualified candidates for director positions. In recommending proposed nominees to the full Board, the Nominating Committee is charged with building and maintaining a Board that has an ideal mix of talent and experience to achieve the Company's business objectives. In particular, the Nominating Committee considers all aspects of a candidate's qualifications in the context of the needs of the Company at that point in time with a view to creating a Board with a diversity of experience and perspectives. Among the qualifications, qualities and skills of a candidate considered important by the Nominating Committee is a person with strength of character, mature judgment, familiarity with the Company's business and industry, independence of thought and an ability to work collegially. The Nominating Committee considers diversity, together with these other factors, when evaluating candidates, but does not have a specific policy in place with respect to diversity.

The Nominating Committee will consider candidates for director who are recommended by its members, by other Board members and by management of the Company and who have the experience and skill set best suited to benefit the Company and its shareholders. The Nominating Committee will consider nominees recommended by our shareholders if the shareholder submits the nomination in compliance with the advance notice, information and other requirements described in our bylaws and applicable securities laws. The Nominating Committee evaluates director candidates recommended by shareholders in the same way that it evaluates candidates recommended by its members, other members of the Board, or other persons.

Shareholders who wish to recommend nominees to the Nominating Committee should submit their recommendation in writing to the Secretary of the Company at its executive offices pursuant to the requirements contained in Article III, Section 13 of the Company's Bylaws. This section provides that the notice shall include: (a) as to each person who the shareholder proposed to nominate for election, (i) name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Company which are beneficially owned by the person, (iv) the consent of each nominee to serve as a director of the Company if so elected and (v) any other information relating to the person that is required to be disclosed in solicitation for proxies for the election of directors pursuant to Rule 14A under the Exchange Act; and (b) as to the shareholder giving the notice, (i) the name and record address of the shareholder, and (ii) the class and number of shares of capital stock of the Company which are beneficially owned by the shareholder. The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as a director of the Company. To be timely, a shareholder's notice shall be delivered to or mailed and received at the Company's principal executive offices not less than 60 days nor more than 90 days prior to the meeting. If we give less than 70 days' notice or prior public disclosure of the date of the meeting date, however, notice by the shareholder to be timely must be so received not later than the close of business on the tenth day following either the date we publicly announce the date of our annual meeting or the date of mailing of the notice of the meeting, whichever first occurs.

Investment Committee. As of December 31, 2017, the Company's Investment Committee was composed of William G. Stewart, Bruce F. Simberg and Roberta N. Young. The Investment Committee manages our investment portfolio pursuant to its adopted Investment Policy Statement. Mr. Stewart serves as the Chairman. During fiscal 2017, the Investment Committee held three regular and four special meetings. The same Board members will constitute the Investment Committee for 2018.

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Business Strategy Committee. As of December 31, 2017, the Company’s Business Strategy Committee (previously called the Business Development Committee) was composed of Thomas A. Rogers, Michael H. Braun and Bruce F. Simberg. The Business Strategy Committee provides advice, oversight and guidance both to management of the Company and to the Board on matters involving the Company’s development of programs and projects, and acquisitions of new technologies or products and other business opportunities of strategic importance to the Company. Mr. Rogers serves as the Chairman. During fiscal 2017, the Business Strategy Committee held three regular and one special meetings. The same Board members will constitute the Business Strategy Committee for 2018.

Code of Conduct

We have adopted a Code of Conduct for all employees, officers and directors of the Company. A copy of our Code of Conduct is available on our web site at www.FedNat.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that our executive officers, directors, and persons who own more than 10% of a registered class of our equity securities to file reports of beneficial ownership and certain changes in beneficial ownership with the SEC and to furnish us with copies of those reports. To our knowledge, based solely on a review of the copies of such reports furnished to us or written representations that no other reports were required, we believe that during the year ended December 31, 2017, our officers, directors and greater than 10% shareholders timely filed all reports required by Section 16(a).

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STOCK PERFORMANCE CHART

The chart below shows the Company’s cumulative total shareholder return during the five fiscal years ending December 31, 2017. The graph also shows the cumulative total returns of the SNL Insurance P&C Index and the NASDAQ Composite Index. The comparison assumes $100 was invested on December 31, 2012 in the Company’s common stock and in each of the indices shown, and assumes that all of the dividends were reinvested. Past performance is not necessarily an indicator of future results.

Our filings with the SEC may incorporate information by reference, including this proxy statement. Unless we specifically state otherwise, the information under this heading "Stock Performance Graph" shall not be deemed to be "soliciting materials" and shall not be deemed to be "filed" with the SEC or incorporated by reference into any of our filings under the Securities Act of 1933, as amended (the “Securities Act”), and Exchange Act.

Federated National Holding Company

	Period Ending					
Index	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17
Federated National Holding Company	100.00	277.76	460.35	566.62	362.79	327.96
NASDAQ Composite	100.00	140.12	160.78	171.97	187.22	242.71
SNL Insurance P&C	100.00	132.48	152.15	157.39	185.75	212.37

Source : SNL Financial LC, Charlottesville, VA

www.snl.com

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis describes the components and objectives of the Company's executive compensation program for fiscal 2017 for our "Named Executive Officers," describes the process through which the decisions regarding executive compensation have been made, and describes the results of this decision-making process. Our Named Executive Officers for fiscal 2017 were our Chief Executive Officer and President, our Chief Financial Officer and our Chief Accounting Officer. The following Compensation Discussion and Analysis reflects the compensation paid to our Named Executive Officers for fiscal 2017 and the Compensation Committee's decisions with respect to the compensation for fiscal 2018 for the Named Executive Officers.

Philosophy of the Company's Executive Compensation Programs

The Compensation Committee of the Board is responsible for establishing, implementing and monitoring adherence to the Company's compensation philosophy and oversees our compensation programs for our Named Executive Officers. With respect to executive compensation, the Compensation Committee's primary goals are to attract and retain the most qualified, knowledgeable, dedicated and seasoned executives possible; provide challenging but attainable goals by which to measure performance; reward them for their contributions to the development of the Company's business; and align the executives' compensation and incentives with the Company's performance and the interests of our shareholders. The Compensation Committee also endeavors, while compensating our Named Executive Officers for their performance, to structure the Company's compensation programs so as to not encourage unnecessary or excessive risk-taking. The Compensation Committee believes that crafting incentives so as to not encourage unnecessary or excessive risk taking is especially important in the homeowners' insurance industry in the Company's home state of Florida.

The Compensation Committee is committed to ensuring our compensation programs are strongly aligned with the Company's long-term business strategy. The Committee seeks to continuously and rigorously evaluate its compensation plans to reflect strong governance practices and shareholder feedback.

What We Do		What We Do Not Do
Established long-term performance-based criteria for the equity awards to our Chief Executive Officer, which for 2017 constituted, and for 2018 will constitute, 50% of his total incentive award.	x	No change-in-control excise tax gross-ups.
Implemented a clawback policy that allows for the recovery of previously paid incentive compensation in the event of a restatement of our financial statements.	x	No tax gross-ups on perquisites.
Established stock ownership and retention guidelines for our executive officers and directors.	x	No excessive perquisites.
Implemented our robust shareholder outreach program, which we undertook in response to our 2016 say-on-pay vote to solicit investor feedback on compensation plan design and disclosure and which we will continue in connection with this Annual Meeting.	x	No hedging or pledging of the Company's common stock.
Amended our Chief Executive Officer's employment agreement to require a "double trigger" for the payment of change-in-control payments to him, meaning that payments will not be triggered without a qualifying termination following a change in control, and to provide that his change in control payment would be based on the average of the preceding three years' actual bonuses earned.	x	No option repricing or repurchases of underwater options without shareholder approval.

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The Company’s 2017 Performance

The Company’s financial results for 2017 reflect the impact of multiple severe weather events in Florida including Hurricane Irma, the largest Category Five storm in the Atlantic Ocean in more than a decade, and challenges in the Company’s non-core operations. The Company took action to improve its underwriting profitability during 2017 and believes it is well positioned to increase shareholder value moving forward. The significant accomplishments include:

- Total revenue increased 27.4% to $391.7 million driven by a 28% increase in homeowners, our core business line.

- Net income attributable to the Company’s shareholders grew 687.1% to $8.0 million over the prior year.

- Book value per share, excluding non-controlling interest, grew to $16.29 from $16.01 in 2016.

- We maintained the Company’s dividend at $0.08.

- The Company mitigated the impact of handling inflated costs of homeowners claims related to assignment of benefits through expense control and rate increases in the Florida market.

- The Company re-focused its resources on the Florida homeowners insurance market and announced its exit from the unprofitable auto insurance and the commercial general liability business lines.

- The Company completed the acquisition of Monarch National, its joint venture operations, supporting its diversification strategy in the Florida market.

- The Company continued its expansion outside of Florida, and now also writes homeowners insurance in Alabama, Louisiana, South Carolina and Texas.

- The Company continued to develop its broad agent network and partnerships within the homeowners insurance market by expanding written policies including our agreements with Allstate and GEICO.

Results of Our Evaluations

The following table summarizes the Compensation Committee's 2017 compensation decisions for our Named Executive Officers, consistent with how the Compensation Committee views total compensation. The Compensation Committee reached these compensation decisions based on its evaluation of performance relative to the incentive criteria established at the beginning of 2017 as described below. For comparative purposes, the table also presents 2016 and 2015 compensation decisions for our Named Executive Officers. While the table below summarizes how the Compensation Committee views compensation, it is not a substitute for the tables and disclosures required by the SEC's rules, which begin on page 32. Further detail on how individual pay decisions were made and descriptions of the elements of compensation can be found following this table.

Named Executive Officer	Year	Base Salary Rate	Annual Incentive Awards	Long-Term Incentive Awards	Total Compensation
	2017	$1,000,000	$698,333	$1,250,000	$ 1,000,000
Michael H. Braun,	2016	$1,000,000	$0	$0	$ 1,000,000
CEO and President (1)	2015	$600,000	$1,200,000	$1,200,000	$ 3,000,000
	2017	$275,000	$0	$151,500	$ 275,000
Ronald A. Jordan,	2016	$0	$0	$0	$ 0
CFO (2)	2015	$0	$0	$0	$ 0
	2017	$212,000	$40,000	$0	$ 252,000
Erick A. Fernandez,	2016	$212,000	$40,000	$63,228	$ 305,228
CAO and Treasurer (3)	2015	$0	$0	$0	$ 0

(1) Of the amount noted in long-term incentive awards for 2015, $600,000 was paid in cash and $600,000 was granted as restricted stock. The annual incentive award was paid in 2018 for short-term performance goals met in 2017. The 2017 long-term incentive award of 68,530 shares of restricted stock was granted in 2017 for performance-based goals to be met over a three-year period from 2017 to 2019, of which certain goals were not met in 2017, resulting in the forfeiture of 15,229 shares from this grant. The annual incentive award for 2017 was also subject to the Company achieving a minimum threshold of net income for 2017, which was achieved.
(2) Mr. Jordan joined the Company in April 2017. Mr. Jordan received $100,000 for relocation expenses in 2017 and a grant of 10,000 shares of restricted stock as part of the terms of his employment with the Company.
(3) Mr. Fernandez became the Company's Interim Chief Financial Officer and Treasurer in June 2016 and became the Company's Chief Accounting Officer in April 2017. The annual incentive award for Mr. Fernandez was paid pursuant to a bonus agreement entered into prior to his appointment as the Interim Chief Financial Officer pursuant to which he was entitled to receive a minimum bonus of $40,000 for 2016 and 2017. The long-term incentive award consists of restricted stock vesting over three years that was granted to him also prior to his appointment as Interim Chief Financial Officer.

Shareholder Outreach and "Say-on-Pay"

At our advisory shareholder vote on executive compensation in 2017, our say-on-pay proposal received the affirmative vote of 88.6% of the shares voted on the proposal. This was a significant improvement over the results of the 2016 say-on-pay vote, and reflects the Compensation Committee's meaningful efforts during 2017 to seek and receive feedback and guidance from shareholders and others regarding the Company's executive compensation practices. These efforts are designed to better understand and address investor concerns, while continuing to evolve our compensation practices in a way that both meets the Board's compensation goals and benefits our shareholders.

Outreach Process. The Compensation Committee discussed the results of the 2016 say-on-pay vote at its meetings with investors following the 2016 annual shareholders meeting, and directed that the Company engage in a comprehensive outreach program that went beyond its ordinary-course investor relations program. The outreach process was led by the Chairman of our Compensation Committee, Richard W. Wilcox Jr., who participated in all discussions with investors. Other participants in our outreach process included our Corporate Secretary and, as necessary or appropriate, outside counsel, our independent compensation consulting firm, and MacKenzie Partners, our proxy solicitation firm. The Compensation Committee was given regular updates on investor feedback during these discussions.

Extent of Outreach. During the course of our outreach during 2017, we contacted all of the Company's top 30 shareholders, representing approximately 62% of our outstanding common stock. We received responses from and engaged in dialogue with seven of these shareholders, each of which owned at least 0.3% of our outstanding shares. We will continue this outreach process during the months preceding our 2018 annual meeting. We also held discussions with the major proxy advisory firms during 2017 and 2018 to learn more about their perspectives, policies and evaluation of our executive compensation program.

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The Compensation Committee carefully considered the shareholder feedback and guidance it received in 2017 and undertook a comprehensive review of, and made several positive changes to, our executive compensation program for 2017 and 2018.

What We Heard	How We Responded
§ The metrics used to determine awards under the short and long-term incentive plans should be different from one another and closely tied to Company performance, and Compensation Committee should minimize discretionary payouts.	§ The Compensation Committee eliminated discretionary payouts from our Chief Executive Officer's incentive compensation. For 2017, the Compensation Committee approved a new formula-based short and long-term incentive plan structure for evaluating our Chief Executive Officer's performance beginning in 2017, with 50% of his incentive award based on annual financial goals that reflect the Company's financial and operating performance on a year-to-year basis, and 50% based on long-term financial goals that reflect the growth realized by the Company's shareholders over a more extended horizon. This incentive structure continues in 2018.
§ Our historical reliance on time-based vesting of equity awards should be reduced, with the emphasis instead on performance-based vesting of equity.	§ Beginning in 2017, a portion of our Chief Executive Officer's awards granted under the long-term incentive plan were granted 100% in the form of performance-based equity.
§ Awards made under the long-term incentive plan should be granted predominantly in the form of equity, rather than cash.	
§ The Company should clearly disclose the performance metrics, goals and weighting that were considered when determining our Named Executive Officers' incentive compensation payouts.	§ We have substantially revamped and restructured our Compensation Discussion and Analysis to provide a more detailed and transparent presentation of the alignment between pay and performance. Although the Company does not provide earnings guidance, and accordingly has not disclosed the specific measurement levels for the performance metrics, we have expanded our disclosures to describe how the measurement levels were determined.
§ The Company should consider amending its executive employment agreement(s) from a "single-trigger" for the payment of change of control bonus to a "double-trigger" for payment.	§ We amended our Chief Executive Officer's employment agreement to provide for a "double-trigger" for payment of his change of control bonus and to modify the calculation of that bonus to be based on the average of the Chief Executive Officer's actual bonuses received for the three years prior to the change of control.

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Evaluation Process

The Compensation Committee conducts an annual review of the total compensation of our executive officers, executive compensation, as well as the mix of elements used to compensate our Named Executive Officers. This review is based in part on an analysis of feedback from shareholders and current best practices in executive compensation and in part on a survey of executive compensation paid by various comparable publicly traded property and casualty insurance companies as reported in each company's proxy statement. In evaluating executive compensation programs of peer companies, the Compensation Committee considers both a group of direct peers and a broader group of peers.

For 2017, our direct peer group encompassed publicly traded companies that compete with us in the Florida homeowners' insurance market, a market with unique performance characteristics and competitive factors:

- Heritage Insurance Holdings, Inc. (NYSE: HRTG)
- HCI Group, Inc. (NYSE: HCI)
- United Insurance Holdings Corp. (NASDAQ: UIHC)
- Universal Insurance Holdings, Inc. (NYSE: UVE).

This direct peer group remains the same for 2018.

In addition to the four Florida-based insurance companies listed above, the Company included the following companies in its peer group for comparison purposes for 2017:

- Safety Insurance Group Inc. (NASDAQ: SAFT)
- Donegal Group Inc. (NASDAQ: DGICA)
- Greenlight Capital Re Ltd. (NASDAQ: GLRE)
- Third Point Reinsurance Ltd. (NYSE: TPRE)
- Hallmark Financial Services (NASDAQ: HALL)
- First Acceptance Corp. (NYSE: FAC)
- Atlas Financial Holdings Inc. (NASDAQ: AFH)
- RLI Corp. (NYSE: RLI)
- EMC Insurance Group Inc. (NASDAQ: EMCI)
- Baldwin & Lyons (NASDAQ: BWINB)
- Atlantic American Corp. (NASDAQ: AAME)

These additional peers provide the Compensation Committee with a broader perspective of compensation practices among relevant insurance companies. The Committee assessed the competitiveness of the Company's compensation program in comparison to the entire peer group, as well as the subset of the Company's direct peers listed above who are the Company's primary publicly traded competitors in the Florida homeowners' insurance market.

We also consider the industry knowledge and experience of our Committee members to be an important component of our compensation review process. Our Committee members each have substantial management experience in running businesses in the insurance, financial services and legal services industries, many of which have substantial management teams. As a result, their personal experience extends to developing and implementing management compensation and incentive programs, enabling our Committee members to use that experience when reviewing the Company's executive compensation programs and working with MacKenzie Partners to make appropriate updates.

The Compensation Committee has worked with compensation consultants in prior years, and also regularly reviews internally compiled data about the compensation practices of our competitors. For the 2017 fiscal year, the Compensation Committee also received assistance from MacKenzie Partners, which had been retained to assist the

Board in updating the Company's corporate governance practices generally, assist with a review and update of the Company's executive compensation practices, and assist with the Company's shareholder engagement program for 2017. The Compensation Committee, on multiple occasions, spoke with a representative of MacKenzie Partners to discuss MacKenzie Partner's experience and recommendations. MacKenzie Partners participated in meetings of the Compensation Committee at the request of the committee, met with the Compensation Committee in executive sessions without the presence of management, and communicated with the Chairman of the Compensation Committee with respect to emerging issues. The Compensation Committee may use the services of consultants in the future to assist it in providing a fair and competitive compensation plan for its executives.

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Elements of Compensation

The Compensation Committee has been committed to updating the Company's executive compensation programs to reflect the Company's growth and the evolution of best practices, and to reflect the feedback received as a result of our outreach to our largest shareholders. In that regard, the Compensation Committee approved in 2016 and 2017 a significant revamp of the Company's compensation practices, in particular the incentive compensation of the Company's Chief Executive Officer and President. The Company's executive compensation programs for its Named Executive Officers consist of elements described below.

Base Salary. The Compensation Committee annually reviews the base salaries of the Named Executive Officers, and considers a number of factors, such as each Named Executive Officer's level of responsibility, performance during the prior fiscal year (with respect to specific areas of responsibility and on an overall basis), past and present contributions to and achievement of Company goals, historical compensation levels of the Named Executive Officer, and the Company's financial condition and results of operations.

Because of the unique performance characteristics and competitive factors in the Florida homeowners' insurance industry, the Compensation Committee believes comparing the Company's executive compensation to that of its direct peer group of Florida-based insurers, Heritage Insurance Holdings, Inc. (NYSE: HRTG), HCI Group, Inc. (NYSE: HCI), United Insurance Holdings Corp. (NASDAQ: UIHC) and Universal Insurance Holdings, Inc. (NYSE: UVE), provides the most meaningful insights into executive compensation. The unique factors that strongly influence the financial results of the Florida homeowners' insurers include, among other things: the significance and complexities of exposure management, the potential occurrence of one or more severe hurricanes that can materially affect financial performance and has periodically driven national competitors from the market, the existence and large presence with the Florida market of a state-controlled insurer-of-last-resort in Citizens Property Insurance Corporation ("Citizens") and the extent to which Citizens is seeking or reducing policies at any time and the market impact of fluctuations in its risk appetite, the significant percentage of properties in high-risk coastal areas, and the litigiousness of the Florida market. Accordingly, the Compensation Committee's analyses for 2016 and 2017 focused significantly on our Chief Executive Officer's base salary as compared to the annual base salaries of the Chief Executive Officers of our Florida-based direct peer group, as described in the table below:

Company	2016 Annual CEO Salary (A)	2017 Annual CEO Salary (B)
Universal Insurance Holdings, Inc.	$ 2,306,456	$ 2,217,500
Heritage Insurance Holdings, Inc.	$ 2,000,000	$ 2,100,000
United Insurance Holdings Corp.	$ 966,667	$ 1,000,000
Federated National Holding Company	$ 993,846	$ 1,000,000
HCI Group, Inc.	$ 934,479	$ 950,000
Median (excluding FNHC)	$ 1,483,334	$ 1,550,000

(A) As reported in each company's summary compensation table.
(B) As reported in each company's narrative proxy statement disclosures.

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The data from the table above enabled the Compensation Committee to measure our Chief Executive Officer's base salary against the base salary levels for the chief executive officers of our Florida-based direct peer group. For 2017, based on the Company's results for 2016 and a comparison of Mr. Braun's salary to that of the direct peer group, Mr. Braun's base salary remained the same. The Compensation Committee also determined that Mr. Braun's salary should remain the same for 2018.

Our Chief Financial Officer's base salary for 2017 was based on the Company's analysis of market rates. For 2018, our Chief Financial Officer's base salary was increased to $290,000 and our Chief Accounting Officer's base salary remains at $212,000.

Incentive Compensation. Consistent with the Company's pay-for-performance philosophy of compensating our Named Executive Officers for the Company's achievements for the prior year and their roles in those achievements, and reflecting the feedback received from our outreach to our largest shareholders, in 2017 the Compensation Committee completely revamped the incentive compensation of our Chief Executive Officer. As a result of this revamp, Mr. Braun's incentive compensation for 2017 was entirely performance-based and any discretionary components were eliminated. This revamped compensation structure remains in place for our Chief Executive Officer for 2018 and has been implemented for our Chief Financial Officer. As part of this revamp, the Compensation Committee required for the annual bonus that the Company's net income achieve a specified minimum threshold, in addition to the performance criteria described below.

For 2017, 50% of Mr. Braun's performance-based incentive compensation consisted of an annual bonus payable in cash based in equal parts on increasing gross revenues, controlling expenses and targeted EBITDA. The Compensation Committee determined that these annual financial and operating metrics selected for the annual incentive plan appropriately reflected the important measurements of the Company's results of operations on a year-to-year basis, and provided incentives to grow the Company's business in a cost-effective way.

The remaining 50% of Mr. Braun's 2017 incentive compensation consisted of a long-term incentive bonus payable in equity, based in equal parts on return on equity ("ROE"), increased book value and relative total shareholder return over three years ("Relative TSR"). The ROE and increase in book value metrics are measured over successive one-year performance periods (but would not be reset from period to period), and the equity granted vests 1/3 annually beginning one year after the grant date.

The metrics selected by the Compensation Committee for the 2017 long-term incentive plan are appropriate measures of the Company's success over a longer time horizon, with particular emphasis on the measurements that are meaningful to the Company's shareholders and relevant to the Company's long-term business strategy and also contemplate the unique aspects of the Company's business, in particular the material impact of hurricanes and other severe weather events that are inherently difficult to predict during any one year. The Compensation Committee believes that the annual measurement of the ROE and increase in book value metrics provides an appropriate means of measuring long-term performance in an industry where external events that can have a material impact on the Company's financial and operational results (i.e., hurricanes) occur during annual intervals.

The Compensation Committee combined the ROE and increase in book value metrics with a Relative TSR metric measured over a three-year performance period, with the equity cliff vesting at the end of the three-year performance period based on the Company's performance relative to its direct peer group of Florida-based homeowners' insurers. For the Relative TSR metric, the Compensation Committee determined that the most appropriate comparison of the Company's performance would be to this direct peer group of Florida-based homeowners' insurers because of the unique competitive aspects of the Florida homeowners' insurance market and because external factors such as hurricanes would likely impact all of the members of the direct peer group in a more consistent way. The Compensation Committee believes as well that the Company's performance measures are appropriate when compared to the Company's broader peer group.

The Compensation Committee determined the specific measurement levels for 2017 for the chosen performance metrics by extrapolating each metric's target level from the Company's recent actual performance results with a factor for growth of the Company. The Committee also considered the Company's projected and longer-term historic performance, as well as that of the direct peer group of Florida-based homeowners' insurers and of the property and casualty insurance industry generally, when determining the target levels for each metric.

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The target levels of the metrics are intended to incentivize our Chief Executive Officer to direct the Company's continued growth in a reasonable and efficient manner, while the maximum levels are intended to reward extraordinary accomplishments. The threshold levels reflect that, while the Company's results can be severely impacted by events completely beyond the Company's control, the Company's ability to manage its exposure, effectively structure its reinsurance program and take other steps to improve expense control can mitigate the impact of those events.

For 2017, the Company's performance as compared to the metrics used in our Chief Executive Officer's annual bonus plan was as follows:

- Revenue growth was 27.5%, which exceeded the maximum level of 20%;
- Expense control was 40.4%, which exceeded the target level of 40.0%; and
- EBITDA was $9 million, which was below the minimum.

As a result, for 2017, Mr. Braun received a cash bonus under the annual plan of $698,333.

The Company's performance as compared to the metrics used in our Chief Executive Officer's long-term bonus plan was as follows:

- ROE was (3.0%), which was below the minimum;
- Increase in book value was 1.7%, which was below the minimum; and
- The Relative TSR metric will not be determined for two more years.

As a result, Mr. Braun forfeited 15,229 performance-based shares that had been granted under the long-term plan.

For 2018, the Compensation Committee maintained substantially similar metrics for our Chief Executive Officer's annual and long-term bonuses except that the ROE metric was moved to the annual bonus from the long-term bonus and that the revenue growth metric was moved to the long-term bonus from the annual bonus. The Compensation Committee chose to switch the location of the ROE and revenue growth goals within the bonus plan to better align the Company's short-term and long-term goals. The Compensation Committee considers ROE to be an important component of the valuation of our Company and therefore emphasized it more by moving it to the annual incentive bonus. The Compensation Committee believes that this change is consistent with the view that annual incentive bonuses should be based on actions with a more immediate focus, such as expense control, return on equity and EBITDA, while long-term incentive bonuses should be based on shareholder return, growth in book value, and growth in revenue. Revenue growth is important to the Company's long-term objectives and moving it to the long-term incentive bonus recognizes that initiatives to grow revenues have a longer horizon to implement and to realize the resulting benefits. With the changes made to the 2018 plan, the Compensation Committee believes the incentive plan appropriately balances our Chief Executive Officer's focus on both the short-term and long-term success of the Company.

The Compensation Committee also considered that Mr. Braun will receive no increase in base salary for 2018 when determining the minimum, target and maximum percentages of base salary for his 2018 incentive compensation plan. In addition, the Compensation Committee believes that our Chief Executive Officer's prospective maximum payout under his annual and long-term incentive compensation plan for 2018 as compared to the most recent incentive compensation reported by the Company's Florida-based direct peer group demonstrates that Mr. Braun's maximum potential payout is well within the range of the actual awards made by the Company's direct peer group. The Compensation Committee believes that the Company's performance measures, as amended, are appropriate when compared to the Company's broader peer group as well.

The total payout for both the annual and long-term incentive bonuses on a combined basis will be based on Mr. Braun’s base salary of $1,000,000 for 2018, at the threshold, target and maximum payout factors indicated in the table below. No payouts will be made under the annual incentive plan unless the Company’s 2018 net income is above a minimum threshold pre-determined by the Compensation Committee.

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2018 Annual Incentive Plan: Incentive Plan Payout Factors

Performance Metrics	Weight	Threshold		Target		Maximum	
Return on Equity	0.167	1.00	(a)	1.75	(b)	2.50	(c)
Expense Control	0.167	1.00	(a)	1.75	(b)	2.50	(c)
EBITDA	0.167	1.00	(a)	1.75	(b)	2.50	(c)

2018 Long-Term Incentive Plan: Incentive Plan Payout Factors

Performance Metrics	Weight	Threshold		Target		Maximum	
Increase in Gross Revenues	0.167	1.00	(a)	1.75	(b)	2.50	(c)
Increase in Book Value	0.167	1.00	(a)	1.75	(b)	2.50	(c)
Relative TSR (3-Year)	0.167	1.00	(a)				