FEDERATED NATIONAL HOLDING CO
Form 10-K/A
April 29, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

þ Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2015
or
¨ Transition Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period of _____________to_______________
Commission file number: 000-25001

Federated National Holding Company
(Exact name of registrant as specified in its Charter)

Florida	65-0248866
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No)

14050 N.W. 14th Street, Suite 180, Sunrise, Florida 33323
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 800-293-2532

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Exchange Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has electronically submitted and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the Registrant’s common stock held by non-affiliates was $312,306,493 on June 30, 2015, computed on the basis of the closing sale price of the Registrant’s common stock on that date.

As of March 7, 2016, the total number of common shares outstanding of Registrant's common stock was 14,241,207.

DOCUMENTS INCORPORATED BY REFERENCE
None

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EXPLANATORY NOTE

The purpose of this Amendment No. 1 on Form 10-K/A ("Amendment No. 1") is to include the information required by Items 10 through 14 of Part III of Form 10-K, which was omitted from Federated National Holding Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 as filed on March 14, 2016 (the "Original Form 10-K"). Except as expressly set forth in this Amendment No. 1, no portion of the Original Form 10-K is being amended or updated by this Amendment No. 1.

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PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth certain information with respect to our executive officers and directors as of April 28, 2016:

Name	Age	Position with the Company
Michael H. Braun (5)	48	Chief Executive Officer, President, Class I Director
Peter J. Prygelski III (2)	47	Chief Financial Officer, Treasurer, Class I Director
Bruce F Simberg (2)(3)(4)(5)	67	Chairman of the Board, Class II Director
Jenifer G. Kimbrough (1)(3)(4)	45	Class I Director
Richard W. Wilcox Jr. (1)(3)(4)	74	Lead Director, Class II Director
William G. Stewart (2)(4)	67	Class II Director
Carl Dorf (1)(2)(4)	75	Class III Director
Thomas A. Rogers (3)(4)(5)	65	Class III Director

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

Our Articles of Incorporation provide that our Board of Directors shall consist 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 term expires at that annual meeting are elected for a three-year term. The current term of the Class I directors terminates on the date of our 2016 annual meeting. The current term of the Class II directors terminates on the date of our 2018 annual meeting and the current term of the Class III directors terminate as of the date of our 2017 annual meeting.

The following is a brief description of the business experience of each director and executive officer of the Company.

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 does not serve on the board of directors of any other Securities and Exchange Commission ("SEC") reporting company.

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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.

Peter J. Prygelski III was named Chief Financial Officer in June 2007 after serving as an independent director from January 2004 through June 2007 and was appointed as Treasurer in February 2008. Mr. Prygelski was re-nominated to the Board in June 2008 and has served as an inside director since that time. Mr. Prygelski has spent his entire career in the financial services industry. He spent 12 years at American Express in various capacities including; Director of Internal Audit and Assistant General Auditor of American Express Centurion Bank. In this capacity, Mr. Prygelski was responsible for the monitoring of internal controls for a bank with $45 billion in assets, and assessing and mitigating operational, reputational, regulatory and strategic risk. After leaving American Express, he spent the next three years at Ernst & Young and Deloitte and Touche. At both firms, Mr. Prygelski served as a senior manager responsible for growing the financial services practice in the Southeast. He managed teams that provided Fortune 500 companies with consulting services in the following areas; Finance Transformation, Finance Operations Effectiveness, Financial Reporting, Cost Optimization, Governance, Risk and Compliance Services, and Board of Directors Performance. Mr. Prygelski does not serve on the board of directors of any other SEC reporting company.

Mr. Prygelski’s significant experience in financial reporting, audit, compliance and internal controls with companies in the financial services industry, and his knowledge of investment management, have been an essential component of the Company’s growth in recent years.

Bruce F. Simberg rejoined the Board on January 29, 2016, after serving as a Class II 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, Ganon, Krevans, Abel, Lurvey, Morrow & Schefer, P.A. (“Conroy Simberg”), a law firm in Fort Lauderdale, Florida, since October 1979. 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.

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 from the Alabama State Board of Public Accountancy in 1994. Ms. Kimbrough is an active member of several societies, including: American Woman’s Society of CPAs, Institute of Internal Auditors, Alabama State Society of CPAs and American Institute of CPAs. Additionally, she recently served on the AICPA Women’s Initiative Executive Committee and as National President of the AWSCPA. 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.

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 40 years. In 1963, Mr. Wilcox started an insurance agency that eventually developed 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.

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Mr. Wilcox provides the Board with his substantial experience with insurance agency operations and his overall knowledge of the insurance industry.

William G. Stewart was appointed to serve as a director of the Company beginning October 1, 2015. Mr. Stewart joins the Board with 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, and from 2003 to 2007 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 1990 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.

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.

Carl Dorf, has served as a director of the Company since August 2001. Mr. Dorf has over 40 years of diversified investment experience as a security analyst, portfolio manager, mutual fund manager and hedge fund manager. He earned the Chartered Financial Analyst (CFA) designation and in the past served as director of the Los Angeles Society of Security Analysts. Since April 2001, Mr. Dorf has been the principal of Dorf Asset Management, LLC, and is responsible for all investment decisions made by that company. From January 1991 to February 2001, Mr. Dorf served as the Fund Manager of ING Pilgrim Bank and Thrift Fund. Prior to his experience at Pilgrim, Mr. Dorf was a principal in Dorf & Associates, an investment management company. Mr. Dorf does not serve on the board of directors of any other SEC reporting company.

Mr. Dorf brings to the Board substantial experience in investment management, and provides the Board with important perspectives from the investors' point of view as a result of his many years' experience as an analyst and fund manager.

Thomas A. Rogers was appointed to serve as a director of the Company beginning 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 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.

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 certain provisions of the Company's articles of incorporation and bylaws, which reflect anti-takeover provisions that were typical when the Company first became publicly traded in 1998 and which have fallen out of favor with investors. 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, including the Company's articles of incorporation and bylaws. 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.” The Board believes that certain of the Company’s current corporate governance practices and provisions of its articles and bylaws continue to have merit for a public company that is a comparable size to the Company and that is in the Company’s industry. Still, the Board agrees that updating of the Company’s corporate governance practices are advisable now and has approved the following actions:

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- With Bruce F. Simberg's return to the Board January 2016, we again have separated the roles of Chairman of the Board and Chief Executive Officer.

- 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 the 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 also prohibited hedging the Company’s common stock and prohibited pledging the Company’s common stock except in limited circumstances as approved by the Board.

- The Board intends to propose at the upcoming annual meeting of shareholders amendments to the Company’s articles and bylaws to reduce the supermajority requirement (66-2/3% of the shares outstanding) to amend certain provisions to a majority of shares outstanding.

- The Board intends to propose at the upcoming annual meeting of shareholders an amendment to the Company’s articles and bylaws to reduce the percentage of shares required to call a special meeting from 33% to 20%.

- The Board has approved amending the Company’s bylaws to implement a majority voting standard for uncontested elections of directors.

In addition to these updates to the Company’s corporate governance and articles and bylaws, the Board added two new independent directors in 2015 and separated the roles of Chairman of the Board and Chief Executive Officer with Bruce F. Simberg’s return to the Board. The Board believes that these steps are all significant steps forward as the Company continues its growth.

Leadership Structure and Risk Oversight

The Chairman of the Board typically presides at all meetings of the Board. The Chairman is elected to serve by the directors. During 2015, Michael H. Braun, our Chief Executive Officer and President, served as our Chairman, and Richard W. Wilcox Jr., an independent member of the Board since 2003, served as the Board’s Lead Independent Director. Bruce F. Simberg rejoined the Board in January 2016 and has resumed his role as Chairman. Mr. Wilcox as Lead Director, will continue to work with Mr. Simberg to ensure that the independent members of the Board continue to have effective and current communications among themselves and with the Company’s management. The responsibilities of the Company’s Chairman of the Board are: (i) presiding at all meetings of the Board (with the Lead 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 and Chief Financial Officer currently serve as the only members of management on the Board.

The Company believes that its Board as a whole should encompass a range of talent, skill, diversity, and expertise enabling it 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 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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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 Directors Compensation Committees, allow regular risk oversight and monitoring, and deeper analysis of issues before the Board. The Audit and Compensation committee structures also require committees to be comprised 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. In addition, among their other respective duties, the Board and Audit Committee each conduct an annual assessment to evaluate their effectiveness.

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 and maintaining effective internal controls over financial reporting. 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. Our Investment Committee oversees the risks related to managing our investment portfolio. Our Directors Compensation Committee has been responsible for reviewing and recommending our non-employee director compensation plans and arrangements. 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 2015, the Board of Directors held eight regular meetings, seven special meetings and took actions by written consent on three occasions. During 2015, 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. Last year, the five directors that constituted the entire Board at the time attended our annual meeting.

The Board has determined that the following directors continue to be independent pursuant to the Nasdaq Rules applicable to the Company: Bruce F. Simberg, Carl Dorf, Richard W. Wilcox Jr., Jenifer G. Kimbrough, William G. Stewart and Thomas A. Rogers.

The standing committees of the Board of Directors in 2015 were the Audit Committee, the Compensation Committee, the Nominating Committee, the Investment Committee, and the Directors Compensation Committee. Charters for the Audit, Compensation and Nominating Committees are available upon the Company's website at www.FedNat.com. The charters of the Audit, Compensation and Nominating Committees are also available in print to any shareholder upon request from our Corporate Secretary.

Audit Committee. As of December 31, 2015, the Audit Committee was composed of Jenifer G. Kimbrough, who served as the Chair, Richard W. Wilcox Jr. and Carl Dorf. 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 was designated as a "financial expert" as that term is defined in the applicable rules and regulations of the Exchange Act. The Board determined that Ms. Kimbrough was a "financial expert" as defined in the applicable rules and regulations of the Exchange Act based on her understanding of GAAP and financial statements; her ability to assess the general application of GAAP in connection with the accounting for estimates, accruals and reserves; her experience preparing, auditing, analyzing or 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; her understanding of internal controls and procedures for financial reporting;

and her understanding of audit committee functions. The Audit Committee held five regular meetings in fiscal 2015 and four special meetings.

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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 minimus 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, 2015, the Company's Compensation Committee was composed of Jenifer G. Kimbrough 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 2015, the Compensation Committee held two regular meetings.

For the 2015 fiscal year, the Compensation Committee engaged the independent executive compensation consulting firm of Meridian Compensation Partners, LLC ("Meridian") to review the structure and competitiveness of the Company's executive and director compensation for 2015. Meridian provides no other services to the Company other than those directly to the Compensation Committee relating to executive and director compensation. Meridian attends meetings of the Compensation Committee at the request of the committee, meets with the Compensation Committee in executive sessions without the presence of management, and communicates with the Chairman of the Compensation Committee with respect to emerging issues.

The Compensation Committee Chairman and certain Company officials furnished Meridian with information concerning the compensation of its executives and copies of their employment contracts. After review, Meridian provided the Compensation Committee with a detailed report concerning its current and future executive compensation program along with observations of comparable companies. The Compensation Committee met with a representative of Meridian to review and discuss their findings and recommendations. The Compensation Committee may use the services of Meridian or other comparable companies in the future to assist it in providing a fair and competitive compensation plan for its executives.

Nominating Committee. As of December 31, 2015, the Company's Nominating Committee was composed of Jenifer G. Kimbrough, Carl Dorf, and Richard W. Wilcox Jr. Each member is independent as defined by the Nasdaq Rules.

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.

It is the Board's policy to identify qualified potential candidates without regard to any candidate's race, color, disability, gender, national origin, religion or creed. 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.

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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, 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, 2015, the Company's Investment Committee was composed of Peter J. Prygelski III, Carl Dorf, and William G. Stewart. The Investment Committee manages our investment portfolio pursuant to its adopted Investment Policy Statement. Mr. Dorf serves as the Chairman. During fiscal 2014, the Investment Committee held four regular meetings and took action by written consent on one occasion.

Directors Compensation Committee. As of December 31, 2015, the Company's Directors Compensation Committee was composed of Michael H. Braun, Richard W. Wilcox Jr. and Jenifer G. Kimbrough. The Directors Compensation Committee performs the duties and responsibilities pursuant to its charter, which includes reviewing and recommending the compensation of the Company's independent directors for approval by the full Board of Directors. During fiscal 2015, the Directors Compensation Committee held three regular meetings and Mr. Wilcox served as the Chairman. In March 2016, the Board determined to transfer the responsibilities of this committee to the Board's Compensation Committee.

Business Development Committee. This committee was formed in March 2016 to provide advice, oversight and guidance both to management of the Company and to the Board on matters involving (i) the Company's development of programs and projects, and (ii) acquisitions of new technologies or products and other business opportunities of strategic importance to the Company. Mr. Rogers will serve as the Chairman.

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 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, 2015, our officers, directors and greater than 10% shareholders timely filed all reports required by Section 16(a), except for the Form 3 filed by Thomas A. Rogers on the 14th day following his appointment to the Board of Directors due to delayed receipt of his filing codes from the SEC.

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ITEM 11 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 2015 for our "Named Executive Officers," describes the process through which the decisions regarding executive compensation are made, and describes the results of this decision-making process. Our Named Executive Officers for fiscal 2015 are our Chief Executive Officer and President and our Chief Financial Officer.

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 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 Company's 2015 Performance

The Company's financial results were strong for 2015, reflecting achievement of important Company goals and resulting in increased shareholder value:

- 32.9% increase in Florida homeowners' policies to approximately 243,000 and a 41% increase in our market share;
- 30.9% increase in gross written premiums to $493.8 million;
- 24.5% increase in total revenues to $249.9 million;
- 13.8% increase in pre-tax net income to $65.2 million;
- 9.9% increase in net income attributable to the Company's shareholders to $40.9 million;
- 28.6% increase in book value per share, including non-controlling interest, to $18.17;
- Operating expenses as a percentage of total revenue, excluding start-up costs relating to the organization of Monarch National Insurance Company ("Monarch"), remaining flat even with the Company's growth;
- Continued development of our partnerships to expand the policies we write, including our agreement with Allstate;
- Completion of Monarch's organization and its approval to begin writing homeowners' insurance in Florida; and
- Increases in the Company's dividend from $0.04 per share to $0.05 per share beginning December 1, 2015, with a further increase to $0.06 per share beginning June 1, 2016.

These 2015 accomplishments followed another extremely successful year in 2014, in which the Company achieved a 57% increase in Florida homeowners' policy count to 182,557, a 55% increase in gross written premiums to $377.2 million, a 192% increase in net income to $37.2 million, and a 42% increase in book value per share to $14.13.

Therefore, in reviewing our Named Executive Officers' compensation and incentive programs for 2015, the Compensation Committee considered the Company's significant achievements in 2015, which continued the positive trends in 2014. The Compensation Committee also took into account the Named Executive Officer's contributions to these achievements, his role in the Company's goals and plans for 2016, his experience and knowledge, and his tenure with the Company. The Compensation Committee believes that the objectives of the Company's compensation programs were met and that the Company's compensation programs appropriately compensated our Named Executive Officers for their performance in 2015.

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Changes Since Our Last Advisory Vote on Compensation

Our last advisory shareholder vote on executive compensation occurred in 2013, at which time our shareholders approved our say-on-pay proposal by the affirmative vote of 69% of the shares voted on the proposal. The Company has grown significantly, both in revenues and market capitalization, since that advisory vote. The Compensation Committee has also received additional feedback and guidance from shareholders and others regarding the Company's executive compensation practices. With that feedback and guidance in mind, and being cognizant that the Company has grown substantially in recent years, the Compensation Committee has undertaken a comprehensive review of our executive compensation program. The following actions have been taken as a result of that comprehensive review:

- The Compensation Committee has approved a new formulaic structure for evaluating our Named Executive Officers' annual performance beginning in 2016. Payouts will be based on the following: pre-tax income (45% weight), return on equity (45% weight), and executive-specific goals (10%). The pre-tax income and return on equity components have specified performance levels that will result in threshold, target and maximum payouts.
- The Compensation Committee has approved, including in our Named Executive Officers' long-term incentive program, future performance vesting for 25% of the equity portion of their awards that will be granted for 2016 performance. This is a change from our prior approach which has used only time-based vesting for awards.
- The Board approved a clawback policy pursuant to which the Company will have the right to recover cash or equity incentive-based compensation granted to our Named Executive Officers during the preceding three fiscal years should our financial statements require restatement as a result of knowing violation of SEC rules and regulations, U.S. generally accepted accounting principles, other applicable legal or regulatory requirements, or Company policy by a Named Executive Officer.
- The Board approved stock ownership and retention guidelines, pursuant to which our Chief Executive Officer is required to hold shares of the Company's common stock with a value of at least six times his annual salary rate, and our Chief Financial Officer is required to hold shares with a value of at least three times his annual salary rate. The guidelines further provide that the Named Executive Officers should achieve the guideline amounts within five years of the policy's adoption and, until the guideline amounts are achieved, the Named Executive Officers 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 also prohibited hedging the Company's common stock and prohibited pledging the Company's common stock except in limited circumstances as approved by the Board.
- The total compensation packages of our Named Executive Officers have been reconfigured so as to avoid the need for one-time awards to remain in line with the Company's peer group.
- The Board has approved increasing the frequency of the advisory shareholder vote on executive compensation to annually.

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Evaluation Process and Update of Peer Group

The Compensation Committee conducts an annual benchmark review of the aggregate level of our executive compensation, as well as the mix of elements used to compensate our Named Executive Officers. This review is based 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. For 2015, our direct peer group encompassed publicly traded companies that compete with us in the Florida homeowners' insurance market: Heritage Insurance Holdings, Inc. (NYSE: HRTG), HCI Group, Inc. (NYSE: HCI), United Insurance Holdings Corp. (NASDAQ: UIHC) and Universal Insurance Holdings, Inc. (NYSE: UVE). The Compensation Committee also reviewed survey data reflecting both insurance industry and general industry pay practices.

For the 2015 fiscal year, the Compensation Committee engaged Meridian, an independent executive compensation consulting firm, to review the structure and competitiveness of the Company's executive and director compensation for 2015. Meridian provides no other services to the Company other than those directly to the Compensation Committee relating to executive and director compensation. Meridian attends meetings of the Compensation Committee at the request of the committee, meets with the Compensation Committee in executive sessions without the presence of management, and communicates with the Chairman of the Compensation Committee with respect to emerging issues.

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 Meridian to make appropriate updates.

Meridian was provided with information about our Named Executive Officers' historical compensation and the Company's financial results, and was provided copies of their employment agreements. Meridian then delivered to the Compensation Committee a detailed report comparing the Company's current executive compensation program to those comparable companies, together with recommendations for future updates. The Compensation Committee, on multiple occasions, met with or spoke with a representative of Meridian to review and discuss Meridian's findings and recommendations. The updates to our executive compensation programs described below reflect, to a significant degree, the adoption of Meridian's recommendations by the Compensation Committee and the Board. The Compensation Committee may use the services of Meridian or other comparable companies in the future to assist it in providing a fair and competitive compensation plan for its executives.

During 2015, with the assistance of Meridian, the Compensation Committee also updated the peer group used for comparison purposes when analyzing the Company's executive compensation programs. In addition to the four insurance companies listed above, which the Company considers its direct peer group, the Company included the following companies in its peer group for benchmarking purposes:

– 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 were included to provide the Compensation Committee with a broader perspective of compensation practices among relevant insurance companies. The committee assessed the competitiveness of our compensation program in comparison to the entire peer group, as well as the subset of our direct peers who are competitors in the Florida homeowners' insurance market.

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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. In that regard, the committee has approved updates to the Company's compensation practices, as described above. For 2015, the Company's executive compensation programs for its Named Executive Officers consisted of elements described below.

Base Salary. The Compensation Committee annually reviews the base salaries of the Named Executive Officers, which were established initially in their respective employment agreements. Subsequent increases in their base salaries have been approved by the Compensation Committee after consideration of a number of factors, which include 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. The Compensation Committee also considers the median base salary levels for executives in similar positions with similar responsibilities at companies of comparable size in the insurance and financial services industries when reviewing our Named Executive Officers' base salaries. That review indicated that Mr. Braun's base salary has been below the median for the Company's peer group and lowest among our direct peer group, and Mr. Prygelski's salary has been below the median of our peer group.

The Compensation Committee reviewed the compensation analysis report prepared by Meridian and, based on the factors described above, the Compensation Committee approved increases for fiscal 2015 to Mr. Braun's base salary to $600,000 and to Mr. Prygelski's base salary to $325,000.

Incentive Compensation Programs. The Company's incentive programs comprise an annual bonus component and a long-term incentive component.

Consistent with the philosophy of compensating our Named Executive Officers for the Company's achievements for the prior year and their roles in those achievements, the Compensation Committee determined to award annual performance bonuses to our Named Executive Officers for fiscal 2015. These annual bonuses may be paid either in cash or restricted shares, or a combination of both, at the election of the Named Executive Officer. Any restricted shares issued are subject to vesting one year following the date of the award.

In conjunction with the annual bonuses, the Compensation Committee makes use of long-term incentive bonuses. We believe that long-term performance is achieved through a culture that encourages a focus on the achievement of long-term goals by our management team, including our Named Executive Officers, by the use of long-term equity-based awards. Our equity plans have been established to provide certain of our employees, including our Named Executive Officers, with incentives to help align those employees' interests with the interests of our shareholders, without encouraging unnecessary or excessive risk. The Compensation Committee believes that the use of equity-based awards with longer vesting periods, typically five years, offers an additional method to achieving our compensation goals. Our stock incentive plans have historically provided the principal means by which our executive officers acquire equity in the Company. We expect to continue to provide a portion of total compensation to our Named Executive Officers through our stock incentive plan. To date, the Compensation Committee has made awards subject only to time vesting; beginning in the 2016 fiscal year, the Compensation Committee has approved the use of future performance vesting for 25% of the Named Executive Officers' long-term equity awards.

In early 2015, the Compensation Committee established incentive opportunities for our Named Executive Officers. For Mr. Braun, both the annual and long-term incentive targets were set at 100% of his salary. For Mr. Prygelski, the annual incentive target was set at 75% of salary and the long-term incentive target was set at 37.5% of salary. (The bonuses based on these targets are referred to as the "Target Bonuses.") Both the annual and long-term incentive targets could pay up to 200% of target for extraordinary performance (the "Extraordinary Bonuses").